

promised recommendation by the Government in its favour, were transmitted to Her Majesty's Secretary of State for the Colonies by last month's mail.

His Honor the Superintendent,
Otago.

I have, &c.,

HENRY JOHN TANCRED,
For the Colonial Secretary.

COPY OF A DESPATCH FROM GOVERNOR GORE BROWNE, C. B., TO THE RIGHT HONORABLE SIR
E. BULWER LYTTON, BART. (No. 13, Financial.)

Government House,
Auckland, New Zealand,
28th January, 1859.

SIR,—

I have the honor to forward certain documents (noted in the margin) having reference to a loan of £25,000, which the Provincial Government of Otago are desirous to raise in addition to a loan of £35,000, for obtaining which an Act was passed in 1856.

Superintendent of Otago,
22nd Nov., 1858.
Otago Loan Ordinance,
1858.
Memorandum, E. W.
Stafford, 27th Jan., 1859.

2. The Superintendent of Otago submitted to me a Bill (copy of which is enclosed) empowering him to raise this Loan of £25,000, which, acting on Mr. Labouchere's instructions, I (with the advice of my Responsible Advisers) disallowed. My Advisers now, however, desire to obtain the sanction of Her Majesty's Government to a similar Ordinance proposed to be introduced in the next Session of the Otago Provincial Council, observing that "the expenditure of the money for the purposes for which it is to be raised will have a most beneficial effect on the progress of the Province," and that "the financial position of the Province, with a view to its paying interest and repaying the principal, will proportionately not be diminished but increased." They also recommend that interest on the Loan should not exceed 8 per cent., and that provision shall be made for repayment of the principal in ten years by an annual sinking fund.

3. There can be no doubt that the progress of a young settlement depends very much on the command of money and its judicious expenditure, and I have little fear that the Province of Otago will be able to repay the total £60,000 without impairing its solvency as relates to the share of the Imperial guaranteed loan of £500,000 for which that Province is also liable.

4. Should Her Majesty's Government be pleased to direct me to assent to an Ordinance giving power to the Superintendent to negotiate an additional loan of £25,000, I submit that in addition to the proper restrictions suggested by my Advisers, the purposes for which the loan is to be raised should be specified in the Ordinance, and that provision should also be made in it for the liquidation of the whole £60,000 by annual instalments. Hitherto there has been no security that a loan raised by one Superintendent and his Advisers for a special purpose may not be diverted from its legitimate object by their successors in office, or even against the use of public funds for political or party purposes.

I am also of opinion that no Provincial Ordinance empowering a Superintendent to raise money on loan should be assented to unless it contains satisfactory arrangements for the liquidation of the total debt of the Province not previously provided for.

5. With these conditions, I beg to recommend to your favourable consideration the request of my Responsible Advisers, that the Provincial Government of Otago may be permitted to raise a Loan of Twenty-five Thousand Pounds, in addition to the Thirty-five Thousand Pounds already borrowed by that Province.

I have, &c.,

T. GORE BROWNE.

The Right Honorable
Sir E. Bulwer Lytton, Bart.,
&c., &c.

COPY OF A MEMORANDUM BY MR. SECRETARY STAFFORD, RELATIVE TO THE OTAGO LOAN BILL.

Auckland, 27th January, 1859.

During the last Session of the Provincial Council of Otago, a Loan Bill was passed to authorize the raising of a Loan of £25,000 in addition to the £35,000, for raising which, an Act was passed in the year 1856. In pursuance of instructions which have been issued to all Superintendents to reserve for the signification of the Governor's pleasure, all Bills passed by Provincial Councils for raising Loans, the Bill for the additional £25,000 was transmitted for the Governor's assent, accompanied by an explanatory letter. Having regard, however, to the tenor of the Secretary of State's despatch* of the 15th September, 1857, the Responsible Advisers of the Crown in New Zealand recommended His Excellency the Governor to withhold his assent, which has been done accordingly.

Otago Loan Bill.

Published in "Gazette,"
of 14th Dec., 1857.

In tendering this advice, Ministers were actuated by a desire to act in accordance with the understanding that no Act or Ordinance for raising Loans shall be passed by Provincial Legislatures in New Zealand, except under special circumstances without the cognizance of Her Majesty's Imperial Government, which has become specially interested in the financial operations of the Provinces, in consequence of the guarantee of the Loan of £500,000 for the Colony. At the same time, Ministers are of opinion that no substantial objection exists to permitting the Province of Otago to raise the additional £25,000 which is desired, and they, therefore, in communicating the Governor's decision to the Superintendent, informed him that they would recommend to Her Majesty's Imperial Government to sanction the passing by the Provincial Legislature of an Ordinance for that purpose.