

Parliamentary authority existed 8th October, 1887, for £995,000 deficiency bills.

Authority obtained, 17th October, for £50,000 more.

Deficiency bills outstanding, 21st October, 1887, £995,000.

See page 13.

Authority to issue deficiency bills exhausted, 8th February, 1888.

Deficiency bills so issued entirely in aid of Consolidated Fund, and for no other purpose.

Began early in December, 1887, to remit to London to meet coming liabilities there.

See page 14.

Authority to aid Consolidated Fund increased to £1,300,000, 23rd December, 1887; and new loan, £1,000,000, authorised.

Raising of loans postponed.

authority, obtained by the preceding Government, existed for the issue of deficiency bills in temporary aid of the Consolidated Fund up to £995,000. Under that authority bills to the amount of £675,000 had been issued by the late Government; and two days after we came into office, namely, on the 10th October, £25,000 more had to be issued in order to complete the agreement already referred to for the advances of £600,000 from the Bank of New Zealand, making the amount of deficiency bills then outstanding £700,000. On the 17th October, at the instance of the present Government, Parliament granted authority for the issue of an additional £50,000—making £1,045,000 of deficiency bills in all then authorised—it being estimated that, pending arrangements for meeting the large deficit anticipated in the Consolidated Fund, additional aid to that extent would be temporarily required. On the 20th October, there being only £140,994 available in the Consolidated Fund, with a charge of £449,905 for interest due in London the following day, it became necessary to aid the fund by the issue of bills for £295,000. Upon the issue of these bills the total amount outstanding became £995,000, leaving unexercised the power to issue a further sum of £50,000. Between the 8th October, the date of our coming into office, and the 21st of the same month, the present Government had thus to issue deficiency bills to the amount of £320,000, the whole of the proceeds of which were required and were immediately used to enable the Consolidated Fund to meet the current charges upon it, including the interest—£449,905—mentioned as due in London on the 21st October. On the 21st January, 1888, the moneys in the Consolidated Fund being all but exhausted—there being a balance of only £1,819 8s. 7d.—the authority granted by Parliament on the 17th October, 1887, to issue £50,000 of deficiency bills was exercised to the extent of £25,000. On the 8th February following the remaining bills for £25,000 were disposed of, and the proceeds credited to the Consolidated Fund, thus completely exhausting the power to issue deficiency bills.

From this statement it is quite clear that the issue of deficiency bills was made entirely in consequence of the Consolidated Fund falling short of the requirements of the public service. But it may be said that after their first issue they were subsequently disposed of in such a way as to enable unnecessarily large balances to be retained at the bank. Let us see whether this was so or not.

On the 30th September, 1887, the amount at credit of the Public Works Fund was £298,807, the whole of which was in Government securities, including the Imperial-guaranteed debentures left unpledged—that is, there was no cash; but there remained to be raised the North Island Main Trunk Railway loan of £1,000,000, on debentures of which the Bank of New Zealand had agreed to advance £500,000 to the late Treasurer, as stated above.

It is clear, from what has preceded, that the present Government, very shortly after they took office, found the Treasury in straits undesirably if not dangerously narrow, especially in view of the early necessity to issue further loans, with the possibility of being forced to go upon the market, whether the time for borrowing was favourable or not. Not knowing when it might be advisable to place loans upon the market, the Treasury, to meet as far as possible the London requirements, obtained from the National Bank of New Zealand an advance of £100,000 on security of deficiency bills, and remitted to the Agent-General in the beginning of December, 1887, drafts for £350,000 at short dates.

On the 23rd December, Parliament, by “The Public Revenues Act, 1887 (No. 3),” authorised the creation of short-dated debentures for £400,000 towards making temporary provision for the estimated deficit of the Consolidated Fund at the end of the year then current, and restricted the future issue of deficiency bills to £900,000; and on the same day authority for the issue of a further loan of £1,000,000 for public works was granted. Shortly after the close of the session, however, a flaw was detected in the Loan Act, which rendered it impossible to borrow under it in England: it then became a question whether the floating of the North Island Main Trunk Railway loan should be proceeded with by itself, pending the reassembling of Parliament, and correction of the error in the Act of 1887; but the Loan Agents finally advised against that course: it was not, however, until the 25th April, 1888, that