

between the Colony and the Provinces; but there is one department in which the moiety of the revenue is received by the Provinces, while the entire cost is thrown upon the General Government. I allude to the Telegraph Department. When we consider that the operations of this department are not extended throughout the whole of the Colony, we think, if there is any instance in which the system of charging departmental expenses locally ought to be carried out, it is in this one. If some Provinces receive the revenue of the Telegraph Department, and reap benefits from it which are not extended to the rest of the Colony, those Provinces may fairly be charged with the expense of that as well as of other departments. There is an additional reason why this is at the present time a reasonable proposal. In the course of my financial statement I pointed out that the cost of the various departments debited to the Provinces has been very largely reduced for the present year. They have been reduced from £204,000, as voted last Session, to £172,000, which is the sum placed on the Estimates for this year, making a saving to the Provinces of £32,000. They are thus charged with £32,000 less than last year; and if we add the Telegraph Department to the provincial charges proposed in the Estimates of this year, the Provinces will still be in a better position than last year. We therefore suggest, as the best means of providing for the deficiency which will arise out of the suspension of the new financial policy proposed by the Government, that the expense of the Telegraph Department should be a provincial charge in those Provinces where it is maintained. The annual cost of this department is from £18,000 to £19,000. If this suggestion is adopted, the ordinary account for the year will stand as follows:—

Balance in Bank	...	...	...	...	...	...	...	...	...	£	46,979
Colonial Moiety	...	...	...	...	...	...	...	...	...	...	500,250
											<u>£547,229</u>
Treasury Bills to be paid off	...	...	...	...	...	...	...	...	...	...	£25,000
Total Charges as per Estimates	...	...	...	...	...	...	...	...	...	£703,173	
Less Provincial Charges	...	...	...	...	...	...	...	...	...	191,067	
											<u>512,106</u>
Surplus	...	...	...	...	...	...	...	...	...	...	10,123
											<u>£547,229</u>

So that upon the Estimates now before the House there would be a surplus of £10,123. I cannot hope that this surplus will be more than is absolutely necessary to meet the additional claims which will be made upon the Treasurer before the close of the Session. I have now stated the manner in which the Government proposes to provide for the ordinary expenditure of the Colony during the current year. There are, however, special cases, which the continuance of the old plan of distributing the revenue renders it indispensable that we should consider. Southland and certain other Provinces are in great danger, if held strictly to the letter of existing arrangements, of being quite unable to maintain the necessary services of the Provincial Government. This is particularly the case with Southland. Marlborough will be in a position of difficulty; and Taranaki will absolutely require some kind of temporary assistance. Southland, Sir, will stand thus: If we charge her with her provincial charges, and the full amount of interest and sinking fund on her debt, her share of the Consolidated Revenue will not suffice to meet these payments by the sum of £13,598. Therefore, not only would she not have any consolidated revenue out of which to defray the ordinary expenses of her government, including police, gaols, and harbours; but her land fund would, without making any provision for these services, be drawn upon to meet interest and sinking fund to the extent of £13,598. That is a state of things which the House will admit it is the duty of the Colonial Government not to neglect. If something is not done, the Government of Southland will collapse, and provision will have to be made there for the protection of life and property. The way in which we think this case should be met is as follows:—Under the Southland Debt Acts of 1865 and 1866, the Southland debts were guaranteed by the Colony, and the Acts provided that they should be paid, with accrued interest, not later than the 31st of December, 1868,—the interest to be capitalized up to the date of payment. Owing to the wording of the Southland Debt Acts, an impression has prevailed that the 31st of December, 1868, was the period up to which the interest on the debts of that Province should be capitalized, and the Province has counted on that result. The Government was for some time under the same impression; but on a closer examination of the law, the Government is advised that, strictly, interest became payable from the time the Government sold the necessary debentures to enable it to pay off the Southland debt. We propose that the interest on the Southland debt should be allowed to be capitalized, as originally contemplated, to the 31st of December next, thus relieving Southland during the present financial year, without entailing any burden on the Colony. The interest for the remaining six months and the provincial charges will still consume the whole of the share of the Consolidated Fund payable to Southland, but will leave its Land Fund to maintain the ordinary service of the Provincial Government, including police, gaols, and harbours. The Province of Marlborough, it is estimated, will, after deducting her interest, sinking fund, and provincial charges, receive during the current financial year, to maintain its Provincial Government, including police, gaols, and harbour establishments, the sum of £240 7s. 7d. It is obvious that some extraordinary provision is indispensable in this case. I am assured by the Provincial Authorities that the pastoral rents would leave a sufficient sum to provide for all indispensable departments, including police and gaols, but that no considerable amount will be received from this source until February next; we propose, therefore, in order to avert a collapse of the machinery of government in this Province, that the House should authorize the Government to make a temporary advance to the Provincial Authorities, to enable them to maintain their absolutely necessary establishments until February. As the Land Fund passes through the hands of the General Government, it can recoup itself without difficulty the sum so advanced. I may state, however, that the permanent provincial debt of Marlborough and Taranaki is so small, that even if the sum required to assist in carrying on their Government during the present financial year should eventually have to be added to that debt, the Provinces in question would still be in a more favourable position than most others. I think, however, in the case of Marlborough, the advance will only be a temporary one, which we shall be able to repay ourselves in the manner I have described. The third case in which we apprehend some special provision is required is that of the Province of Taranaki. According to the best estimate we can form, this Province, after deducting from the Consolidated Revenue its interest, sinking fund, and provincial charges, will receive, during the current financial year, the large sum of £30. This is a case of peculiar difficulty. The harbour, gaol, and police establishments in this Province must be kept up; and we have no alternative but to ask the House to allow us, if funds for this purpose should not otherwise be forthcoming, to advance such a sum as may be absolutely necessary for keeping up those establishments until Parliament meets again; and even if, at the end of the year, these advances should have to be added to the