

which remain to be fulfilled make it necessary that fresh means should be promptly provided. At present the only other means existent is the North Island Trunk Railway Loan. The law unwisely, as I think, allows this loan to be used for any purpose authorized by Parliament to be provided for out of the Public Works Fund. Thus, if the loan were negotiated, the proceeds would be available for defraying the expenditure authorized by the usual Imprest Acts. The Government have been desirous to avoid enabling the money to be diverted from the purpose for which it was unquestionably intended. At some risk, therefore, I have avoided negotiating it. The early meeting of Parliament will enable a decision to be more promptly arrived at regarding a new loan. I should like to send Home the necessary authorities for raising such loan in time to enable them to be used at an early date. The nominal effect only which is given to the purposes for which moneys are borrowed is mischievous to the colony and unfair to the lenders. To show the extent of the diversion I may mention that there were certain purposes set forth in the Schedule to the Three Million Loan Act. That loan has been expended, besides which there have been raised two loans, one for a quarter of a million, the other for a million and a half. Deducting the balance on the 31st March last there was at that time about four millions of borrowed money expended since the authorization of the three million loan. Nevertheless there then remained unexpended, on the objects provided by the Schedule to the Three Million Loan Act, no less a sum than £673,000. The Government think that the proceeds of future loans, and the loan for the North Island Trunk Railway, should be tied down for the purposes for which they are borrowed, and provision to give effect to this restriction will be proposed to the Assembly. At present the moneys borrowed are free to be voted as Parliament decides. It is quite clear that any provision which the Legislature makes may be varied by fresh legislation. But express repeal may be made necessary, and if that be done the money could not be voted for other purposes without freeing it first by special legislation from its existing obligation. Members will recognize the wide difference between borrowed money being available for any vote which may be passed, and the necessity before it can be so available of first deliberately decreeing that the funds shall not be applied to the objects for which they were borrowed. For sake of convenience I have gone into this point at the present stage. Later on I will submit to the Committee the nature and extent of the fresh loan for which the Government will ask authority. Honourable members will understand that it is proposed to tie down the money to the purposes mentioned in the Loan Act. This will not, however, deprive Parliament of the power of controlling its expenditure. It will be placed to a separate fund, and be usable only for its designed objects. But within those objects it will be competent to Parliament to decide the amount to be expended each year.

THE PUBLIC DEBT AND LOAN CONVERSIONS.

The amount of the public debt on the 31st March was, as nearly as can be estimated without an exact analysis of the late conversions, £34,965,222. The amount of the accrued sinking fund was £3,276,873, and the net debt was therefore £31,688,349.

It is to be remembered that the tendency of the conversions which have been going on so largely is to increase the nominal amount of the debt, but to decrease the annual charge. The conversion of bonds liable to be drawn for payment introduces the complication that, whilst those bonds are otherwise dead, they are liable to interest for the purpose of augmenting the yearly drawing fund. Any bonds the Government hold which are drawn for payment are presented to the Crown Agents, and the money received is employed in paying off the debentures created here under "The Consolidated Stock Act, 1884." Thus, of the debentures created, we have paid off £72,400 on account of the year 1884-85, and £106,900 at the end of the last financial year. These amounts fairly represent the reduction of annual charges consequent on the conversion so far as it relates to the sinking fund. As the interest is debited to the permanent charges the drawn bonds may be fully credited to them to show the net result.