from ourselves that in years of depression we shall be subject to large deficits, which it will be difficult to provide for without adding from time to time to our permanent indebtedness. In other words, we shall have an uncertain, and therefore an unsatisfactory, finance, and shall be continuing the objectionable practice of relying upon what is really capital for ordinary expenditure, instead of providing for such expenditure, as ought to be done, out of our legitimate income. If, on the other hand, we should determine that the receipts from land sales are not income, and shall not in future be so treated, then it is clear that there is a permanent deficit of from £800,000 to £900,000 a year upon our present expenditure and income. So much then, Sir, for the nature of the deficiency with which we have to deal. Before, however, I answer the question as to how the Government propose to meet the estimated deficiency of this year, and to obviate deficiencies in future, it will be convenient that I should call the attention of the Committee to the state of our public debt, and the condition of the Public Works Account.

PUBLIC DEBT.

Our public debt on the 30th June last amounted to £23,222,311, treating the guaranteed debentures as practically issued, and including Treasury Bills outstanding, of which £442,000 mature on 1st March next in London, and will have to be re-issued; the annual charge for interest and sinking fund, in respect of this debt was £1,232,119. Since then we have issued deficiency bills to the amount of £600,000, and when the loan of £5,000,000 is raised, our total gross debt will amount to £28,822,311; or deducting the accumulated Sinking Funds, our net public debt will be £27,113,304, subject to an annual charge of about £1,400,000 for interest, and £116,176 for sinking fund, making together, £1,516,176—an annual burden requiring our most watchful attention, and one which can only be borne if our taxation is properly adjusted, and our financial affairs managed with discretion. It may be gratifying to the Committee to learn—though the amount is small—that last year we redeemed out of accrued sinking funds debentures amounting to £71,000; of these £58,000 represented the whole of the outstanding debentures issued under "The Wellington Debts Act Amendment Act, 1876," and £13,000 represented a portion of those issued under "The North Otago District Public Works Loan Act, 1872."

PUBLIC WORKS FUND.

I showed in my speech of the 14th October last that we began the year ending 30th June, 1879, with a credit balance of £2,056,940, including advances outstanding amounting to £156,260, and this year with a nominal credit balance of £506,205, but that of this sum £298,543 consisted of advances outstanding, which, as honorable members are aware, are in fact moneys spent but not yet brought to account, so that we really began the year with only £207,662. This includes, as cash on the credit side, the whole of the loans (including the guaranteed debentures) authorized to date except the £5,000,000 loan. I further showed that we had spent in the first quarter of this year—that is, up to the 30th September last—some £504,733 of the £5,000,000 loan, and that we had entered into contracts and engagements which would necessitate our finding £733,553 more by 31st December next, and £921,818 between that date and 30th June, 1880—in other words, that the late Government had in various ways anticipated the new loan to the extent of £2,220,104, including £140,000 for contingent defence, and £200,000 for purchase of Native lands, but exclusive of cost of raising the loan; and that in addition to this large sum, which is payable by the 30th June next, there will be liabilities outstanding at that date of a further sum of £957,177 for land purchase, and £128,815 for contracts entered into before the present Government took office. These figures were disputed at the time I spoke by the late Minister of Public Works; but I regret to say that, after a most careful re-examination of the whole subject, I find that the figures I then gave were strictly accurate. My honorable colleague the Minister of Public Works, in consultation with the Engineers-in-Chief, has been endeavouring to arrange an extension of the period during which these payments will have to be made, and he will shortly inform