

FINANCIAL STATEMENT.

11 B.—No. 1A.

The estimates of expenditure for those services of the General Government which are provincially charged have been, by strict economy on the part of the Government, reduced from £204,173, which was voted for them during the last session, to the sum of £172,069 for the current year, being a saving of no less than £32,104. Instead, however, of this saving being available for the purpose of effecting an instalment of that reduction in the taxation of the country which we are all anxious to see accomplished, the whole of it will swell the payments to be made from the Colonial Treasury to the several Provincial Governments. I need hardly say that under a financial system, of which this is an essential feature, any large reduction in the taxation of the Colony must be almost hopeless.

The payments made to the Provincial Treasuries during the last ten years have been as follows :—

	£	s.	d.
1858-59	60,615	1	5
1859-60	68,881	11	1
1860-61	108,174	0	8
1861-62	129,378	7	11
1862-63	214,531	12	2
1863-64	282,961	1	4
1864-65	289,273	6	1
1865-66	307,347	14	8
1866-67	322,902	9	2
1867-68 (Eleven months), including Interest and Sinking Funds, &c., paid for Provinces	292,506	19	8
TOTAL	£2,076,572	4	2

Instead, therefore, of its being true, as is often alleged, that the Colonial Government has crippled the action of the Provinces by a diminution of their resources, it has, whilst providing for the large and growing burdens of the Colony supplied them with constantly increasing funds, drawn, in the three last years, from the augmented taxation of the people. What, however, do we find to be the practical result upon the Provinces themselves of this financial system? If the estimated provincial moiety of Consolidated Revenue for the present year is compared with the necessary deductions to be made from it, on account of services provincially charged, and on account of Interest and Sinking Fund on Provincial Loans, it will be found that in four Provinces out of the nine, not only is there no surplus available for police, gaols, and harbour services, but the Provinces will actually be left in debt to the Colonial Government. In most instances, this result is owing to the heavy sums which have now become payable for Provincial Interest and Sinking Fund; in some to an actual falling off of revenue; and in many cases to the unfairness of the system by which the revenue accruing to each Province is at present determined. According to this system, the Consolidated Revenue is now credited to the particular Province in which it happens to be collected. No reference is made in the case of Customs duties, to the localities in which the duty-paid goods are consumed, and by the inhabitants of which, therefore, the duty is really paid. The practical result of this arrangement is that the Province of Otago receives a large share of the revenue really paid by the inhabitants of Southland and of Canterbury; in the same manner, Westland lives to some extent upon Nelson, which Province again despoils Marlborough; and this latter Province is in the unfortunate position of supplying revenue both to Nelson and Wellington. The extent to which this injustice operates may be estimated by the fact that, whereas the Customs duties collected in Wellington average during the past financial year £3 19s. 7d. per head of the population, in Marlborough the amount so collected averages only £1 7s. 8d., although there is no reason to suppose that its population consumes a less amount of duty-paid goods than that of Wellington. Various proposals have been made for remedying or alleviating the unfairness of the present mode of distributing the Customs Revenue, which has practically beggared Marlborough; but no solution of the difficulty has been found which would not interfere, to an almost unbearable extent, with the ordinary commercial operations of the country.

There are, however, still graver objections to which the partnership between the Provinces and the Colony are open. If, as has been asserted, concurrence of authority in matters of legislation is apt to produce uncertainty, confusion, and conflict, how much more must this principle be applicable to the case of a common purse? That part of the Constitution Act which made the Provinces and the Colony sharers in one common purse, has always appeared to me as one of its greatest defects. Bad in theory, it has proved most pernicious in practice; it has interfered grievously with the fair action of Representative Government in this House, delivering over one Ministry after another to provincial factions, presenting to the Government of the day the usual alternative of "More money, or your life." It is, Sir, I think, all but universally admitted to be radically wrong in principle that one Government should raise money and another spend it. Nothing is less likely to ensure care and economy in the disbursement of the proceeds of taxation; while, on the other hand, nothing is better calculated to ensure a prudent and economical administration of Public Revenues by any Government than that it should be brought face to face with the taxpayers, by whom such revenues are contributed.

After a careful consideration of the evils of the existing system, of the impediments which it presents to any early reduction in the taxation of the country, of its incurable unfairness as between different parts of the Colony, and in view of the financial difficulties under which some of the Provinces are now labouring, we have decided to recommend to Parliament that on the 1st of January next the partnership account should be finally closed, and that the funds, if any, which may be issued from the Treasury for provincial administration should be voted annually and for specific services by this Legislature. This will end the distinction which has for ten years been maintained between general and local charges. All the appropriations will be general appropriations. There will be no contingent balances to be the subject of dispute between the Colonial and Provincial Treasurers. The accounts will be reduced to the simpler and more natural form which they present in other civilized countries. As a necessary consequence of such a change it appears to us that the several Provincial Debts, which, by the Public Debts Act, have received the colonial guarantee, should cease to be charged to the Provinces by which they were incurred. A similar course will have to be adopted with respect to those portions of the Colonial Debts which have been allocated to particular Provinces. We have carefully considered the provision which will have to be made for police, gaols, and harbour departments. The latter we consider as a matter of economy, by means of combination with the Customs service, and as a safeguard affecting external commerce, should be placed entirely under the Colonial Government, which would, of course, receive the port dues and pilotage fees now paid to the Provinces. With respect to police and gaols the Government is of opinion that although it is incumbent upon it to make a reasonable provision for these indispensable services, it is desirable to preserve, where possible, the advantages of local administration. We propose, therefore, that the Assembly shall vote to the governing bodies in the several Provinces or other divisions of the Colony, a capitation grant based upon the census and annual estimates of population to enable or assist them to maintain police and gaols; that it should be a condition of such grants that they should be devoted to the specified services, and that accounts of the expenditure,