

Before proceeding to remark upon the operations exhibited by these figures, I must refer to the extraordinary misapprehension which appears to exist, even among well-informed people, with regard to the extent to which interest upon loans has been paid out of borrowed money. This misapprehension has probably arisen from two causes—first, from the payments made in London for interest being apparently taken from loan; and secondly, from the first item in the above table having been voted. As this is a question closely affecting the credit of the colony, I will, for the information of the Committee, show what has actually been done in the matter.

With regard to the first of these causes, I will state what is the position of the colony as to its receipts and disbursements in London and in New Zealand: With a consolidated revenue amounting for the past year to, say, a million and a half flowing into its coffers in the colony, it has charges for the year, payable in the colony, of about £750,000 only, and charges of about an equal amount for interest and sinking fund (colonial and provincial) payable in London. On the other hand, it has large sums raised by loans at its credit in London, one-half of which, to speak in round terms, is required to be disbursed in the colony. The practice, then, is to pay the interest and sinking fund (which is chargeable on the revenue) out of Public Works funds in London, and on the receipt of the Crown Agents' account in the colony to charge the interest and sinking fund so paid to the Consolidated Fund. My honorable colleague Sir J. Vogel took occasion, in making the Financial Statement last year, to call attention to a sum of £150,000 which, by a standing arrangement, is advanced from the Consolidated Fund to the Public Works Account in the colony as an equivalent for a corresponding sum assumed to be due out of revenue to the Public Works Account in London in respect of moneys applied out of the last-named account—that is, out of loan—to the payment of interest and sinking fund. I may state that the sum of £150,000, to which I have referred as a standing advance from the Consolidated Fund to the Public Works Account in the colony, was enlarged to £180,000 on the 26th February last, and by my direction a further sum of £97,163 4s. 7d. was advanced from the same fund to the Public Works Account on the 30th June last, in order to cover the total interest and sinking fund payable out of Public Works funds in London up to the 15th July now current. Honorable members will observe, that not only is the whole of the interest and sinking fund from time to time payable in London covered throughout the year by an advance from revenue made to the Public Works Account in the colony, but that, as respects the interest and sinking fund due in London on the 15th July, the transfer has been made fifteen days in anticipation of the liability. The whole arrangement is, as honorable members will see, merely a convenient mode of avoiding the payment of exchange, and nothing more.

With regard to the second cause of misapprehension, I may say that to charge interest upon capital for works in course of construction has always been considered a legitimate transaction, and is, I believe, invariably done in the case of works undertaken by a public or private company. Had this rule been applied, as it might most reasonably have been, in the case of the reproductive public works executed in New Zealand, there would have been paid out of loan to the 30th June last a sum of £324,000, whereas there was actually paid only £218,500. Now, it is worthy of note that the total sum ever asked or granted out of loan for the payment of interest was the £300,000 constituting the first item of the General Purposes Loan, and, be it observed, that with full authority to expend that sum the Government only expended £218,500; and as it had decided not to pay any more interest out of loan, it is my intention to ask the Committee for authority to apply the remaining balance of £81,500 to another purpose. But this, after all, is only one side of the case. In 1871, one-half of the receipts from the Stamp Duties was set apart by Act of the previous year to aid the Public Works Loan in the construction of railways or in the payment of interest thereon, and up to the 30th June last a sum of £179,303 19s. 4d. had been paid to the credit of the Public Works Loan from this source—that is, from revenue. So that, as between revenue and loan, the position is this: there has, on the one hand, been paid out of loan the sum of £218,500 for interest upon