

First. The necessity for resorting to Loans, in order to the performance of extensive Public Works.

Secondly. The existing Otago Loans and their position in Great Britain.

Thirdly. The financial position of the Province.

Fourthly. The means by which the Province may be relieved from prospective difficulties.

Fifthly. Suggestive observations on future Loans for Provincial purposes.

1st. The necessity for resorting to Loans &c.

From the date of the first settlement of Otago in 1848 until the year 1861 when the discovery of Gold was made, the progress of the Province had been of so gradual a character that the Provincial Government did not consider itself at liberty to mortgage its Capital and future Revenues in order to carry out Public Works on an extensive scale.

In the year 1861, however, a great change was at hand—Gold was produced in large quantities, and an enormous increase to the population immediately followed. Public Works of a character, and to an extent which had not before been dreamt of as likely to become necessary for many years to come, were immediately demanded, and the result has been that an unusually large expenditure has taken place within the past two years, and which, under the ordinary conditions of colonization would have been distributed over a period of from fifteen to twenty years. It soon became apparent that the numerous demands upon the Government could not be satisfied from Territorial and Ordinary Revenue, and that it was a matter of necessity that those Revenues should be partially made available by anticipation. Hence the Loan Ordinances of 1861—2, which, having been passed by the Provincial Council, were, under the circumstances, assented to by His Excellency the Governor.

2nd. The existing Otago Loans and their position, &c.

		£	s.	d.
Amount authorised to be raised under	Loan Ordinance, 1856, - -	35,000	0	0
" " "	Harbour Loan Ordinance, 1861,	50,000	0	0
" " "	Public Buildings Loan Ordinance,			
	1861—2, - -	50,000	0	0
" " "	Otago Loan Ordinance, 1861—2,	50,000	0	0
" " "	Otago Loan Ordinance, 1862,	500,000	0	0
Total of Otago Loans	- - - - -	£685,000	0	0

Amount of Debentures sold, forming part of the above Loans :—

	£	s.	d.
The whole of Loan of 1856, - - - - -	35,000	0	0
Part of Otago Loan, 1861—2 - - - - -	7,000	0	0
Part of Otago Loan, 1862, - - - - -	38,000	0	0
Total of Debentures sold	- - - - -	£80,000	0 0
Balance of Debentures undisposed of	- - - - -	£605,000	0 0

The first Loan, of £35,000, was placed in the hands of the Provincial Agents in Great Britain at different times, and sold in small sums, as the circumstances of the Province required. No considerable difficulty was therefore experienced in the matter of its disposal, the more especially as it was not found necessary to have recourse to the means usually resorted to in negotiating large Loans, viz., the medium of the Stock Exchange. The position of the other Loans is, however, widely different. At the time when it was found necessary to place the Half-million Loan on the English market, difficulties, some of which could not have been easily foreseen, and others which until then, though in existence were not recognised, presented insuperable obstacles to its disposal. The principal of these difficulties were, 1st. : The unusual stringency which then prevailed in the money market of England. 2nd. : The known existence of a serious and expensive war in New Zealand, which would inevitably result in a Colonial Loan ; and the almost immediately subsequent announcement that such a Loan, amounting to £3,000,000, had been authorized by the New Zealand Parliament.

3rd. The overshadowing effect of the last mentioned Loan, and its known character as creating a preferential charge upon the Territorial and other Revenues of the Colony, and the consequent refusal of the Committee of the Stock Exchange to recognise merely Provincial Loans as marketable securities.