

1878.

NEW ZEALAND.

GENERAL DRAINAGE SCHEME

(LETTERS RESPECTING A; BY THOMAS MURRAY).

(Laid on the Table by the Hon. Sir G. Grey, with the leave of the House.)

No. 1.

Mr. T. MURRAY to the Hon. the PREMIER.

SIR,—

Mount Stuart, Otago, 22nd July, 1878.

About the time of the repeal of the corn-laws, I was impressed with the idea that the only way to meet foreign competition was to increase the productiveness of the soil.

Under this impression, I had the honor of proposing a scheme to the late Sir Robert Peel, which resulted in the Drainage Act, which proved of great benefit to the country—from my own observation, and from what I could learn from other sources—often paying the outlay by the increased value of the first crop, and rarely extending over a rotation of five years before the expenditure was realized from the land.

Under the Drainage Act, the Government advertised specially for the first sum to be expended, which was taken up at 6½ per cent, which extinguished the sum advanced in twenty-one or twenty-two years. This paid the capitalist; and, being all spent upon labour, it first benefited the labourer, who, by his increased consuming powers, benefited all classes; while, from the greater profits, the farmer could employ more labour and give a higher rent; while the surplus produce was a direct gain to the country, thus acting and re-acting upon every class of the community.

Some years ago my brother, the member for Bruce, desired to introduce a somewhat similar Bill into the New Zealand Parliament, but, from want of appreciation of the subject in the House at that time, was unsuccessful. Believing that such a measure would be of the greatest benefit, and would largely increase the material advancement of the country, and knowing that you have our best interests at heart, I make no apology for introducing the subject to your notice, with the earnest desire that you will consider the propriety of passing a Drainage Act for New Zealand similar to Sir Robert Peel's. My brother, or any other member who has given attention to the subject, would, I am sure, most willingly introduce such a Bill, which would be hailed by the farmers as the greatest boon, as by no other means can many of them hope to see their farms improved in this generation.

I would suggest that £1,000,000 should be applied for by the Government, and, being a first security over the land, the money could be introduced into the country on the most advantageous terms, which I think would not exceed a yearly payment of 7 or 8 per cent. for twenty or twenty-five years, to repay principal and interest. I may remark that mortgagees in the Old Country never objected to allow the land to be brought under the Act and to take precedence of their claim, being so well satisfied that the value of the security would be enhanced to a much greater extent than the sum expended.

From what I can learn of the mind of the farmers, £1,000,000 would be taken up at once; and, although in this country the first cost would be greater, yet, from the superior soil and climate, and from our great resources in manures, I have no hesitation in saying it would be repaid in four or five years by a yearly recurring saving in labour; while, from the improved condition of the soil, a superior method of farming would be rendered practicable, and a consequent increase from the land, and at the same time the traffic upon the railways and shipping would be greatly augmented, and the wealth and tax-paying powers of the people greatly increased.

I could enlarge upon the many advantages which would accrue, but do not wish to trespass further on your time.

All other modes by which the resources of a country are increased sink into insignificance before one by which wealth is made to spring up from the soil—the inalienable and indefeasible property of the inhabitants.

The Hon. Sir George Grey, K.C.B., Premier.

I have, &c.,

THOMAS MURRAY.

No. 2.

Mr. T. MURRAY to the Hon. the PREMIER.

SIR,—

Mount Stuart, Otago, 6th August, 1878.

Referring to my letter of 22nd ultimo, with a proposal for a Drainage Act, I was limited in time to suggest a means of furnishing funds without placing a special loan in the Home market. What I now propose will obviate the necessity of doing so, while it will result in a direct profit to the banks in New Zealand of more than £12,600 per annum, from whom I propose the funds should be obtained, somewhat in the order of the subjoined table. Their exchanges will be facilitated to the

extent of the proposed exchequer bills, instead of their balances being wholly paid over in imported gold, while their dividends will be proportionately increased not only by the interest, but by the saving in transport, &c., while the colony would reap an incalculable benefit by £315,000 being expended in permanent agricultural improvements instead of lying unproductive in the banks, which does not seem an excessive concession to that interest, compared with £400,000, which, if I remember rightly, was set apart by a former session of Assembly for the encouragement of gold-mining. I propose that a sum, in £1,000 bills, to be called "Colonial Exchange Exchequer Bills," be allocated to each bank in proportion to say £30 per cent. of their notes in circulation, which at 30th June last, taking these bills at £315,000, rather exceeds 30 per cent. That these bills bear interest at 2·63d. per cent. per day, equal to £4 per annum, payable by Government half-yearly, when new bills would be issued, in the same manner as is done by the Scotch banks, to the extent of £300,000, bearing interest at 1½d. per cent. per day. That any bank holding more than its quota of bills shall be bound to sell to a bank holding less, the purchaser paying in gold or by draft on London, say at 20 days' sight. That a central point, say Wellington, be fixed for a weekly general exchange for the whole colony, and the exchange bills be retained at the banks there, to effect which increased postal conveniences obviate any difficulty. That the total amount in lieu of these bills be handed over by the banks at as early a date as possible, and then distributed to applicants by authority of a Drainage Commissioner under the Act, the same to bear interest at 8 per cent. per annum, by which principal and interest is liquidated under ten years; but, as the country is likely to require money for similar improvements for a much longer period, and for a much larger sum, the repayment of balance of interest would still be available to re-lend, and the arrangement with the banks might not need alteration for many years to come. A further (it is to be hoped problematical) advantage would be, in the event of the descent of a privateer on any of our chief cities, there would be so much less gold left for plunder.

I might further add that, viewing the disproportionate amount of gold coin, viz., £1,717,568, and bullion, £152,837, to the amount of notes in circulation, viz., £995,314, it would not have been too much to have proposed £500,000 exchange exchequer bills, as the security to the banks would be first guaranteed by Government as the whole colony, and then by every landowner individually who availed himself of the Act; and, to concentrate the financial management, all bank-notes issued in the colony should be made payable (that is dated) in Wellington (should that city be chosen as the centre where the balances of exchange are settled), and the chief amount of gold held there.

Even were these proposals slightly detrimental to the profits of the banks, the public benefit would be so great that they would have no more reason to complain than any foreign (outside) insurance company starting in the colony, which, if I remember, has to first invest £20,000 in Government securities; but the position of the banks is very different, as the interest at 4 per cent. on the £315,000, amounting to £12,600 payable each year, may be expected to stand nearly thus at the end of say about ten years: by extending the working one year or so more there would be sufficient surplus to cover Commissioners' salaries:—

| | | | | GOVERNMENT. | | | |
|---|-----|-----------------|------------|---|-----|-----------------|------------|
| DR. | | £ | s. d. | CR. | | £ | s. d. |
| To Gold received from Banks ... | ... | 315,000 | 0 0 | By Exchange Exchequer Bills repaid ... | ... | 315,000 | 0 0 |
| Received in interest and compound interest from parties availing themselves of the scheme ... | ... | 315,000 | 0 0 | Advances under the Act, not including Commissioners' salaries ... | ... | 315,000 | 0 0 |
| | | <u>£630,000</u> | <u>0 0</u> | | | <u>£630,000</u> | <u>0 0</u> |

| | | | | BANKS. | | | |
|---|-----|-----------------|------------|--|-----|-----------------|------------|
| DR. | | £ | s. d. | CR. | | £ | s. d. |
| To Exchange Exchequer Bills repaid ... | ... | 315,000 | 0 0 | By Gold from Banks ... | ... | 315,000 | 0 0 |
| Total return on transaction to profit ... | ... | 226,723 | 0 0 | Say 10 years at 4 per cent. ... | ... | 126,000 | 0 0 |
| | | <u>£541,723</u> | <u>0 0</u> | Compound interest, at, say, 8 per cent. on yearly progressive payments of £12,600 interest re-lent out ... | ... | 100,723 | 0 0 |
| | | | | | | <u>£541,723</u> | <u>0 0</u> |

BANK RETURNS (See *Gazette*, June 30, 1878).

| Name of Bank. | Notes. | Gold. | Bullion. | Proposed Exchange Exchqr. Bills. |
|----------------------------------|----------------|------------------|----------------|----------------------------------|
| | £ | £ | £ | £ |
| Bank of New Zealand ... | 512,236 | 701,850 | 84,467 | 155,000 |
| Union Bank of Australia ... | 138,494 | 351,386 | 9,004 | 45,000 |
| Bank of New South Wales ... | 91,637 | 298,652 | 21,186 | 30,000 |
| Bank of Australasia ... | 53,209 | 88,143 | 1,600 | 20,000 |
| National Bank of New Zealand ... | 111,830 | 181,178 | 21,818 | 35,000 |
| Colonial Bank of New Zealand ... | 87,905 | 96,355 | 14,760 | 30,000 |
| | <u>995,313</u> | <u>1,717,564</u> | <u>152,835</u> | <u>315,000</u> |

I have, &c.,
THOMAS MURRAY.