

6. The Treasurer next announced the success which had attended the gradual reduction of the rate of interest on the public debt, showing that a considerable sale of 4 per cent. bonds had taken place at the minimum price of £90 10s. fixed by Government. It is intended that in future, loans shall be invited upon permanent bonds, without sinking or drawing funds, at 4 or 4½ per cent., at the discretion of the Agents.

7. The Government seek to provide for the spontaneous development of the Provinces by means of local works, confining the expenditure of the General Government upon public works to the gradual accomplishment of arterial communications, and leaving to the Provincial Governments the construction of light branch railways and tramways, of roads, bridges, harbour works, reclamations, buildings for educational and charitable purposes, gold fields works, &c. It is proposed that for such purposes the Provinces shall be empowered themselves to raise loans. This, to a certain extent, is a proposal in reversal of that determined in 1865, when the Provincial loans were assumed by the General Government; but it is now proposed that they shall only borrow upon specific securities, such as tolls and rates; and in certain cases, as for railways, upon reserved blocks of land; and that in no case shall the General or Provincial revenues be liable for any of these specially authorized loans.

8. With regard to the lines of railways undertaken by the General Government, there will probably be completed by the end of the present financial year 125 miles in addition to those already opened, viz., by the General Government, 31 miles; Provincial Government, 48 miles; and there will remain, authorized but not finished, 639 miles. Having regard to the increasing demand for public works, the Government do not intend to construct any more railways besides those already authorized, without retaining land in security for the loans applicable to their construction, and to the nominal value of twice their estimated cost.

9. When, two years ago, it was resolved by the Government to undertake a general scheme of public works for the development of the Colony, it was proposed to expend on such works and on immigration a sum of £8,500,000, and a loan was authorized of £4,000,000, of which £1,000,000 was guaranteed by the Imperial Government. In view of the greater increase of the public debt for the prosecution of this scheme, it is proposed that, under the provisions of the Imperial Guarantee Act Amendment Act, debentures upon the unexpended balance of £800,000 of the guaranteed loan shall be lodged in the Bank of England and held in reserve as security for temporary advances obtained by the Agents in London, and to be available in the event of a scarcity of money. Of the £8,500,000, £4,000,000 has been raised, and the Loan Bills for the present year will amount to £1,500,000, besides a sum of £500,000 for the purchase of Native lands, which will be resold by the Government or reserved in security for railway loans.

10. The pressing want of public buildings in various parts of the Colony will be in part met by loan expenditure, but "any loan for such a purpose it is intended shall be made repayable within a not very long period of years."

11. It is intended to revise the tariff by substituting *ad valorem* for measurement duties, at rates varying from 15 to 10 per cent.

I have, &c.,

JAMES FERGUSSON,

Governor.

The Right Hon. the Earl of Kimberley.

#### No. 11.

COPY of DESPATCH from Governor the Right Hon. Sir J. FERGUSSON, Bart., to the Right Hon. the Earl of KIMBERLEY.

(No. 64.)

Government House, Wellington,

MY LORD,—

New Zealand, 1st August, 1873.

Enclosure 1.\*

I have the honor to transmit three copies of a report from Mr. James Mackay, the officer who was directed to proceed to the Waikato district, for the purpose of inquiring into the circumstances of the murder of Timothy Sullivan.

2. This report gives a clear statement of those circumstances, and a graphic

\* See Appendix to Journals, 1873, G. No. 3.