

The smallness of this surplus will occasion no surprise, when it is remembered that for a long time past the colony has been paying, out of revenue, interest on railway works in course of construction ; and, at the present time, although we have raised and have in course of expenditure upon railways about £7,000,000, we can only recover interest from the Land Fund on moneys expended on completed lines, and that only from the 1st of July next after their completion. Under the existing law, interest can only be charged upon £3,500,000 out of the £7,000,000; or, in other words, we are paying out of Consolidated Revenue about £180,000 a year for interest, which, according to the original scheme of Public Works, should be a charge upon the Land Fund.

The time is, however, fast approaching when the whole of our railway expenditure will become reproductive, and the Consolidated Revenue will thereupon be relieved of a considerable portion of the annual burden of interest now cast upon it. So soon as this result shall have been accomplished, the Consolidated Revenue will be in a position to bear those charges for educational and charitable services which the Government reluctantly proposes to place for the present on the Land Fund.

LAND FUND.

I now come to the consideration of the Land Fund, against which it is proposed to charge interest and sinking fund on provincial loans and liabilities, surveys, and waste lands administration, half subsidies to Counties and Road Boards ; and for the six months ending 30th June next, education and museums, and one-half the maintenance of hospitals and charitable institutions. I append tables showing the estimated receipts and charges in each Province for six months. The result is not very satisfactory, showing as it does deficiencies in most of the Provinces, amounting altogether to about £145,000, which will have to be made good from Consolidated Revenue. It is a noteworthy fact that Canterbury, which has always maintained an uniform and high price for land, will now have a surplus of about £75,000 for the six months.

To make good the deficiencies to which I have referred, there will be the surplus of the Consolidated Revenue, and for the balance it will be necessary to issue Treasury bills, as contemplated in the Abolition Act of last session. This is not to my mind a satisfactory method of finance, but, much as I may dislike the mode by which I propose that the exigency shall be met, I am encouraged by the conviction that the necessity is but temporary, and that the expedient adopted is justified by the peculiar circumstances of the case.

It is but right that the Land Fund, where able, should bear its legitimate burden ; and although in many cases it is at present unequal to the charge, it is reasonable to expect that under an amended land law the fund will materially improve. I hope, also, for the reasons I have given, that the Consolidated Revenue will shortly be in a position to relieve the fund of the temporary charges cast upon it.

In providing for the impending changes, the Government has to face the difficulties arising from the fact that for some time past, the expenditure of many of the Provinces has been considerably in excess of their ordinary income, and that the colonial expenditure has been greatly augmented by the demands of the Provinces.

It will be the endeavour of the Government to remedy those errors in finance which have been the natural outcome of our partnership with the Provinces. The remedy must, however, be applied gradually, and the cure will no doubt take time. We have not only to redeem the errors of the past, but to mark out a wiser course