

Arrangements Act, which sets out certain deductions; then clause 7 of the Act of 1877 says that the balance shall be paid in accordance with the Act of 1876; and clause 16 of the Public Revenues Act provides that such balance shall be paid over before the 31st March, 1878; and I hold that by law it should have been distributed amongst the counties before the 31st March, 1878.

1. *The Chairman.*] You say that it is a sum advanced under the Otago Provincial Public Works Advances Act. Do you contend that it is just the same liability as one ordinarily incurred during the existence of the provinces?—Yes; it is a provincial liability. If you take their assets you must also take their liabilities. This I hold to have been the case, and this sum is the property of the counties. By law it became the property of the counties, without other deductions than are set out under “The Financial Arrangements Act, 1876,” and should be distributed, under clause 9 of that Act, according to area and population.

2. Are you aware whether any agreement was made with the Superintendent of Otago under the Otago Provincial Public Works Advances Act?—I have been through the papers, but I have not fallen across the agreement. I have, however, come across this: that the late Colonial Treasurer attempted to take an amount out of the Land Fund, and I compelled him to leave it alone. As regards this railway station site (I am speaking now as against that advance being charged), no Government has ever objected to allow for the railway site, only the sum claimed has been disputed. I think that no person in Otago will say that £8,000 an acre was not a fair estimate.

3. *Mr. Oliver.*] This advance of £60,000 was to be expended on public works?—Yes.

4. Which have become the property of the colony?—Yes; the public works and railway site have become now the property of the colony.

5. Have you ascertained what the surplus land revenue on the first of January was?—The published accounts show it to be about £94,000; I made it out to be £89,000. I asked Mr. Batkin for a statement of the amount. Of course I cannot make out from the published accounts every detail. The £56,000 on the first January is acknowledged as due to counties in the published statement. I may say, further, that I believe the Government had to leave it over, and that now it cannot be taken out. This furnishes a still further argument that the balance is the property of the counties.

6. *Mr. Johnston.*] I think I heard you say that in the first half-year of 1877 the Province of Otago had overdrawn £37,000?—£36,000.

7. So that, if the counties require the surplus, all that is left as between them and the colony is £20,000?—There is a surplus revenue in the last half of the year of £90,000. I say that, by the Financial Arrangements Act, they have legally taken £36,000, being the deficiency of the former half year; reducing the £90,000 by the £36,000, it leaves what I hold is the balance that belongs to the counties. I should like to say, in answer to Major Atkinson, that the claim for the railway station site was acknowledged by the late Government, before I was in office, as a liability by the colony to the Provincial Government. Subsequently we acknowledged it as a liability. I have no reason to think that it has been dealt with in any way, or considered by the present Government.

8. *Mr. Murray-Aynsley.*] The £90,000 is revenue from the 1st January to the 30th June, 1877?—No; from the 30th June, 1877, to 31st January, 1878—up to the time that the land revenue was made colonial revenue. This arrangement with the counties has only been in existence for one year.

9. I understood Mr. De Lautour to say that you were going on the second half of the year?—The financial arrangement which gave counties the surplus land revenue has been in force for one year—the last half of the financial year 1876–77 and the first half of the year 1877–78. In the second half there was a surplus of £90,000. If you deduct £36,000, the deficiency of the former half year, that still leaves £54,000 for the benefit of the counties, which, I hold, is now their property.

10. Previous to the 1st January, 1878?—Yes; previous to the 1st January, 1878.

The Hon. Mr. BALLANCE, Treasurer, examined.

11. *The Chairman.*] Will you state to the Committee your view of the matter, Mr. Ballance?—My view of the matter is this: that this amount of £54,791 has already been taken under the Otago Provincial Public Works Advances Act of 1874 legally—that is, was appropriated as a portion of the ways and means last year; that on the 1st January it was not taken out of the surplus land revenue, because it had already been taken by law. I hold there can be very little doubt indeed about the law; that no further legislative sanction is required to take this money; and that the Public Works Appropriation Act of last year is itself a recognition of the Act of 1874 and the agreement made under that Act; that it has already formed part of the ways and means; and that it has been appropriated by the Legislature. In proof of that I would say that the Audit has passed this amount, and it is a part now of the Public Works Fund.

12. Has the amount been withdrawn from the Land Fund Account?—Yes; from the surplus land revenue. The Financial Arrangements Act of last year is, of course, subject to the Act of 1874 in that respect, so far as they do not conflict. I do not think they conflict, and, even if they did, the money had already been appropriated—taken before the Financial Arrangements Act commenced to operate.

13. *Mr. Stevens.*] Would you mind saying under what Act it is that it is taken?—Under the Act of 1874.

14. Which clause?—There is only one clause besides the title.

15. *Major Atkinson.*] When you say the Act you mean the agreement?—The Act and the agreement under the Act: in fact, the agreement is a part of the Act.

16. *The Chairman* (after reading the Act).] Is there an agreement in writing?—Yes.

17. Is it on the strength of that agreement that the Auditors have authorized the transfer of the money?—I presume so; the Commissioners of Audit have not stated their reasons; they have simply sanctioned it.

18. Does this Act comprise the agreement stated—the elements of the case?—Yes; I should say it is sanctioned by the Act of 1874 and the Appropriation Act. Clauses 2 and 3 refer specially to the ways and means, of which the amount forms part.