

of Westland North desiring and obtaining separation from the Province; for, as no part of those Provincial Loans have been spent in that district, it is probable that, in any financial adjustment between it and Nelson, the Province would be charged with the greater part, if not the whole, of its original debt. It is clear, therefore, that the loss to accrue to Nelson from our proposed consolidation is not a definite and fixed annual loss, certain to continue for the full period of thirty-six years. After fully considering the above circumstances, and the various political contingencies by which, within a period of thirty-six years, the present condition of things may be modified, the Government is of opinion that the reasonable claim of the Province of Nelson will be met by a payment to her of the sum of £90,000.

The case of Wellington is even more difficult to determine. She would lose by the new arrangement, because she would no longer receive any part of her neighbours' revenue; but also, to some extent, because her debts are small in proportion to her present population, which has increased considerably since the removal of the Seat of Government. We propose that payment should be made to Wellington of a lump sum of £15,000.

I must now ask the attention of the Committee to the subject of the Sinking Funds on both Colonial and Provincial Loans. With regard to the Sinking Funds on Provincial Loans, it was an evident omission in the Acts of last session that when the liability for their repayment was undertaken by the Colony, the control of the Sinking Funds by which that repayment was to be provided for, was not also vested in the Colonial Government, or, at any rate, in some body appointed by the General Assembly. We propose to remedy this defect, and to introduce a Bill vesting the Sinking Funds, both General and Provincial, in Commissioners, consisting of the Colonial Treasurer for the time being, of the Comptroller, and of two trustees, to be appointed by the General Assembly. Two exceptions must be made to this arrangement—First, the case of the Guaranteed Loan of 1856, of which the Sinking Fund is required to be invested by the Lords of the Treasury; and second, the guaranteed portion of the Loan of 1863, the Sinking Fund of which will doubtless continue to be invested as now by the Crown Agents. Nor can the arrangement apply to the new Consolidated Loan, the Sinking Fund of which will be applied in London, as it arises, in paying off portions of the Loan.

It will be seen from the tabular statement of the Colonial and Provincial Loans I have laid before the Committee that the accumulated Sinking Fund amounts on Colonial Loans to £194,595, and on Provincial Loans to £123,525. Of the first mentioned sum about £112,000 may be taken to belong to the loans guaranteed by the Imperial Government and issued at 4 Per cent., not affected by the consolidation, but assuming the whole of the remainder of the loans to be converted, there will be released for general purposes, as the consolidation progresses, £82,595 of the General Government Sinking Fund, and the whole of that on the Provincial Loans. The amount applicable to the bonds already converted is £31,081 13s. 1d. and £47,141 12s. 11d. respectively. The first question to be settled is to whom shall the Provincial Sinking Funds, as they become freed be paid over, and it is of course a question for the Legislature to determine. The Government is of opinion that if the Colony absolutely undertakes the payment of the Provincial Debts, it is but fair and reasonable that the Colony should have use of whatever provision has already been made towards such payment.

If the House should agree in this view of the case, there will come into the hands of the Commissioners of the Sinking Fund for immediate disposal a sum of £78,223 6s., and by degrees, as the holders of the remainder of the Provincial and Colonial Debentures agree to the terms of conversion, there will be a further sum so available of £115,724 15s. 7d., making a total of £193,948 1s. 7d. We propose that out of this sum there shall be paid to the Province of Nelson, in satisfaction of claims arising out of the consolidation of Provincial Loans, £90,000, and to the Province of Wellington £15,000—the balance, as it becomes available, to pay off, as far as practicable, Treasury Bills now in circulation. It may probably be suggested that this balance should be devoted to appliances for improving the penal discipline of the Colony. This will no doubt be discussed hereafter.

It is more than probable that by the time the funds for the above purposes are actually required they will have become available by the realization of Sinking Funds; but to provide for any temporary deficiency, we shall ask this Assembly for authority to issue, if found necessary, Treasury Bills to an amount not exceeding £30,000, to be repaid out of the first funds coming into the hands of the Sinking Fund Commissioners available for the purpose.

Having thus stated generally the proposals of the Government, I will briefly show their immediate effect on the finance of the current year. As already stated, we propose these changes should come into operation on the 1st January next. The year will therefore be divided into two financial periods, which will be provided for as follows:—

July to December, 1868.

	£	s.	d.		£	s.	d.
Balance in Bank, 1st July, 1868	46,979	0	0	Six months' Charges as per Estimates	352,325	0	0
Six months' Consolidated Revenue, Colonial				Less Provincial Charges, six months	82,034	10	0
Moieties	250,125	0	0				
					£270,290	10	0
				To pay off Treasury Bills	25,000	0	0
				Balance	1,813	10	0
	£297,104	0	0		£297,104	0	0

January to July, 1869.

	£	s.	d.		£	s.	d.
Balance	1,813	10	0	Six months' Charges as per Estimates	352,325	0	0
Six months' Consolidated Revenue	500,250	0	0	Harbour Departments	11,000	0	0
Southland contribution	6,000	0	0	Capitation grant for Police and			
Harbour fees	4,000	0	0	Gaols	39,229	0	0
				Six months' Interest and Sinking			
				Fund of Provincial			
				Loans	110,125	0	0
					£511,679	0	0
				Balance	384	10	0
	£512,063	10	0		£512,063	10	0

The small balance here shown will probably be increased by further reductions in the charges for Interest and Sinking Fund, both on General and Provincial Loans.