

at regarding the question at issue, until the 14th of September, when the native prisoners, having • quitted the Island of Kawau, and taken up a position on the mainland, a new complication arose.

4. I still thought it my duty, however, to adhere to my determination of issuing the Proclamation, so soon as a fitting state of things might exist for my doing so.

5. I therefore wrote on the 14th September to my Responsible Advisers, informing them if they still refused to acquiesce in the issue of the Proclamation, I ought to let them know that, sorry as I was to differ in opinion with them, I intended to adhere to my intention of publishing it, and I begged to be informed what course they intended to pursue; that I trusted that they would, as soon as they conveniently could, answer my question, in order that I might have the means of determining what line of conduct I ought to adopt.

6. My Responsible Advisers did not give any immediate reply, and on the 20th the English Mail arrived, and the news was received that the Hon. Mr. Wood had failed to negotiate the New Zealand Loan in England, and it was evident that serious financial difficulties were impending over the Colony.

7. On the 22nd of September, Ministers answered my Memorandum of the 14th of September, informing me that they were anxious, as far as lay in their power, to remove all difficulty out of my way, and that if, therefore, I adhered to my intention of issuing the objectionable Proclamation, they begged most respectfully to state that they wished to be relieved, before that was done, of the offices they held as my Responsible Advisers.

8. A very grave question then presented itself for my consideration, which was, whether I had any chance, in the financial state of the Colony, of forming rapidly a new Ministry—a task always most difficult in New Zealand—or whether it was my duty at once to call the General Assembly together.

9. I found it impossible to decide this question, unless I was furnished with a statement of the real financial condition of the Colony, with which I endeavoured to acquaint myself.

10. Whilst still undecided what course to adopt, the Hon. Mr. Wood called upon me on the 28th ultimo, and, in conversation, stated that “Ministers could not be accused of prolonging the war, and closing the avenues to peace.” I replied that I considered, in standing in the way of my issuing the Proclamation I wished to do, they were, in my opinion, doing that which produced those effects. Mr. Wood, having informed his colleagues that such was my opinion, my Responsible Advisers wrote to me on the 30th September, placing in my hands their resignations of their offices in the Government of New Zealand.

11. Up to the present time, I have not received all the information regarding the present financial condition of the Colony, as would enable me to decide upon the course I ought to adopt; and I fear that the difficulties in the way of my forming a Ministry will be considerably increased, from Ministers having advised me, as you will see from the enclosures to this Despatch, that they do not think, in the present state of things, I ought to supply information as to the financial condition of the Colony, to any person who may profess a willingness to accept office, as they foresee probable evil consequences as to the result of such a communication to persons not under responsibility. They also advised me on the fifth instant that, had they remained in office, it was their intention to advise the reduction of all war expenditure, except so much as was actually indispensable.

12. I am afraid that I should get no one to agree to accept office, who was not first made fully acquainted with the financial difficulties he would have to meet, and as no returns of Revenue and Expenditure have recently been published, except from the Returns and Statements I have now collected, there is no means of acquiring such information.

I have, &c.,

The Right Honorable Edward Cardwell, M.P., &c., &c., &c.

G. GREY.

No. 48.

SIR,—

Government House, Auckland, 8th October, 1864.

From my correspondence with my Responsible Advisers regarding the resignation of their offices, transmitted in my Despatch, No. 143, of the 7th instant, you will find that, before they would assent to my issuing the Proclamation I wished to put forth, offering to receive the submission of such tribes who had been engaged in the rebellion as would take the Oath of Allegiance, and make the cession of such territory as might be fixed by the Lieutenant-General and myself, which we would only have done in each case after hearing and considering the opinion of Ministers, they required me to give a vague assurance that the cession taken should be to the extent required for the purposes of settlement, and of defraying part of the expenses of the war. I could not give the assurance asked for in the vague terms in which it was put to me.

2. I thought it, however, desirable to ascertain, if their wishes could be met, what was the quantity of land they required to be taken, and in what localities, and therefore, in the correspondence now enclosed, tried to obtain information upon these points, for I had never obtained a statement on this subject which I regarded as of a sufficiently definite character.

3. In their memorandum of the 3rd instant, I for the first time received a statement of the quantities of land to be taken, in cession or otherwise, which they would now deem sufficient—namely, 1,600,000 acres; although it appears that this quantity falls very far short of what was proposed by the General Assembly, and that they only made this modification for the purpose of avoiding any imputation even of prolonging the war for the acquisition of territory. Out of this quantity they required 600,000 acres to be taken at Taranaki or Whanganui—that is, more than 900 square miles. As I thought that hardly 100 miles length of territory between those places still remained in the hands of the natives, and that that country was probably on the whole of no immediate value for settlement for an average distance of 9 miles inland, it appeared, if I was right in thus thinking, that the result would be that I should have to take the entire native territory of friendly natives, and all others in that district. I therefore asked my Responsible Advisers to furnish me with tracings which would shew approximately the boundaries of the territory it would be necessary for me to confiscate in the Waikato country, and in the Province of Taranaki, and near Whanganui.