This very interesting return gives us a bird's-eye view of the whole progress and result of the relative colonial and provincial expenditure of ordinary revenues since 1858. Before quitting it, I contrast the grand totals, and if the amounts of provincial charges and surplus revenue distributed be added together it will be found that the total of provincial charges amounts to £2,762,000, and that of colonial charges to £2,348,000; thus showing an excess of provincial over colonial charges amounting to £414,000. (It will now be quite apparent to the Colony, where the proceeds of its taxation have been absorbed.) It will be seen that if the sum of £183,689, above referred to as overpaid to the Provinces, had not been so overpaid, the revenues of New Zealand (exclusive of territorial revenue) would have been nearly equally shared between the Colony on the one hand and the Provinces on the other, during the last nine years; and it is patent that the amounts hitherto appropriated for provincial services have not more than sufficed to provide for the payment of the interest and sinking funds on provincial loans and the general maintenance of provincial administration. Unless, therefore, it be decided to force on fundamental changes, which may be effected in either of two ways, according as either party holding extreme views may be dominant; that is to say, the Provinces may be cast adrift and left absolutely to take care of their own loans and credit, and brought face to face with the people, by being obliged to tax them directly for the special purposes of provincial administration (in which event the cost of the necessaries of life might be considerably diminished by a reduction of indirect taxation)—or the General Government may be cast adrift, the colonial debt be disintegrated, and the payment of its interest and sinking funds parcelled out as a charge on different portions of the Colony, and the General Government reduced to a shadow—*nominis umbra.* Unless, I say, one or the other of these extreme views be adopted, it follows that some such distribution of revenue as that indicated by the results of the investigation we have now been pursuing must be made.

The present Government, speaking as a Government, desires to steer a course between these two extremes; it seeks to preserve the unity of the Colony. It wishes to maintain existing institutions in a state of efficiency, provided those charged with their administration are willing to be controlled within prudent bounds. It does not intend to propose an alteration in the system according to which the Parliament of the country has hitherto been the great taxing medium; and it proposes to create an interest common to the Colony and the Provinces in those very considerable revenues derived from such taxation. It takes still broader views, and is unwilling that the unity of the Colony should remain a mere idle name, and desires that the powerful combination expressed in that term should be made to yield its legitimate financial results, by putting in motion the vast power of a common credit, which is now frittered away and wasted by being exercised provincially. But in order that such results may be obtained, it is indispensable that the Government of the Colony should exist as a reality with large controlling powers.

Influenced then by the above considerations, and guided by the results of the investigation which have just been traced out, the Government now proposes to the Committee that the consolidated revenues should be divided equally between the Colony and the Provinces. It only remains for me to show the precise effect of this proposal in figures. Stating then one-half the consolidated revenues at £542,000, as available on the one side for colonial, and on the other for provincial services, and taking the colonial expenditure at £540,267, it will be seen that there is only a very bare margin left. Again, taking the provincial charges at £204,173, I find a balance of £337,827 available for provincial appropriation; and comparing this amount with that which would be yielded by three-eighths Customs Revenue, viz., £324,000, the result ought to be regarded as one very favourable to the Provinces in measure, and, as will be explained presently, favourable in manner also.

This proposal of the Government I observe (and I invite the particular attention of the Committee to my observations) was decided to be made in order that the Provinces might be placed in the position of being able themselves to make a provision for outlying and road districts of a character as permanent as that which, according to the explanation I have just given, is now contemplated by the proposals of the Government to be made for the Provinces themselves. In further support of the general exposition which I have just given of the principles on which the financial policy of the Government has been based, I proceed to develope our particular proposals, and begin with—

THE CONSOLIDATION OF PROVINCIAL LOANS.

It is almost unnecessary to say one word to prove the necessity of some such measure. Perhaps no measure has been more distinctly called for by considerate men of all parties, by the public Press, and by those friends in England who watch the financial operations of the Colony with interest. It is sufficient to say that the appearance on the London market of a great variety of paper, all secured on different parts of the revenue of the Colony, all bidding against one another with the lender of capital, has had (as it must have had) a disastrous effect on the credit of the Colony generally, and has resulted in very serious loss and embarrassment. Two years ago this House awoke to a sense of the evil, and prohibited the Provinces from exercising any further borrowing powers. But a general call has been made on the Government, to which it would fail in its duty to the Colony if it did not respond, to go still further and to deal with the outstanding engagements into which the Provinces have already entered. I do not conceal from myself that, desirable as this object has been thought, it will depend on the principle of the measure for its accomplishment whether it will meet with a general acceptance from the House. I take it that most men are agreed upon the point that the credit of the whole Colony shall, in some form or other, be impressed upon the provincial securities, but I foresee that it will be difficult to avoid awakening a very natural jealousy on the part of those Provinces which have been chary of their credit, and most economical in their expenditure, unless it be clearly provided that each Province shall still bear its own burdens; that whilst the consolidated revenues of the whole Colony are mortgaged as a security to the outside creditor, still, as between the Provinces themselves and the General Government, the charges occasioned by the provincial debts shall distinctly fall upon the Provinces by which, and in the proportions in which, these debts have been incurred. In order to see that this principle has been rigidly adhered to, it is necessary to read together the Consolidation Bill and those clauses of the Public Revenues Bill which relate to payments of revenue to Provinces.

There is another point in which the interests of the Provinces are concerned which has received much attention. Various opinions have been expressed as to the actual saving, both of principal and of annual charge, which may be effected by such measure; and some of those opinions have been sufficiently extravagant. I will not waste your time by speculation which must be of doubtful value; but I may say that by ordinary skill and prudence a very appreciable saving may probably be effected in the burdens of the Colony. The question may, however, be fairly asked, who is to have the advantage of any such savings? and I will briefly reply, that the measures of Government are framed with the object of relieving the revenues of the Provinces to the full extent to which any saving can be effected, either of principal or annual charges, and that the General Government forgoes all participation in the profits of the transaction. There were several proposals which naturally presented themselves to our minds when considering the nature of the measure it would be our duty to propose.

1. One plan was simply to affix to the provincial securities, as they stand, the *imprimatur* of the General Government—merely to give the endorsement of the Colony to provincial paper. We rejected that plan mainly for two reasons; first, because we should then merely have enhanced the value of the property in the hands of private individuals, without gaining