of sums due by the Provinces, under the Surplus Revenues Act, viz.:—

Dr.	£	s.	d.
Auckland	17,954	15	11
Taranaki	4,026	7	10
Hawke's Bay	4,657	7	7
Wellington	10,297	18	10
Nelson	4,526	12	11
Marlborough	12,063	12	6
Canterbury	36,006	15	6
Otago	80,445	4	2
Southland	13,709	14	3
	£183,688	9	6

This transaction will close the whole of the operations under the Surplus Revenues Act.

Before I proceeded to the explanation of the proposal for division of the ordinary revenues of the Colony, I alluded to an arrangement for relieving those revenues of certain charges and observed in effect that unless some arrangement of the sort were made a system of retrenchment alone would not suffice to enable such a scheme of division to be put in practice this year. The Commitee will have anticipated from the tenor of those observations that it would be necessary to take up a further sum of money. I am now going to explain the exact proposal of the Government in this respect. With reference to the loan of 1863, it may be here stated broadly that when the whole of the temporary 8 per cent. bonds are taken up, the Colony will have issued three millions of debentures, on which the discount is upwards of £260,000.

Now the Government do not propose asking for a new Loan Act; for the Act of 1863 is held to confer the legal authority necessary to raise three millions sterling. But it will ask for a further Loan Appropriation Act to provide for the following extraordinary services; which I may observe are of a character consonant with the original appropriations of moneys to be raised under that Act, viz.:—

	£
Telegraph Extension	47,412
Marine (Lighthouses)	19,725
Defence	109,025
Taranaki Debentures	38,750
Contingent Defence	45,000
Amounting to	£259,912

When the proposed Loan Appropriation Bill is introduced estimates will be brought down showing the estimated expenditure in detail, but I take the present opportunity of stating that one-half of the sum of £109,000, set down against the item "Defence," is for liabilities, and, therefore, not a recurring charge.

I also take this occasion of giving explanations of the proposals of the Government with regard to Taranaki. There are two financial matters to be adjusted with regard to that Province.

1. With regard to the Taranaki Debentures, I may state that they form part of the compensation already awarded; the interest has always been paid by the Colony, but the existence of those debentures is an obstruction to further operations of the Province with the Bank which holds them. It is proposed to take them up.

2. In 1856 a sum of £36,000 was allocated to that Province out of the half million loan. Of this, £20,000 without interest and £16,000 with interest. To the present date a subsidy has been paid of £2,200 per annum by the Colony to the Province of Taranaki in lieu of land revenue. On final adjustment of the question of handing over the confiscated lands, this subsidy would cease, and the interest and sinking fund on £16,000 become chargeable to the Province, leaving on the transaction a relief to the Colony of £3,160.

If the Committee accede to our proposed loan appropriations, I believe that it will not be necessary to attach the £150,000 Treasury Bills authorized to be issued last year, to the permanent debt of the Colony. On the contrary, when it is borne in mind that under the provisions of the Loan Consolidation Act power will be taken to recoup to the Colony the sum of say £43,000 advanced to the Province of Southland; also, that there is every reason to hope that the amount put down for contingent defence will not be required, for it is only an emergency vote (although one that must be provided for), and when it is further borne in mind that there are sums amounting to £34,000 which appear on the estimates of this year, but are of an exceptional character, and therefore, not likely to recur every year, I think it may be fairly anticipated that if the Committee consents to our proposal that the sum of three millions sterling should be raised under the Act of 1863, the Treasury Bills to which I have referred can be provided for without still further increasing our permanent debt. At any rate, I do not see how otherwise the contemplated provision for the Provinces can be effected this year; and if it be not, I do not see how the Provinces can meet their engagements, an event which must re-act disastrously, for a time at least, on the whole Colony.

From the consideration of the losses sustained by the Colony in the negotiation of the loan of 1863, I naturally pass on to that of the position of the Colony as regards the claim of the Imperial Government, for the two questions are dependent on each other.

It is well known to the Committee that the Imperial Government have from time to time been most urgent in their desire to adjust outstanding accounts, in which they have been met by a like anxiety on the part of successive Colonial Governments. An attempt was made towards such adjustment by the appointment of Mr. Crosbie Ward as agent in 1863, and Mr. Reader Wood subsequently, who placed themselves in personal communication with the home authorities. These attempts were not successful, and the Colonial Government, finding the Imperial Treasury persistently urging a settlement of past and accruing claims, determined to evince the readiness of the Colony to meet these demands, and instructed the Crown Agents to hand over to the Imperial authorities £500,000 in New Zealand Colonial Securities. Before long, however, the necessity of appointing a Commission to examine into these accounts became apparent. At the close of last year Mr. Commissary-General Jones was appointed on the part of the Imperial Government, and my honorable friend Major Richardson, a member of the Executive Government, was commissioned to represent the Colony. I lay upon the table a report of the Colonial Commissioner on the claims of the Imperial Treasury, and also copies of correspondence which has taken place in connection with this subject.

It will not be necessary that I should do more than just summarize the results, as honorable members will immediately be in possession of the documents themselves. The claims of the Imperial Treasury stretching back to 1848 amount to the sum of £1,304,963 9s. 3d., composed as follows:—

	£	s.	d.
Capitation Charge for Imperial Troops	353,817	10	0
Compound Interest Capitalized Annually	167,278	7	1
Advances for Colonial Troops ...	582,156	17	7
Miscellaneous	201,710	14	7
	£1,304,963	9	3

The Colonial Commissioner, after carefully considering these charges, and the grounds on which they rested, was of opinion that the sum of £516,130 12s. 5d. was inadmissable, thus reducing the claim to £759,621 14s. 7d., up to September, 1866. A few weeks prior to the forwarding of the Colonial Commissioner's report on these claims, the Imperial Commissioner returned to England, for reasons which may be found in the correspondence above referred to; and in consequence it was not possible to proceed any further in the investigation. I may here mention, however, that the counter claims of the Colony, with schedules attached, have been forwarded to the Secretary