

The General Assembly itself has distinctly declined to permit legislation, the effect of which would give priority of charge on the revenues of the Provinces, over charges previously created. The Imperial Government, in their Act to guarantee the one million of the Three Million Loan, enacted that the interest and sinking fund of that guaranteed loan should be a prior charge over all other loans and charges (save some therein mentioned which do not effect the question) thus placing a prior charge on the Provincial Revenues to the charges previously created upon them by the Provincial Legislatures when they borrowed money on debentures. This breach of faith with the public creditors of the Provinces the Assembly distinctly declined to allow, and on the 9th December, 1864, in the Journals of the House of Representatives, p. 46, we find as follows:—

“On the motion of the Hon. Mr. Fitzherbert, ordered—That the following resolution be considered in the Committee of Supply, viz.: ‘That in the opinion of this Committee it is not expedient to accept the offer of the Imperial Government (as embodied in the Imperial Act of last session) to guarantee one million of the Loan of Three Millions authorized to be raised under ‘The New Zealand Loan Act, 1863,’ for the following reasons, viz.:—

- (1). “That the Act referred to requires the Colony to give a priority of charge in favour of such guaranteed loan over charges previously created.
- (2). “The Imperial Act requires that the Territorial Revenue shall be included in the security, a measure which, in the opinion of your Committee, would be incompatible with subsisting arrangements with the Provinces, and would prejudice the securities for Provincial Loans.”

If, however, the proposals of the General Government become law, what may be the practical effect of them?

Take first the Province of Canterbury—The Canterbury Province has authority to borrow £500,000, of which about half has been raised, the bonds are held principally in London—the remaining half of the loan is still unraised, though the bonds are made ready for issue and money borrowed upon them. The whole half-million is an equal charge on the Provincial Revenues. Now, the effect of the Government proposition is to cancel the unissued bonds, to substitute for them a General Government issue for the same amount, and to make that issue a first charge on the Provincial Revenues, thus committing a special injustice to the holders of the first issue of that loan, and a great injustice to all the other bondholders and creditors of the Province of Canterbury.

Take again, the case of a Province without a Land Fund, say Auckland, if the General Government buy up half the Auckland Bonds, say £250,000 out of the £500,000, it may possibly happen that the General Government would, under the provisions of these Acts absorb the whole of the Provincial Revenue to the entire exclusion of the holders of the other half of the loan, *e.g.*, the interest and sinking fund on £500,000 amounts to £40,000. If the Provincial Revenue fell to £20,000 the General Government holding half the bonds would absorb it all.

4. But, the Colony is really liable for all the Provincial Bonds. How can the Provinces in the aggregate disclaim their individual liabilities? The Colony in dealing with its individual parts cannot impose laws, burdens, &c., and alter them without respecting or protecting claims upon those parts especially as those claims came into existence with the consent and under the authority of the Colony. The General Government assent to Provincial Loans has not been given as a simple ministerial act, the Ministry of the day, before His Excellency has been advised to assent to a Provincial Loan, have required from the Province borrowing, a statement of its assets and liabilities, and of the objects on which the loan was to be expended, and have thus exercised a semi-judicial inquiry before authorizing the loan. If the result of the inquiry has not been satisfactory the loan has been refused; if satisfactory, it has been authorized. Now if the Colony was not ultimately liable, and the Governor's assent was a mere matter of form, why this inquiry and care to see the public creditor protected?

From the foregoing it follows:—

- (1.) That it is inadvisable to fix various prices, or any prices short of par, upon the Provincial Bonds.
- (2.) That the General Government cannot fairly take a prior charge on the Provincial Revenues for the objects they propose.
- (3.) That to enable them to deal successfully with the Provincial Loans—repealing the Surplus Revenues Act—making provision for deducting interest and sinking fund from Provincial Revenues, and for avoiding a disclaimer or repudiation of the Colonial liability for the obligations of the Provinces it is necessary to admit the ultimate liability of the Colony for the payment of the debts of the Provinces, and to offer the bondholders an exchange of their Provincial Bonds for General Government Bonds of equal amounts and rate of interest at such a premium as will induce them to make the exchange, the Provincial Bonds being taken at par. By adopting this method the Government avoid the objections to which their present proposals are open, and they can take the securities they now propose to take upon the Provincial Revenues as against the Provinces, they do no injustice to the Provincial Bondholder, who can keep, if he chooses, his present security, but who, it is believed would be willing to exchange it for a General Government Bond at a fair premium.

If then, in dealing with consolidation, the Colony has to say to the bondholders we have altered the security you formerly held, viz., the Surplus Revenues Act, and have made subsequent Provincial Loans a first charge (to your detriment) on Provincial Revenues, and we now say to you we are ultimately liable to you—if the Provinces do not pay you we will—the question remains upon what terms may the holder of a Provincial six per cent. Bond thus recognized by the General Government as worth £100 or par fairly be asked to exchange his Provincial Bond for a General Government Bond of equal amount and rate of interest—both being good, but in one case an ultimate liability only, and in the other a direct one—the one not saleable on the Stock Exchange, the other saleable there and now worth £5 premium. It is proposed that the Provincial Bondholder should give up his Provincial Bond and pay £5 premium. This would give the Colony a profit on the conversion, and be no hardship to the