

27. *Mr. Montgomery.*] At what date did the Government get possession of these bonds?—I sup. *Major Atkinson, M.H.R.*
pose in the beginning of 1876. I think the £100,000 was raised then.

28. Then you handed over the £100,000 after receiving the bonds?—As far as I remember, the 15th Aug., 1878.
Bank kept them on behalf of the General Government; I think so.

29. It became a General Government transaction?—Yes; they were held by the Bank, if I remember rightly, in London, on behalf of the province. When the colony advanced the money they were held by the Bank for us.

30. *Mr. Stevens.*] And would have been subsequently removed by the 39th clause, and made a colonial liability?—They would have been made a colonial liability when the colony took over all provincial debts.

31. If the bonds had been issued by the province could any subsequent legislation have affected their character?—No. It is quite clear that if the bonds had been issued a clause of that nature would not have been passed.

32. *Mr. Montgomery.*] If that 39th clause had been passed, making it a provincial debt, it would still have left them the security of the harbour dues?—If the bonds had been issued we should never have thought of passing a clause like that. We should have passed a different clause if the House wished to relieve the harbour dues.

33. *Mr. Johnston.*] If the bonds had not been issued, who raised the money?—This legislation took place: The General Government, finding they could not sell the bonds in their present form profitably, said, "Very well, we will get the money from the Bank, and advance it, and take further legislation, and issue the bonds in a proper form." That was the agreement made, and they were to be charged against the province under that Act. The matter subsequently became complicated by all provincial charges being taken over while this transaction was pending. If this transaction had been complete this difficulty could not have arisen.

34. The Government found the money on the strength of the harbour dues?—Yes.

35. *Mr. Stevens.*] When you say the Government intended to bring in legislation, had there been any decision by the Government to do so?—Yes, undoubtedly. The £100,000 was borrowed. Of course no individual member of the Cabinet would borrow £100,000 from the Bank without the approval of the Government. I am speaking now of the late Government. We considered that we were giving effect to the decision of the House. You will see it in the tables appended to the Financial Statement.

36. Is the effect of the proposition of the Government to make the £100,000, which originally would by the legislation of 1872 have been a charge upon the dues, &c., of the Lyttelton Harbour Board, payable by the counties and Road Boards in Canterbury?—Yes, in one sense—a transfer from the Lyttelton Harbour Board to the shoulders of the counties and Road Boards.

37. *Hon. Mr. Ballance.*] Has the Province of Canterbury any claim upon the General Government to meet this £100,000 specially for the Harbour Board or the provincial district?—No. There was no claim that I know of. The Canterbury Province was of course in a peculiar position. It always had plenty of money, and its railways nearly cancelled its debt, so that, when the province was taken over, the colony got all the Land Fund, and had nothing to pay so far as any debts were concerned. In the Statement I submitted to the House I showed that Canterbury would be the only province not in debt. I suppose that was one of the reasons which induced the House to pass that clause in that form. We considered we were carrying out what the House decided under that clause.

38. Had the province any claim on the Government?—It was simply done to get over a technical difficulty. Nothing was ever done by the General Government until then. The House adopted the recommendation of the Government, and after showing that the province came out of debt entirely, the House assented to this proposition. It of course took the burden off the Lyttelton Harbour and put it on the province generally.

39. Why was that burden taken off the Lyttelton Harbour?—The House agreed to it. I cannot tell what induced the House to come to that decision.

40. Is it not the fact that, when you intervened to relieve the province of a technical difficulty, the province was not in a position, by legislation or otherwise, to cure the technical difficulty themselves?—Yes; that was of course the difficulty. We could not issue the bonds, except at a sacrifice.

41. Is it a fact that the province had no means of putting themselves right by any process whatever?—Yes. The money had always been set apart as the Timaru portion of the Land Fund, but, as Timaru did not then want it, it used to stand on each side of the account. So much was put down to Timaru. These bonds were put on the other side as an asset. Timaru applied to have the money, and the difficulty became still more apparent; and we felt we should not be carrying out the intention of the House if we did not pay the money. We went out of office, and the thing was forgotten by the incoming Government. The incoming Government found themselves in the position of having to provide £100,000. I am clearly of opinion that it would be a very great injustice to deduct it.

42. *Mr. Stevens* says the Provincial Council could have met this difficulty. What would have been the result of the Provincial Council meeting it?—I cannot say what the Provincial Council would have done.

43. Was it alleged by the Superintendent of Canterbury, that if the Provincial Council could have met, the difficulty with regard to the floating of the bonds would have been overcome?—Yes; but then, if I remember rightly, when the matter got into that position, it was then a charge against the colony. It was a charge against the province, and not against the Harbour Board. The Government gave the whole thing very careful consideration, and the upshot of the whole matter was that it was to be a charge against the provincial district; and we raised and paid over the money, believing that to be the intention of the House.

Hon. Mr. BALLANCE, M.H.R., examined.

44. *Mr. Rees.*] Under what right had the counties and Road Boards this sum deducted from them?—This sum was not provided for amongst the provincial liabilities. If it had been provided for amongst the list of provincial liabilities last session, then we should have provided for it by some means as a provincial liability; but, as a fact, it was not a provincial liability in any sense.

Hon. Mr. Ballance, M.H.R.

15th Aug., 1878.