

that being the amount which it was computed by the Treasury and Audit Departments would represent the accretions of the sinking funds during the year 1884–85. If the matter were left there I should claim that we had successfully effected a legitimate operation of compensating the revenue to the amount of the year's increases of the sinking funds by issuing fresh obligations to be afterwards discharged out of those increases. But, indeed, I have been able to go much further. No less than £71,400 of converted bonds came in for payment under the March drawing. The money for those is paid us by the Crown Agents, and of the debentures issued the first year we extinguish at once £71,400. So that within a few months of the Act passing we were enabled, by conversion operations, to extinguish nearly a third of the first year's debentures. Of the debentures remaining of last year, and those we shall issue this year, if the conversion proceed no further than it has already, we shall probably be able to extinguish over £100,000 from the result of the next drawing in March. Many members who opposed the Bill last year did so conscientiously, and I appeal to their generosity not to allow the opinions they then entertained to prevent their now admitting that the measure was a fair one, and calculated to legitimately assist the finances of the colony.

As regards the terms of the conversion: we give, for the consolidated bonds, other bonds bearing 5 per cent. interest for seven years without a sinking fund; at the end of the seven years we give 4-per-cent. inscribed stock for the 5-per-cent. debentures, at the rate of 107 for each hundred. Practically the result means this: the same annual charge for seven years less the sinking fund, and thereafter a saving of a little over $\frac{1}{2}$ per cent. on the annual charge, after taking into consideration the expenses and a sufficient annual provision to extinguish the additional capital stock.

I may say in reference to the other financial Acts of last session that the Westland and Greymouth Harbour Acts justified my expectation. It will be recollected that I contended it would be better to guarantee the debentures, and not to borrow for the Boards. It proved as I expected. When the Bank of England and the market asked us to undertake not to borrow further until the end of March, 1886, they had no difficulty in excepting from such engagement the guaranteed debentures of the Harbour Board. The guaranteed debentures have realized a fair price. It was to be expected that, not being directly issued by the Government, to say nothing of their not being inscribed stock, they would yield less than our ordinary loans. The Harbour Boards obtain their money on splendid terms, whilst the Government runs no risk, since it is secured by funds of the Boards accruing in its hands.

I have now a grateful task to perform, to express to the Loan Agents the profound thanks and acknowledgments of the Government for the excellence of their judgment and for their zealous, able, and loyal services. Notwithstanding the great distance that separated us, we have been able to act in concert as harmoniously and satisfactorily as if we had been close together. Honourable members will read with interest the correspondence which will be placed before them.

FUTURE POLICY.

Before proceeding to discuss the proposals of the present year, there are certain broad features to be considered, to which I must ask the attention of the Committee. We have arrived at a period of our history when it is necessary to carefully consider the nature and effects of the taxation of the colony. The Customs revenue, which is the most important branch of the revenue, requires to be revised, by reason of several circumstances which have come in ordinary course to largely affect its natural growth. I need only mention two of those circumstances: the one, that the increase of production in the colony, in which I include manufacturing, has the tendency to sensibly diminish the import duties on many articles which have yielded increasingly large amounts in the past; and the other, that alcoholic beverages, from which the heaviest Customs returns have hitherto been received, are showing a diminished consumption. Both these facts are eminently gratifying—the latter, from a moral and social point of view, the exceeding value of which it would be impossible to