

(No. 54.)

MY LORD,—

Wellington, 21st August, 1891.

With further reference to the question of Australasian Federation, and to my Despatch No. 29, of the 8th May, I have to inform your Lordship that the Constitution Bill for the Commonwealth of Australasia, which has been submitted to other colonies in Australia, has not been brought before the Parliament of New Zealand, but that on the 3rd August Sir George Grey, one of the delegates representing New Zealand at the Convention held in Sydney, submitted the following resolutions: “(1.) That a “ form of federation should be adopted “ which will enable adjacent British colonies to federate for their common welfare, “ such federation to be validated, if necessary, by an Act of the British Parlia- “ ment. (2.) That a system of federation should also be adopted to enable all “ parts of the British Empire to join in a common federation, whilst each retained “ its own autonomy. (3.) That treaties should be concluded between English- “ speaking nations for a defensive alliance, and for remitting all differences and “ matters of common interest to a General Conference composed of delegates “ from each of the contracting parties, who shall each agree to take within its “ own jurisdiction all measures necessary to give effect to the decision of the “ General Conference.”

Sir George referred only incidentally to the proposals contained in the Constitution Bill. He was followed by Captain Russell, the other delegate from New Zealand, who is also a member of the House of Representatives.

Captain Russell, while expressing himself generally favourable to any scheme of federation which could be practically entertained by New Zealand, added, “ We have in this Constitution granted power to the Federal Parliament “ to take, in case of need, the whole Customs revenue, to levy direct taxation in “ any other form, and to pledge the credit of the Commonwealth. Here we are, “ with £1,800,000 of interest to pay every year on our debt, and power is “ to be granted to take away the whole of our Customs revenue, and the greater “ portion, if not the whole, of our property-tax into the bargain. We are to “ allow the Federal Parliament with one swoop to take the whole of our Customs “ duties of a million and a half away from us. How, then, are we to meet our “ engagements? We cannot possibly meet them if we give away that power. “ Seeing that they will have the power to take our Customs revenue, to impose “ direct taxation, and to borrow further, and that they may take away our power “ of raising money to pay our debts if any emergency arises, I believe the Eng- “ lish bondholder will at once complain if we part with our security, as we shall “ in joining the Federal Union, unless some other provision is made for securing “ our English creditors. Then comes the question as to whether we can make “ any provision. Here is what the Convention did: ‘ The Parliament of the “ Commonwealth may, with the consent of the Parliaments of all the States, “ ‘ make laws for taking over and consolidating the whole or any part of the “ ‘ public debt of any State or States, but so that a State shall be liable to “ ‘ indemnify the Commonwealth in respect of the amount of a debt taken over, “ ‘ and that the amount of interest payable in respect of a debt shall be deducted “ ‘ and retained from time to time from the share of the surplus revenue of the “ ‘ Commonwealth which would otherwise be payable to the State.’ Well, Sir, “ that is not nearly sufficient. It seems to me, before we decide, or before any “ of the weaker colonies decide, to join the Federation, that some comprehensive “ scheme must be agreed to by which the whole of the financial liabilities of the “ colonies *shall* be—not only ‘may be’—merged into one. Unless it is provided “ that there shall be a common responsibility in addition to a Commonwealth “ throughout the colonies, I venture to say that federation will not take place “ —at any rate, that we in New Zealand cannot join in such a Federation.”

Captain Russell was followed by the Premier, Mr. Ballance, who opposed the idea of federation with Australia, and concluded his speech with the following words: “ Looked at from every point of view—legislative, political, “ judicial, and fiscal—and bearing in mind the extent of the liberties that are “ enjoyed in this country from the fact of the colony remaining in its present “ state of relationship with the rest of the Empire, I say that, if this colony