

is to examine critically her capacity. It consists in the number and variety of the places which are sources of supply to her revenues. New Zealand in fact does not depend on one or two ports only. The consequence is that you are enabled to strike an average, and so calculate with a confidence which would be rash elsewhere. I draw the attention of the Committee to a very interesting return (No. I.) which I hold in my hand, showing the growth of the Customs Revenue of New Zealand for the last ten years, uninterrupted by a single check. The progress is as follows, viz :—

1857-8	...	£138,998	1862-3	...	£488,522
1858-9	...	£160,830	1863-4	...	£617,002
1859-60	...	£178,117	1864-5	...	£643,297
1860-1	...	£204,612	1865-6	...	£796,227
1861-2	...	£339,393	1866-7	...	£864,668

I believe the Committee may feel a confidence in my figures as based on such progressive returns which they would not feel if they regarded some isolated fact only, as for instance that there was a slight decrease in the Customs Revenue for the last quarter.

In further confirmation of the elasticity of the resources of the Colony, I refer to returns of imports and exports (Nos. II. and III.) which will be interesting not only to the Committee but outside the Colony; from which it appears that our export of gold for the last year was £2,605,000 as against £2,858,000 of the preceding year, and that the grand aggregate of the export of gold from New Zealand, from the commencement of the gold discoveries to the present date, has now reached upwards of thirteen millions sterling.

I remark in passing that I anticipate that there will be certain incidental receipts arising from the sale of sundry stores &c.; also from instalments falling due in respect of sales of confiscated land effected prior to 30th June, 1867, and of sale of certain confiscated lands in the Province of Taranaki. But these receipts (which are not likely to be large) will not more than suffice to provide for certain charges of a special character, including surveys, &c. I regard them as a special fund, and consequently have not included them in the estimate of the year's revenue.

The question now presents itself, how, within such limits of ordinary income, we can best propose efficiently to provide for the Colonial and Provincial services of New Zealand? We have finished with the routine statements—the data are ascertained—and we come face to face with the problem of the day. It is close work. Can we make more room? Can the data be altered? In other words, can the taxation of the country be increased? The opinion of the Government is that it cannot, and that there is no use looking for relief in that direction in order to make both ends meet. On the other hand the taxpayer puts the opposite question, "Cannot the taxation of the country be reduced?" In reply to the last question, I am not prepared to say that no alternative finance might be devised in that direction. But under present circumstances, speaking as a Government, with whom must always rest the responsibility of endeavouring to the utmost practicable extent to provide for and maintain in efficient working order all the existing institutions of the State, I have to inform the Committee that no reduction in taxation will be proposed by the Government this session.

With this observation, I pass on to state the proposed expenditure for the year 1867-8, as follows, viz. :—

	£	s.	d.
Civil List	27,500	0	0
Permanent Charges	305,818	5	5
Class I.—Public Domains and Buildings	4,376	4	0
Class II.—Public Departments	45,025	10	4
Class III.—Law and Justice	69,892	4	0
Class IV.—Postal	155,241	4	0
Class V.—Customs	44,810	7	6
Class VI.—Native	24,058	17	6
Class VII.—Militia and Volunteers	28,052	8	1

Class VIII.—Miscellaneous	...	39,403	6	8
		£744,178	7	6

With respect to this proposed expenditure, I remark that, notwithstanding an increase over the sum as estimated last year, of nearly £40,000, under the head "Permanent Charges," it will still be found that the total proposed expenditure for this year only exceeds that proposed for last year by the sum of £6,000.

This result has been attained mainly by removing certain items out of the ordinary estimates, and providing for them as other services of an extraordinary and emergent character may, consistently with sound principles of finance, be provided for. I am particularly referring to the item "Defence." Last year I estimated the amount for this service to be borne on the ordinary estimates at £70,000. The sum is placed down on the ordinary estimates of this year at only £28,000, and embraces the Militia and Volunteer services only.

Government has decided, after a very careful consideration, to take this step, which means much more than a mere transfer from one set of estimates to another. But whilst the Government has, as I believe the Committee will agree, wisely determined to cease to place the Defence service on the estimates as an ordinary department of Government, it is my duty to declare, on the part of the Government, that whenever the occasion may arise, and to the very fullest extent such occasion may require, they are determined to put in requisition the entire resources they can command in order to maintain the peace of the country in the event of its being disturbed.

The Government simply judge it to be for the best interests of the Colony not to maintain a peace establishment of Defence as one of the permanent institutions of the country. Whilst, however, it must be admitted that this is a very large and important step to take, and whilst it is not to be imagined that the Government is prepared to make any preposterous proposal which shall aim at defining and limiting as between the different parts of the Colony that which by its very nature must be indefinite—as preposterous, indeed, as it would be for a canny bachelor to prescribe beforehand the limits of milliners' bills; the *cadeau* will be gaily bestowed and graciously accepted in token of acquiescence, but when the gift has been used up, the full weight of marital responsibility recurs, and it is discovered when "too late" that the fascination of the moment was the only substantial result obtained by the absurd bargain. I say that, although the Government is not prepared to hold out illusory promises of limitation, it is a satisfaction to be able to assure the Committee that the Defence expenditure has now become a decreasing series, and need not, therefore, be regarded with the same apprehension as formerly. This assurance is borne out by the following statement of expenditure for Colonial Defence (including advances made during the years 1866-7, but excluding advances accounted for) for the financial years from 1858-9 to 1866-7, both inclusive :—

	£	s.	d.
Expenditure in year 1858-9	4,415	15	7
" " 1859-60	27,076	15	6
" " 1860-1	62,634	10	0
" " 1861-2	54,172	18	2
" " 1862-3	203,013	12	8
" " 1863-4	853,146	2	3
" " 1864-5	886,259	0	11
" " 1865-6	473,348	18	4
" " 1866-7	327,180	9	1

That is to say, the Defence expenditure was not much more than one-third of what it was in the two years 1863-4 and 1864-5, when it reached its maximum.

It is also satisfactory to note that the ratio of "Native Expenditure" is decreasing, as is shown by the following statement of expenditure for Native purposes for the financial years from 1858-9 to 1866-7, both inclusive :—

	£	s.	d.
Expenditure in year 1858-9	11,109	15	4
" " 1859-60	17,140	8	7