any further loan bills at the present time; it agreed to give temporary assistance for three months, by advancing fifteen thousand pounds (£15,000), in each month, during that period; leaving the question of dealing conclusively with the Provincial liabilities. to be determined hereafter—the Land Revenue of the Province to be retained by the General Government until the advances were repaid.

In the meantime, the Provincial Government took steps to reduce the ordinary Expenditure and the works on the Railways were partially suspended. Those works had been pressed on with great vigour up to the early part of May; the heaviest works on both lines being well advanced, had it been practicable to have pushed them forward since that time with the same energy, I have no doubt that the Oreti Railway would have been open for traffic now. In consequence of the arrangement with the General Government, those works have been resumed, and there is every reason to believe that the Oreti Railway will be open for traffic for a considerable distance in the course of next month.

A detailed statement of the financial position of the Province will be laid before you, but I may briefly state now, that the aggregate sum of the liabilities of the Province has not very materially altered since this Council was prorogued. The actual debts on the 30th June were about thirty thousand pounds (£30,000), and the contingent liabilities, which will fall due in the next three months, or when the Railway and other contracts shall have been completed, amounts to one hundred and thirty-five thousand pounds (£135,000). To meet this we have an estimate of the Ordinary Revenue for three months at Eight thousand pounds (£8 000), and an advance of Forty-five thousand pounds (£45,000) from the General Government, to the repayment of which the Land Revenue for some time to come will be applicable.

Besides these liabilities, the Provincial Government has guaranteed the sum of Ten thousand pounds (£10,000), advanced by the Bank of New Zealand to the Town Board, as a security for which the Board has assigned to the Government special rates amounting to nearly Twelve thousand pounds. There is also a yearly charge on account of the New Zealand Loan, 1856, of about One thousand pounds.

The provincial debts, then, are the sum of the loans and the liabilities stated above. The sum of the loans is to be expended in the construction of the Railways, works which will be eminently reproductive. Until after they have been for some time open for traffic it will be necessary to meet a part of the annual charges on the loans by votes of money from the General Revenue; but few will doubt that after a time—two or three years, it may be—those Railways will yield a surplus Revenue of yearly increasing importance. The burden of annual charges for those loans, then, may may be regarded as one only of a transient character; and the Province has to deal, as its most onerous debt, with the immediate and contingent liabilities. Such a debt for a Province, having about half a million of acres of arable land yet unsold, and the gross amount of whose Customs Revenue during the financial year ending June 30, exceeded Sixty thousand pounds (£60,000), should not place it in a position of serious difficulty of any long duration. A temporary embarrassment, however, has occurred, and from a coincidence of causes which could scarcely have been anticipated.

To the mode, then, by which we shall effectually meet those liabilities, I have now to draw your earnest attention, and the question involves considerations which are Colonial rather than merely Provincial. The discussions that have taken place on the subject of Provincial Loans have fostered the opinion that without a Colonial guarantee they will not readily sell in London, an opinion which is now probably correct in the main, although in the first instance the pressure in the money market in London, rather than any distrust in the validity of Provincial securities, caused the very slow and limited sale of those that were offered; the leading politicians in this Island are of opinion that this guarantee should be given, and the question is of such vital importance to its interests especially to those of its three Southern Provinces, who have each large loans to dispose of, that it becomes the duty of each Provincial Legislature to consider it carefully, and declare its opinion distinctly. The Provincial Loans of this island have no tangible Colonial guarantee, although no doubt the assent of the Governor to such loan bills may be regarded as a moral guarantee. To place the validity of the security, which is offered, beyond a doubt; to enable the Provinces of the Southern Island to carry out the works they have undertaken; to enable them to proceed with other great public works which will develope the resources of the island, and attract an increasing flow of immigrants to the Colony, it is essential that some measures should be urged on the Colonial Government by the expression of opinion in the Provinces that loan bills, sanctioned by the Governor, shall be secured by Act of the General Assembly, and provision made under the same authority whereby any Province, able to show sufficient reasons for undertaking large works, can obtain the means necessary to enable it to proceed with them. With a rapidly increasing population, and extending settlement and trade it may be anticipated that in order to give greater facilities for intercommunication between the different Provinces by land, and with other countries by sea, the construction of great and costly work will soon become indispensable. The current of opinion has set in favour of extension of railways through the length of the island to meet the first condition, and harbour works of similarly expensive character will be required to fulfil the second. Such works will be of Colonial importance, not simply local advantages. Their prosecution will involve the necessity of borrowing large sums of money; to obtain the means, the Colony must become legally bound to repay them.

The Southern Island has a fair right to claim that the Assembly shall give it a due share of such advantages, seeing that it has already, by the action of its representatives, willingly undertaken its share of responsibility for large loans, authorised by Acts of the General Assembly; far the greater part of which loans have been, or are to be, expended in the Northern Island. Some resolution on this subject will be submitted for your consideration in the course of the session.