

Conversion operations have proceeded on a large scale since the meeting of Parliament. Of bonds to the amount of £10,053,600, for which terms of conversion were offered, £4,137,700 have been brought in. A description of the operations appears in a table, which will be presented to honourable members with this statement. The Agent-General has cabled to me the actuarial estimate of the results as follows: Firstly, augmentation of debt, £164,381; secondly, the annual reduction of charges for the first six years, £42,229, and afterwards an annual reduction of £46,842; thirdly, total reduction of charge, £620,179. The results are, I think, very gratifying. We are rapidly bringing our securities into carrying a lower rate of interest. Soon there will be no part of the debt bearing interest at more than 4 per cent., and the grateful task will fall on a future Treasurer, I venture to predict, of converting the 4 per cents. into 3 or 3½ per cents. It is again my pleasant duty to express the Government's recognition of the ability and untiring zeal with which the Loan Agents have conducted the loan conversions and all other operations of which they have had charge. The settlement of the details of the several conversions required the most anxious consideration and the keenest judgment.

#### THE DEFICIT OF 1883-84.

The House last session did not appear to have any desire to see the deficit of 1883-84 speedily extinguished out of current revenue. Viewing the present condition of industrial occupations within the colony it may be as well to follow the example that other countries are setting, and to hold the amount in suspense. It is not desirable to take £150,000 from the immediate use of the colonists. But I am averse to permanently funding the deficit, and I propose to provide for it by transferring it to five years' debentures, to be held within the colony. They can be taken up and extinguished as circumstances justify such a course.

#### FINANCE OF LOCAL BODIES.

It is essentially necessary that I should explain to the Committee the views of the Government on the finance of local bodies. The subject is most difficult to deal with, for two reasons: firstly, there exists a wide difference of circumstance and condition in the country districts of the colony; secondly, besides the preferences consequent on the difference of conditions, usage and custom have intensified feelings in favour of this or that plan of finance. A solution of the matter that would satisfy all local bodies is therefore very difficult of attainment. In anticipation of the repeal of the Roads and Bridges Construction Act we proposed last year a plan of finance based on fixed annual subsidies extending over a long period of years. When the increase of Customs duties was refused, the Government signified at once that they would withdraw the proposal to fix the subsidies for a term of years, and they merely sought for the subsidy for the year, at the rate of one-half the amounts indicated by the Schedule to the Bill. This plan received the assent of Parliament, and the Roads and Bridges Construction Act was repealed. Provision was made for redeeming the liabilities continuing under this Act, and, as these were very large, it was not immediately necessary to make further provision for local works. But the Government were not unaware that a substitute for the repealed Act required to be found. I wish to touch on controversial points as little as possible, but it is clear that, as the surplus of the Land Fund, on which the conception of the Act was based, had ceased to exist, the Act must have remained inoperative, unless, as was the case, it became a merely borrowing Act. The principal points of the Act were—

1. A division of local works into "main" and "district."
2. The borrowing by the colony to enable both works to be carried on, that borrowing being a part of the railway loans.
3. The supervision by the Public Works Department over the nature and carrying-out of the works.
4. The approval of the main roads by Parliament.
5. The charging the local bodies one quarter only of the cost of main roads, and lending them that quarter.
6. The lending to local bodies the full amounts for district works by terminable annuities of 9 per cent. for fifteen years.