

occurred on the occasion of the visit of our future King will ever be a pleasant recollection. Colonel Gudgeon, C.M.G., has been appointed Resident Agent for New Zealand, and the well-being of the inhabitants of the Islands will be our first care, and nothing will be done which will tend to disturb the harmony now existing.

In respect to revenues—Customs, Postal, &c.—there is no present intention of materially altering the existing conditions. The present revenues enable the Islands to be self-supporting. Seeing that goods from New Zealand will ultimately be admitted into the Islands free of duty, there will of course be a loss of revenue, but this will be more than compensated for by collateral advantages. Mr. Percy Smith has very generously undertaken to go to the Island of Niue for a period of three months, and whilst there he will introduce the new order of things, which we hope will be to the benefit alike of the Natives and of the people of this colony.

On several of the Islands, particularly Penrhyn, a Resident Agent will require to be located to see to the interests of the Natives, and also to protect the interests of this colony. The cost entailed by the appointment of such Resident Agents will be more than recouped by revenues directly received, so that each of the Islands will be self-supporting, and that without imposing any direct taxation upon the Natives. As previously intimated, Parliament will be asked to extend the operations of the ordinances now in force in the Islands pending other provision being made; it would not do for the whole of our laws to be enforced in the Islands, for the operation thereof under existing conditions would only result in friction and confusion.

SUMMARY AND CONCLUSION.

In dealing with the many questions necessarily involved in placing the Public Accounts before honourable members, I have endeavoured to be clear and explicit, not withholding or unduly extending the information which is necessary in order to afford a lucid explanation of the finances of the colony. The Budget proves that the financial position of the colony is sound and prosperous, that the operations of last year were satisfactory, and that at the close there was a credit balance of £532,000, that this year there will be a surplus, and that additional taxation is not required, provided the present laws remain unaltered.

I trust that I have clearly demonstrated that, with regard to the current year's finances, there was nothing to warrant the alarm and pessimistic view which some persons have taken respecting them, and that with care and economy, notwithstanding the very heavy and exceptional expenses already incurred, it is reasonable to expect there will be a fair surplus on the 31st March next.

Presuming, as we do, that the public-works expenditure will be fairly up to the estimate, the balance left in the Public Works Fund is likely to be less on the 31st March next than it has been for some years past. It is better that this should be so, and that there should be a tapering-off rather than an increased borrowing as compared with last year.

The difficulty in raising money in London has not been without its advantages, for it has taught us that we may with success float loans locally. Under normal conditions a 4-per-cent. rate is too high; and, although money could be raised at 3 per cent. at Home, the expenses there are so heavy that it would be an advantage to us to some extent to raise our money locally at 3½ per cent., and to issue debentures over the Treasury counter, or even over the counters of the colony's banker, so that a person could as easily obtain a Government short-dated debenture for £100 as he can put his money in the bank and obtain his receipt therefor.

From what I can gather after making careful inquiries, it is my opinion that next year financial matters will have reached a normal condition in the Mother-country, and that there will be a plethora of money easily obtainable at 3 per cent.

It must be pleasing to honourable members to know that the elasticity of finance, for which our colony is noted, still continues, and that, notwithstanding