

Enclosure 2 in No. 5.

VANCOUVER ISLAND.

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Encl. 2 in No. 5.

To the Honourable the Speaker and Members of the Legislative Assembly.

GENTLEMEN,

Government House, Victoria, May 26, 1866.

I HAVE the honour to acknowledge the receipt of an Address from the Legislative Assembly for "A Return of the sums of money borrowed from the respective Banks of this Colony, and due at the expiration of the year 1865; also the amount borrowed during the year 1866, and now owing, on account of the general revenue;" and "A Return showing the authority under which the Governor negotiated such loans respectively."

I would take the opportunity thus afforded me to recall the attention of the Assembly to the fact that I have specially brought this subject under the notice of the House on several occasions.

In addressing the House on 16th May 1865, now more than twelve months ago, I stated that, owing to the smallness of the balance in the Treasury, I had been under the necessity of arranging with the Bank of British North America to overdraw to the amount of \$10,000; that the Bank had agreed to a further advance of \$10,170, to be applied to meeting the liabilities of the Corporation of the city of Victoria, an application of the public funds in which the Assembly expressed concurrence, by resolution dated 23rd January 1865; that, in view of the necessity of remitting immediately to England 2,000*l.* to meet payments on account of interest and sinking fund of loan, and of providing for current expenditure, a further credit of \$20,000 had been obtained from the Bank; and further, that on that date (16th May 1865) the sum of \$39,794 was due by the Colony to the Bank of British North America.

This communication did not elicit any response from the Legislative Assembly.

On the 20th December 1865 I informed the House, in submitting the estimates of revenue and expenditure for 1866, "that there is a present balance of \$52,465 due to the Bank of British North America, and it is not probable this will be decreased before the 31st December 1865."

Again the House will perceive that in a communication I had the honour to make on the 10th January 1866, relative to the partial nonpayment of the sums voted for 1865, for the Royal Hospital Victoria, for the Female Hospital, and for the Victoria Fire Department, I stated, "I have already caused \$3,000, or one moiety of that grant, to be paid; but in consequence of the income for the year falling short of expenditure, and a debt to the Bank having thereby been already incurred, I do not deem it expedient to increase that debt by the payment of the remaining moiety of the grant, without placing the matter before the Assembly, so that it may be determined whether other means for the payment of this appropriation should be adopted or not."

The Legislative Assembly, by Resolution dated 31st January 1866, expressed the opinion that the sums due (on account of votes for 1865) to the Royal Hospital and the Victoria Fire Department "should be paid forthwith." The Assembly, however, did not by that Resolution determine any "other means" for the payment of the appropriation than by an increase of the debt to the Bank as indicated in my message.

I may inform the House that in the month of December 1865 I caused a further sum of \$8,680 to be paid, pursuant to the Victoria City Half-per-cent. Tax Act, 1865, to meet debenture liabilities of the city of Victoria, and that sum not having been collected under the provisions of that Act, an augmentation of the debt to the Bank was the result.

The amount due to the Bank of British North America on the 31st December 1865 was \$63,515, and the amount due at the present time is \$80,561.

I take this opportunity of directing the attention of the Legislative Assembly to the fact that the estimates of revenue and expenditure for 1866 have been more than five months before the House, and that no Bill of Supply has been passed, nor have ways and means been provided, for the necessary current expenditure and liabilities of the Colony.

I have, &amp;c.

(Signed) A. E. KENNEDY,  
Governor.

Enclosure 3 in No. 5.

Encl. 3 in No. 5.

(Confidential.)

Vancouver Island, Government House,  
Victoria, June 1, 1866.

SIR,

REFERRING to Resolutions of the Legislative Assembly, dated 21st May, the Address and Returns called for on that date, together with my reply thereto, dated 26th May 1866, and the published proceedings of the House thereon, I have now the honour to submit for the consideration of the Legislative Assembly the copy of a letter from the manager of the Bank of British North America, dated 31st May 1866.

While doubts appear to exist in the Assembly as to the legality of my proceedings in making provision for carrying on the public service, I trust I may be held justified in declining to incur any further responsibility without the distinctly expressed authority of the Legislature.

I have marked this communication "Confidential," for reasons which will be obvious to the Assembly.

The Hon. Speaker of the Legislative Assembly,  
&c. &c. &c.I have, &c.  
(Signed) A. E. KENNEDY, Governor.