

interruption until it connects every part of each Island, public loans must be largely aided from some other source. I refer here only to railways which should be undertaken by the colony. For several years a moiety of the Stamp Duties was set aside for the purpose, but, as I think rightly, the policy was discontinued. A surplus seems to be exactly one of the services from which such aid ought to flow, and we propose to place £100,000 of the surplus of the past year to the credit of the Public Works Account, leaving a balance of £20,468 13s. 2d. to be brought forward to the credit of Ordinary Account of the present year. If the Committee approve of this mode of applying a surplus, any extraordinary increase on the estimate of Land Revenue will in the future be applied to supplement the fund available for the prosecution of public works.

PROVINCIAL LIABILITIES.

The Committee will remember that, under the provisions of the Public Revenues Act of last session, the Provincial Liabilities Account forms part of the Consolidated Fund, which was supplemented, to meet this service, by a loan of £300,000 raised under "The Loan Act, 1877," and for this reason I have thought it proper in my remarks on the subject to exclude the transactions in this account from those of the general receipts and expenditure. The amount appropriated for Provincial Liabilities last session was £327,846 18s. 9d., and the amount which was actually paid within the financial year was £333,187 18s. 10d., showing an excess on appropriation of £5,341 0s. 1d.

To meet the expenditure, there were the several sums at the credit of the Provincial Liabilities Account, the particulars of which are shown in the tables, and amounting to £118,921 7s. 10d.

To supplement this sum, bills to the amount of £220,000 have been drawn on the Crown Agents, against the sum of £300,000 authorized by the Loan Act. The Provincial Liabilities remaining unpaid amount, so far as they have been ascertained, to £223,158 19s. 2d., and we have included them in the ordinary Estimates of the year, getting rid of the peculiar character of the expenditure under this head. They will be found to include, amongst other items, a sum of £50,000 for paying off the ultimate balance of the Provincial overdrafts at the bank, a sum of £85,000 for repayment of the money borrowed on the Wellington reclaimed land, and £23,800 for redemption of Otago Dock Bonds—as to which I may explain that these bonds are the outstanding balance of two parcels of debentures, one of £50,000, and one of £10,000, issued by the Otago Dock Board. The whole of the bonds fall due on the 1st November next, and as they are not a convertible security, being in the form of mortgage bonds, it is proposed to redeem them and cancel the debt. The Government propose to ask the consent of the Legislature to the sale of the Wellington reclaimed land to the Corporation for £89,000, and this amount added to the sum in hand, £5,733, the balance of the £300,000 yet to be brought to account—namely, £80,000—a sum of £15,970 receivable from the Wellington Trust and Loan Company, and other sums which will presently be available, amounting to £5,000, will give £195,703, which may be considered specially available to meet the estimated liabilities of £223,158 19s. 2d., the difference falling on the ordinary resources of the Consolidated Fund.

LOANS.

Immediately after the close of last Session the Government took measures for the raising of the loan then authorized, sending Home the necessary powers to the Agents appointed under the Act, and leaving them to use their discretion as to the opportune time for placing the Loan on the market, the currency of the debentures, and the rate of interest. The Government, however, intimated that, unless the Agents saw good reason to the contrary, the rate should be $4\frac{1}{2}$ per cent. The Agents appointed were Sir Julius Vogel, the Hon. Mr. Larnach, Sir P. Julyan, and Captain Ommaney. About the time the Agents received their authority to act, the crisis in English politics on the Eastern Question occurred, and the excitement which prevailed in all quarters, especially in the monetary world, prevented the possibility of then placing the loan on the market with a fair chance of success. The Agents, as we thought, with commendable prudence, awaited a lull in the storm before venturing publicly to announce the Loan. In