

No. 40.

COPY of a DESPATCH from His Grace the Duke of BUCKINGHAM to the
OFFICER ADMINISTERING THE GOVERNMENT OF NEW ZEALAND.

(No. 34.)

SIR,—

Downing Street, 1st April, 1868.

I have received Sir George Grey's Despatch No. 65, of 17th July last, forwarding a copy of the report furnished by Major Richardson, whom he had appointed to examine into the accounts between the Imperial and Colonial Governments arising out of the recent war in New Zealand.

That report includes a statement of the claims made against the Colony by Mr. Commissary-General Jones on behalf of Her Majesty's Treasury, amounting to £1,222,183.

Upon the receipt of this report I placed myself in communication with the Lords Commissioners of the Treasury in order to determine how far the claims advanced by the Imperial and Colonial Governments could be properly sanctioned.

The realization of the debentures for £500,000 placed by desire of your Government in the hands of the Lords Commissioners of the Treasury, and sold by them at par, had obviously rendered a re-statement of the account necessary, as it reduced the claim of the Imperial Government to that extent, and had affected the calculation of interest.

With regard to the capitation rate of £5 a head on all the troops in New Zealand, Her Majesty's Government were prepared to admit the claim of the Colony to a remission towards the expenditure for Native purposes during the years 1862, 1863, and 1864; and though they considered that the capitation rate might properly have been continued in respect of troops actually in the field during such subsequent period as was reasonably necessary for their removal, yet it did not appear that any definite agreement was in force on this subject after 31st December, 1864, the negotiation between Mr. Reader Wood and Mr. Cardwell in 1864, not having led to any conclusion. At this stage of the inquiry Mr. Fitzherbert arrived in this country, having been authorized to represent the Colonial Government upon certain questions mentioned in the Memorandum which accompanied Sir G. Grey's Despatch No. 123, of the 8th November, of which the settlement of all claims between the Imperial and Colonial Governments was one, and having gone carefully into the accounts with his aid, and in the presence of Commissary-General Jones, I came to the conclusion that upon a complete scrutiny of the items a balance would certainly have proved to be due to the Imperial Treasury.

Such scrutiny, however, could not have been carried out without at least one reference to the Colony, and thus would have necessarily occupied much time, while the existence of such an unascertained claim must have greatly prejudiced the financial arrangements of the Colony.

The Colony is oppressed by a heavy debt, to a great extent caused by the same circumstances which had led to the Imperial expenditure in the Colony. The magnitude of that debt has raised the taxation of the Colony to more than £6 5s. per head on the entire population, Native and European, while the war has prevented that steady progress of settlement and industry which should have, during the same period, enriched the Colony and increased its resources.

The Colony, moreover, has taken upon itself the entire duties of future internal self-defence, thus relieving the Imperial Government from the former responsibility, and the Imperial Treasury from the expenses incident to the maintenance of a large military force in New Zealand.

It appeared to me that, under these circumstances, the Imperial Government might properly consent simultaneously with the removal of the troops, the installation of a new Governor, and the establishment of a complete system of self-reliance, to close these accounts by a mutual release, waiving the claim which they consider might be established against the Colony.

In this view Her Majesty's Government concur; I have accordingly communicated with Mr. Fitzherbert, who has assented thereto, and I enclose a copy of the letter in which the decision was conveyed to Mr. Fitzherbert, and a copy of his