

PAPERS RELATIVE TO OVERDRAFTS

Your letter has had the most attentive consideration of the Directors of this Bank, but it is difficult to reconcile many statements in it with the existing law of the Colony. For example, you state, "The Legislature, as you are probably aware, in the last Session of the General Assembly, declared, in the Provincial Appropriation Validation Act, that loans by way of overdraft were illegal;" on reference to the Act named I do not find that it contains any declaratory enactment on the subject, but the preamble recites that overdrafts (such as therein referred to) are *deemed* to be illegal.

Again you state that "certain Provincial Ordinances which have been passed to appropriate money to repay such advances (overdrafts) were declared invalid." The Act referred to does not appear to contain such declaration, but the preamble recites that it is desirable to remove doubts as to the validity of such Acts already passed. The effect of this recital it would appear to me is not to make a law either declaratory or enacting, but to record an authoritative declaration of the Legislature *that doubts do exist* as to the legality of overdrafts, and the validity of certain Ordinances appropriating money to repay them.

Having regard, however, to the general scope of your letter, to your expressed intention of enforcing the provisions of "The Provincial Audit Act, 1866," and to the wish of the Directors of this Bank to avoid, if possible, tedious and uncertain legal proceedings, the Directors have resolved to limit the Bank's advances to Provincial Executives as far as possible, consistently with engagements already existing, and they by this mail forward to the Provinces a copy of your letter and their reply.

I have, &c.,

D. L. MURDOCH,
Inspector.

The Hon. the Colonial Secretary.

No. 5.

Mr. HOOS to the Hon. E. W. STAFFORD.

SIR,—

Empire Hotel, Wellington, 12th May, 1869.

Referring to our interview of to-day with regard to the circular letter issued from your office, No. 68-341, dated March 19, 1869, to the Banks, and its effect upon a negotiated overdraft by the County Council of Westland with the Bank of New Zealand at Hokitika, I beg to state that at the time when the Council was sitting it was thought highly desirable, and resolved, that greater facility to prospecting and settlement should be afforded by opening up the country, and of establishing easier and cheaper communication between existing populated centres. This opinion was so generally approved of that the Banks were induced to come forward to offer their services in advancing money at a very low rate (8 per cent.) to attain this desirable object.

In accordance with the wishes of the majority of the population and the County Council, and with the firm conviction that the resources of the County, when developed, were more than sufficient to repay the advances received, the County Council, by resolution, instructed the Chairman and Mr. Lahman to come to an arrangement with the Bank for an accommodation of not exceeding £20,000; this sum to be solely expended in constructing roads and tracks. An arrangement was concluded on the 2nd March (see copy of correspondence), and I lost no time to carry out the proposed works at once, and entered into contracts up to present date of over £10,000, of which a portion has already been executed, and the remainder is progressing towards completion.

The revenue of the County, I am glad to state, realizes the estimated expectations, and the County Council also took the precaution of passing a resolution for the part redemption of the overdraft, by offering for sale along the constructed roads, as soon as completed, all available lands, and devote the whole proceeds to that purpose. It is further the intention of the Council to place tolls on those roads, for the defrayment of their future maintenance.

In conclusion, I would remind you that the circular issued from your office appears to me not to include Westland, of which no mention whatever is made in the same, nor has a copy been forwarded to me, and the first intimation I received was from the Bank Manager in Hokitika, with a notice of breaking the agreement, on the 20th April last. Westland is also under a special audit, according to section 7 of the Westland County Act. I therefore trust that such assurance will be given to me and the Bank of New Zealand as to induce the same to carry out the arrangement, otherwise great inconvenience—as I have already personally stated to you—will arise, and retard seriously the progress of a County which endeavours to do all for its advancement without involving others in the responsibility.

I enclose a copy of the agreement and correspondence with the Bank, and of the estimates as passed during last session of the County Council, from which you will see that any reduction on the £20,000 charged against Westland, annually, on the Canterbury Loan, will also become available for the further redemption of the overdraft. The items under Class XII., marked x, are the proposed works to be constructed out of the overdraft, and the votes marked § have all been satisfied to the one half at the last quarter, and it is my wish to be able to wholly satisfy them at the end of the current quarter.

I have, &c.,

C. Hoos,

Chairman, County Council.

The Hon. the Colonial Secretary.

Enclosure 1 in No. 5.

WESTLAND COUNTY COUNCIL.

Extract from Proceedings.

RESOLVED,—That the Chairman of the County Council and Mr. Lahman be authorized to negotiate with the Bank of New Zealand for an overdraft not exceeding the sum of £20,000, the said overdraft to be repaid from the revenue of the County of Westland.

J. HEAWOOD,

Secretary of the Council.

16th February, 1869.