1868
Standardisation of time

McKinnon, 2012a

Story: Colonial and provincial government

Page 3 – War, debt and the provinces, 1863 to 1870

War and debt

In the second half of 1863 British and colonial forces invaded Waikato. The colony borrowed £3 million to pay for the war. In late 1864 and early 1865 lands in Waikato, Taranaki and elsewhere were confiscated from their Māori owners. The government hoped the sale of these lands would pay for the loan.

NEW ZEALAND
TURE LOAN, £3,000,0
and the Rate of Interest Act, 1
been issued. - The undersigned,
under instructions received fro
land, and with the concurrence
State for the Colonies, now inv
£950,000—less £50,000, which h
cent. Treasury Bills—making th
Loan.
The debentures, having 21 ye
£1,000, £500, £200, and £100 ea

New Zealand government debentures for sale, 1867

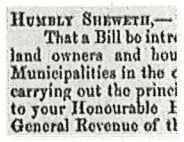
Otago separatism

Otago had become wealthy on account of revenue from the gold finds in the province since 1861 and the commerce that had resulted from them. It wanted to prevent its wealth being used to pay for the northern troubles. One idea was that all revenue should in the first instance be provincial, with grants made to a central government. The general assembly did not agree.

Otago in danger, 1866

Auckland separatism

The government led by Frederick Weld shifted the capital from Auckland to Wellington in 1865. Aucklanders felt the interests of their province, in which most of the fighting had taken place, would be overlooked, especially since British forces had withdrawn. Auckland also thought it might be left to the mercy of Māori, or lose control of the confiscated land; it demanded separation. 'What Otago had demanded in her prosperity,' said the *Nelson Examiner* in a comment two years later, 'Auckland was demanding in her adversity.'[1]


HUMBLY SHEWETH,—
That a Bill be intr
land owners and hou
Municipalities in the
carrying out the princi
to your Honourable
General Revenue of t

South Canterbury separation petition, 1867

Degrees of devolution

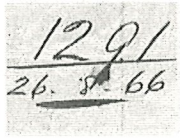
Southland's financial difficulties prompted an amended New Provinces Act 1865, which required the general assembly to approve new provinces. This made it much less likely they would be established.

Dunedin City Council, 1865

Districts such as Ōamaru (North Otago), Timaru (South Canterbury), Whanganui and Gisborne continued to lobby for separation from their parent provinces, but unsuccessfully.

South Canterbury acquired a 'board of works' in 1867 – it was given a quarter of Canterbury's land revenue for the purposes of carrying out public works including bridges, and harbour works at Timaru.

West Canterbury, where there was a gold rush in 1865, became the county of Westland in 1868 – it controlled its own finance for public works but did not have provincial institutions.


1291
26. 8. 66

First telegram to cross the Cook Strait cable

Road boards for settled country areas were established in all provinces except Hawke's Bay. The system was most developed in Otago. From 1868, 40% of Otago's land revenue was paid into a road endowment fund, half of which was then paid to roads boards.

By the mid-1860s there were many towns, and both Otago and Canterbury had introduced systems of town government. The Municipal Corporations Act 1867 set up a template for towns throughout the colony.

Centralisation

The Post Office Act 1858 had created a uniform postal system throughout the colony. By 1863 Auckland, Wellington, Lyttelton and Port Chalmers had a mail service every five days, and Bluff, Picton, Nelson, New Plymouth and Napier every 10 days.

The establishment of the capital at a central location in 1865 made the colonial government more accessible for most parts of New Zealand.

Time was standardised throughout the country in 1868, a product in part of the advent of the telegraph, which linked Wellington and the South Island centres by 1866 (and Auckland by 1872).

In setting up the county of Westland, the general assembly also gained the right to abolish or alter any province at any time.

Game over

In 1866 Colonial Treasurer Francis Jollie announced that 'the time appears to have gone by when the provinces can expect to receive from the colonial revenue the same rate of contribution as heretofore. In the altered circumstances of the country consequent upon the immense efforts it has made during the last three years for suppressing Native disorder and rebellion, it is, I believe, no longer possible for this or any other Government to continue the old arrangement of subsidizing the Provinces with three-eighths of the Customs ... [they] should rely more and more upon ... their own local revenues.'[2]

Financial pressure

The colony's £3 million loan failed to pay its way, but still had to be serviced. Spending had eaten up most of the loan, while the confiscated land did not sell and the colony faced heavy defence spending.

In 1867 Colonial Treasurer William Fitzherbert consolidated a number of provincial loans and paid off some provincial debts, and after this provinces were stopped from borrowing. Fitzherbert also split 'ordinary' revenue (that is, excluding the proceeds from land sales) 50/50, with the colonial government getting half and the provinces getting the other half. This halted unexpected claims by provinces on the colony but left some provinces even worse off.

Depressed economic conditions throughout most of the colony in the late 1860s made matters more difficult for the provinces. In 1868, for the first time, the revenue of the colony was less than the year before.

Footnotes:

1. *Nelson Examiner*, 12 Oct 1867, p. 2.
2. Appendix to the Journals of the House of Representatives, 1866, B-6, pp. 6–7

How to cite this page:
Malcolm McKinnon. 'Colonial and provincial government - War, debt and the provinces, 1863 to 1870', Te Ara - the Encyclopedia of New Zealand, updated 10-Apr-12
URL: http://www.TeAra.govt.nz/en/colonial-and-provincial-government/3

All text licensed under the Creative Commons Attribution-NonCommercial 3.0 New Zealand Licence unless otherwise stated.
Commercial re-use may be allowed on request. All non-text content is subject to specific conditions. © Crown Copyright.