

provision for special allowances to Officers and men of Her Majesty's troops, similar to that made in other Colonies, irrespective of, and in addition to, the contribution of £5 per man, which he had previously been instructed to obtain. On a reduction of the amount at that time granted, New Zealand was especially mentioned, in the enclosure to the Despatch from the Duke of Newcastle to your Excellency, of the 22nd of November, 1861, as one of the Colonies "where these allowances are defrayed from Imperial funds;" yet, on the following day, His Grace urged that the Colony should make a grant equal to the difference between the original and reduced scale. The Colonial Government, however, already burthened with a fixed contribution in aid of Imperial operations, oppressed with heavy liabilities, and prepared to make an increased provision for the government of the Natives, reluctantly declared its inability to extend the Colonial contribution, and respectfully declined to make provision for such special allowances. The question of the payment of such extra allowances to Her Majesty's troops was not confined to the Army, but was extended to the Naval Forces serving in the New Zealand seas, and the Legislature of New Zealand, in 1861, sanctioned an amount not exceeding £5000 for that purpose. The system, however, being considered objectionable on grounds of Imperial policy, instructions were issued by the Duke of Newcastle that no demand should henceforth be made for such services; but that such grant should only be given when the Legislature of the Colony might vote it as a reward for some special services, such as those in the late war in New Zealand, referring to the "advantages derived from employing sailors in duties not properly belonging to them, as in forming a Naval Brigade, or in aiding to suppress an internal disturbance."

39. Having carefully examined all the correspondence relating to the claim made by the Imperial Treasury for losses sustained by *Mr. Johnson, a Contractor for the Supply of Meat* to the troops, owing to certain restrictions stated to have been placed on the importation of cattle from Australia, I cannot but conclude that the claim has been preferred in ignorance of the real merits of the case. It appears that Mr. Johnson was made acquainted with the fact that a prohibition against the importation of cattle existed, and was informed that there was no intention to relax it. This intimation was given him in May 1864, before he tendered for the supply of the troops. The ports were closed by a proclamation of the Taranaki Government in the *Gazette*, dated January 17, 1862. The Lieutenant-General was aware of the existence of this prohibition in 1863. The re-proclamation of January, 1865, under newly delegated powers from your Excellency, was only intended to remove doubt, if any existed, with reference to the proclamation under the delegated powers of Colonel Browne in 1862. There was a temporary relaxation of the order in favor of the "Hydra," from Australia; but this cargo, with the Commissariat transport bullocks from Auckland, was the means of introducing the fatal disease known as pleuro-pneumonia, from which not only the Colonists but the loyal Natives have suffered severe loss. The cause of irritation and of failure lies in the fact that the contractor sub-let his contract, and the sub-contractor did the same, and thus made it almost impossible for the contract to be remunerative. An offer was made to provide meat at the contract price by a resident who was well able to fulfil his engagement. The state of the law was well known at the time the contract was made; and neither the Commissary-General nor the contractor had any right to expect that it should be relaxed to favour the contractors to the probable serious injury of a Province already sufficiently tried. If such, however, were their expectations, they should have endeavored by lawful means to get the law altered and not have sanctioned the importation of cattle in defiance of it. Under these circumstances, I cannot conceive how the claim can be entertained.

40. With reference to the items which appear so frequently in the years 1860-1 for *Material and working pay*, amounting to £4555 18s. 8d., it has been found on examination that they are all, more or less, intimately connected with active operations in the field, and consequently, with reference to the first period, viz., from 1848 to 1861, come legitimately under the arrangement by which a contribution of £5 per head was made by the Colony in aid of the expenses on account of the naval and military expenditure incurred in New Zealand.

41. These remarks are generally applicable to the sums which appear under *Lodging Money, Field Allowances, Forage commutation, Clothing*.

42. I need not make any further remark respecting the item *Labor in coal mines* than observe that all the papers connected with the Waikato steam service have been thoroughly examined by the accountant, whose report, which appears in the Appendix, will give every desired information.

43. The Colonial Treasurer has forwarded to me a "Statement shewing totals of amounts paid from the Colonial Treasury on account of Imperial troops and services up to the 30th of September, 1866." The whole counter-claim of the Colony amounts to the sum of £906,856 15s. 8½d., including the sum of £500,000 realized by the Imperial Treasury from the sale of Colonial Debentures at par. Several of the schedules attached to this statement have been examined by my accountant, and the remainder would have undergone inspection and report had not the Commissioner, appointed by the Secretary of State for the Colonies, left New Zealand. I shall take an early opportunity of forwarding the schedules which were not delivered to Mr. Jones, and content myself now with remarking that great pains appear to have been taken by the Treasury in going minutely and carefully over transactions which run through many years, and which entailed a large amount of labor. The abstract statement referred to will be found in the Appendix, marked F.

PART II.

44. Having now completed the examination of the Debit side of the Imperial account against the Colony, I proceed to that branch of the investigation which refers to the principles which should regulate such demands, and I desire to review certain important considerations arising from the past connection between the Crown, the Colony, and the Aborigines, which, on every ground of equity and good faith, justify the conclusion that after the enormous sacrifices made by the Colony in aid of Imperial operations, it may reasonably look forward to the withdrawal of at least a very considerable portion of the claim which has been presented by Her Majesty's Treasury against the Colony. In following this course I shall, in the first place, submit for your Excellency's consideration a few remarks on the general character of such claims, and then proceed to give a very rapid chronological