

The present Government approve none of these points. They doubt the necessity or expediency of drawing so broad a line between main and district works; they think it unwise to provide funds for local bodies out of loans raised for colonial purposes; they disapprove of the responsibility cast on the Public Works Department, or of requiring Parliament to determine the main roads; they do not see sufficient reason for applying to the two classes of works different plans of obtaining money; and they think a system of finance of a more liberal character should be accorded to the local bodies. Shortly, their proposal is that on the ratepayers shall depend the responsibility of determining and accepting or of refusing works; and that, when the ratepayers approve, money should be provided to the local bodies on very liberal terms. These terms are a payment of 5 per cent. per annum for twenty-six years, secured on special rates; the colony to be responsible for payment of the principal sum, and to meet it by setting aside yearly a sinking fund of 2 per cent. to redeem the debentures at maturity. I need not now enter into details, or explain how, in measure, the 2 per cent. will be reduced by a part of the interest being available. Even were it not so, the Government hold that it will be advantageous to the colony to contribute £2,000 yearly for every £100,000 expended on local works, with the guarantee for their usefulness afforded by the willingness of the ratepayers to pay for a term of years the interest on their cost. Nor need I now explain why the machinery designed will free the proposed sinking fund from the evils inherent to that system of payment. I may, however, observe that it is proposed that Parliament should determine from year to year the limits of the amount to be available to the local bodies; but that, in the absence of any other provision, the amount will stand authorized at not exceeding £200,000 annually. It is intended that these loans shall only be for country districts, and that the storage of water for irrigating and mining purposes shall be amongst the objects that local bodies may carry out. I have thus explained to you the substitute for the Roads and Bridges Construction Act. It will involve, in the course of time, a considerable charge on the consolidated revenue, but a charge which will be well repaid in kind by the increased value of property throughout the colony. It is evident, however, that, with this prospective charge, the Government cannot recommend the subsidies proposed last year, which, in large part, were meant to provide a substitute for the repealed Act. But they are reluctant to do away with the subsidies altogether. It was, in a measure, on the strength of them that the Charitable Aid Act was passed.

With regard to that Act I must interpolate a few words. The object of the Act was not so much to save the Colonial Government from expenditure as to relieve it from duties it could ill discharge, and to cast them on the local bodies and private individuals, who were well able to fulfil them. The Act has answered on the whole. The management of all the institutions will be improved, whilst a great many have attained to the highest condition of development in the shape of separate incorporation. The feature least satisfactory is the disposition to raise special rates, instead of leaning on voluntary donations. Reluctantly the Government yielded to the pressure exerted to give the same amount of subsidy on account of money raised by rates as on account of voluntary donations. They will propose now to slightly increase the subsidy on voluntary donations, to arrest the tendency to which I have referred of raising by special rates the money required.

To return now to the subsidies. The Government propose to limit the annual sum to £150,000, of which half shall come out of loan-money for the present. It is not intended to make the appropriation permanent, although it is believed that the Government should each year make a like provision. This amount, it is estimated, will provide, besides the liabilities, the same subsidies as granted last year—namely, half the schedule rates included in the Local Bodies' Finance and Powers Act, but only three quarters to be payable within the financial year, and the fourth quarter during the three following months.

LOANS TO FARMERS ON MORTGAGE.

The Government have not overlooked the report of the Select Committee last year on the subject of reducing the rates of interest farmers have to