

VOTES AND PROCEEDINGS OF THE LEGISLATIVE COUNCIL OF HONGKONG.

No.7 OF 1867.

FRIDAY, 30TH AUGUST, 1867.

PRESENT:

His Excellency Governor SIR RICHARD GRAVES MACDONNELL, C.B.
The Honorable the Chief Justice (JOHN SMALE.)
The Honorable the Acting Colonial Secretary (CECIL C. SMITH.)
The Honorable the Acting Attorney General (HENRY JOHN BALL.)
The Honorable the Colonial Treasurer (FREDERICK H. A. FORTH.)
The Honorable PHINEAS RYRIE
The Honorable FRANCIS PARRY

ABSENT:

The Honorable the Auditor General (W. H. RENNIE), and
The Honorable JAMES WHITTALL, both absent on leave.

The Council meets this day at 3 P.M., by special Summons.

The Minutes of the Council held on the 23rd July, are read and confirmed.

Ordered, that the second reading of the Bill *to extend the Powers of the Supreme Court for Suppression of Piracy* be postponed till the next Meeting of the Council.

Read a first time, a Bill *for the more effectual Protection of Her Majesty's Naval and Victualling Stores, and for the Regulation of Pawnbrokers' Licenses.*

His Excellency brings forward a Bill *to apply a Sum not exceeding Eight hundred and Ninety-five thousand Dollars to the Public Service of the Year 1868*, and makes the following Statement:—

1. I now lay the Draught Bill for Appropriation of the Revenue of 1868, before the Council, and as there are many unusual and perplexing circumstances connected with the figures in that Draught Bill, I propose to give such general explanations as may render intelligible to the Council their position in reference to the sums, which I invite them to vote.

Appendix A. 2. Beginning with the Balance struck of the Assets and Liabilities of the Colony on the 1st Day of the current Year, as shown by the Return, which I now lay on the table, there was an apparent surplus of \$24,106, available for the Expenditure of this Year. The Auditor General had estimated that the surplus would be nearly \$85,000, but in my Financial Statement of the 25th July last Year, I warned you that I had received less favorable computations from others, and considered the Auditor General's views "as the extreme of the favorable aspect "of our affairs," which it would be prudent to adopt. His calculation no doubt was affected by the impossibility of offering for sale the Land which it

had been intended to throw into the market at the close of 1866, but even so his estimate was too sanguine.

3. The Council will however bear in mind that although a realisation of the Colony's Assets at the close of last Year might have left it a surplus above its Liabilities to the small amount stated, yet, as I stated last Year, it would be unsafe to regard those Assets as being all available, and consequently it was a possible contingency that, whilst nominally possessing available Assets, the Colony might be driven to borrow money to meet its engagements, a contingency, which actually did happen.

Appendix B.

4. It will elucidate my meaning if I lay before the Council the last Return of the Treasurer showing the amount of Subsidiary Coins received and remaining on hand since the 17th September last Year, and you will perceive from it that with the coinage received from England, the Colony's Assets, from time to time, included about \$220,000 in Subsidiary Coins, of which exclusive of \$20,000 sent to the Government at Singapore, it has required more than Eleven Months' constant exertion with the help of H. M. Commissariat, the Government Contractors, and all the influence of the Government, to get rid of \$138,863. Thus upwards of \$60,000 of those "Assets" are still in our hands, unavailable for meeting any large ordinary payment.

5. It is certainly ominous to find that not merely are much of our Assets inconvertible, except with difficulty, but that the surplus with which you started in 1865, viz., \$298,000, was diminished at the beginning of 1866 to \$184,000, whilst as you see at the commencement of this Year it had fallen to \$24,000, that is, supposing the Colony had then realised all its Assets and discharged all its Liabilities, including the Military Contribution. No part of the latter has been paid since the Third Quarter of 1866, leaving therefore Five Quarters due at the end of the current Year, a debt which will then amount to \$115,500, and which it is high time to devise early means of discharging.

6. The non-arrival of a large portion of Stamps and Materiêl necessary for raising a Revenue under-Ordinance 12 of last Year has diminished the expected Receipts of the current Year and, if the delay has been a disappointment to the Public, I regret it.

7. Nevertheless there will probably be an excess of Assets over Liabilities at the end of the current Year of about \$24,000, arising from licenses issued for the purpose of limiting the evil consequences of Gambling, as it now exists, by legalising it in a few localities subjected to Government supervision. Assuming that before the end of 1867 an amount equivalent to \$65,000 shall be received from that source, there will be the surplus above mentioned. Otherwise, without a diminution of Expenditure, or some other new source of Revenue, there must be a deficit of about \$41,000.

8. And here, although the Council is not at present called on to discuss or devise means of raising a Revenue, yet as you probably expect from me a general review of your financial position, I must remark that the Revenue, which incidentally arises from the policy for Control and Regulation of Gambling adopted by myself and the Executive Council under the powers which you created by Ordinance No. 9 of this Year, must be regarded as experimental, and liable either to cease altogether or to be diminished, from various causes.

9. Whatever addition comes to your means from that source can only be viewed as the accidental and unsought result of a policy to which the Government is reluctantly driven in pursuit of an object of great Public importance, and one which is entirely distinct from the acquisition of Revenue.

10. That object is the suppression of the great mass of crime, the secret confederation of thieves, burglars and bad characters, the breaking up of the principal centres of demoralisation, and removing the main source of Police corruption, all fostered by the existence in your midst of numerous but ever shifting Gambling haunts, which the Executive has found itself unable to suppress. It is no use, and the attempt would be unworthy, to conceal from ourselves the extent of that mischief. Those whose duty it is to make themselves acquainted with the details can vouch the facts. It clearly would not do to fold our arms and make no attempt to suppress an evil, whose dangerous and contaminating influence springs from a source, which the Executive thinks it can partially remove, by confining the practice now illegally followed more or less over the entire City to a few places with the sanction of the Government, on certain Conditions, and subject to certain Regulations and Control, as contemplated by the powers, which you have recently conferred on the Government.

11. Therefore, as the Colonial Police has proved unequal to put down illegal Gambling with its peculiarly pernicious consequences, it is now sought to use for the purpose the Chinese, who alone can effectually do it, if you give them a sufficient motive. No plan has occurred to myself or my Executive Council so efficacious in that way as making it the interest of certain Chinese to suppress all Gambling, except where it takes place on Conditions and with Restrictions, fixed by Government.

12. No one, however, has suggested means at all likely to induce the Chinese to co-operate with us, otherwise than by the mode adopted with the Opium Farmer, viz., that of rendering it greatly their pecuniary interest to do so; I repeat that no one has yet discovered other means to render them bonâ fide the allies of the Government in discovering and tracking criminals, returned convicts, and other bad characters who now frequent the secret Gaming haunts of the City, and who would be sure sooner or later

to visit the Licensed Houses, than by accepting from them such a large caution money by way of deposit, and such a monthly stipend, as must ensure their co-operation for their own sakes, because it rests entirely with the Governor under the Regulations, soon to be issued, to cancel at a moment every License, and to forfeit the whole of the caution money, and capital invested, in the event of their failing to render the aid promised.

13. Hence, however desirable it may seem not to mix questions of Revenue with a policy intended to suppress the demoralisation and crime promoted by numerous secret haunts of illegal gamblers, the question does thrust itself forward irrepressibly and must continue to do so till we contrive to make the Chinese our most effective Police by some other means than the stimulus of profit and loss according as they assist or thwart us. In deciding how we should apply that stimulus occurs the difficulty which connects itself most disagreeably with the policy inaugurated—viz., the specious pretext, which any pecuniary gain to the Colony furnishes to unscrupulous parties for attributing sordid motives to the Government. Those who do so think it sufficient to say "you increase your Revenue" by your Policy, and therefore the increase of your Revenue is the motive of your "Policy." It would be equally true to assert that we seek to encourage drunkenness and assaults because the Public Revenue is increased by the fines which those offences bring in. We do not aim at increasing drunkenness because we accept those fines, and if, in substituting what we think will prove a less mischievous mode of Gambling for that which in our opinion is now causing a far greater amount of evil, we can find no more effective system of doing so than one of fines and fees, it is not reasonable to argue that the latter form the chief object of the Government. More especially is such an imputation a non sequitur in the absence of any suggestion equally effective to ensure Chinese co-operation, for till then we may be said to have no choice.

14. I confess my own feelings are so entirely adverse to raising the least Revenue from such a source, that it is only by an effort I can prevent my perception of duty being warped by a prejudice. I can therefore perfectly understand how others feel, who lying under no similar responsibility, and approving the aim of the Government policy nevertheless deprecate its inevitable collateral consequence, viz., an increase of the Revenue. If they find it difficult to maintain a position more amiable in sentiment than strong in argument, I can only say that I should not find the task lighter, and they have my entire personal sympathies.

15. The Council however will now perceive how difficult it is to estimate the probable amount of Revenue accruing from such a source. The experiment may fail either through the non-attainment of the result sought or through yet greater mischiefs arising, than those which we hope to suppress. It is moreover not easy to say what amount exacted as caution money

and fees would obtain for us the greatest assistance from the Chinese. We can perceive on the one hand that it should not be too little, so to produce the inertness and carelessness, which arises from a monopoly that gains everything and risks nothing, and on the other hand that it should not be so excessive as to render the Licensees finally reckless because hopeless. There exists no doubt between the two extremes a sufficient sum for the purpose, if we only knew it, but till the experiment be tried I cannot undertake to fix even approximately its amount. I have had nothing to guide me but the offers made, and I confess these appear framed on expectations unduly extravagant.

16. On the whole I have not thought it right to count on more than \$100,000 as derivable from this new and precarious source of Revenue during 1868, especially as it is one which the Members of the Executive would be glad to get rid of, provided the course of events develops other means to effect the objects of Government.

17. On the other hand I am prepared to find that the Revenue from Licenses may greatly exceed \$100,000, whilst it is also possible that you may gain the difference between your Expenditure \$63,000 and the amount \$40,000 put down as expected profits from the Mint, if the latter be no longer continued at the expense of this Colony. It is likewise a possible contingency, though I have no authority direct or indirect for expecting it, that the whole debt accruing unavoidably from the Colony on account of the Military Contribution may not be exacted.

18. The Council will thus more fully understand the allusion I have made to the "unusual and perplexing circumstances" under which I have called on you to vote the supplies detailed in the Draught Appropriation Bill on the table. In fact your Revenue may vary almost $\frac{1}{4}$ Million of Dollars on one side or the other, and if the variation be in your favor it may even be desirable to consider, whether the circumstances of the Colony would in that case call for the imposition of the Stamp duties.

19. I hold that whilst it would be most unstatesmanlike to shrink from a proved necessity for new taxation, it would be equally so to impose it in the absence of such necessity. You cannot moreover conceal from yourselves that since the discussions of last Year the commercial depression then existing has become greatly aggravated, and that the tradal interests of the Colony are now passing through a crisis such as never before occurred in the history of Hongkong. I trust that I am as far from underrating as from exaggerating the influence which the considerations thence arising should exercise on the policy of the Government, but you will perceive that all such considerations must have an important disturbing influence on all our present financial calculations, which must no doubt ensure indulgence for

those on whom has devolved the difficult task of compiling the Estimates under circumstances so peculiar.

20. I have on the whole estimated as the result most likely, though probably it will not be realised in the mode set down in the detailed Estimates, that your total Revenue for 1868 will amount to nearly \$1,100,000, out of which you are invited to appropriate more than \$894,000 which added to the Civil List, Pensions, &c, will make the total Expenditure of the Colony for 1868 amount to more than \$1,070,000.

21. Now if you look back a few Years, say only as far as 1865, you might suppose that the Colonial Revenue exhibited signs of unmistakable progress, for you would find that the estimated Revenue of that Year but little exceeded \$700,000, whilst without including surplus Assets at the end of this Year your Revenue for 1868 is estimated at about \$1,075,000, and nevertheless your financial position is more precarious now than then.

22. In 1865, there was a surplus of nearly \$200,000 to fall back on, whilst much of your present Revenue consists of items entered as matters of account to your Credit, but appearing equally to your debit. For example, owing to the altered mode of keeping the Postal Accounts your Revenue shews the whole amount expected to be received, viz., \$165,000, but from this must now be deducted the charge of \$123,000 conveyance of Mails, instead of \$3,840, as in 1865. In a similar way there is an item of nearly \$12,000 Revenue, derived from Admiralty payments on account of the Dock Yard, balanced by an exactly equal amount to your debit.

23. There are also many new items amounting to nearly \$40,000, including the Revenue under the Junk and Registration Ordinances, counterbalanced however by the Expenditure created by those Ordinances, on whose remarkable and successful operation, you may justly congratulate yourselves, as appears from the accompanying Returns which I lay on the table.

Appendix C.
Appendix D.

24. There are several minor items, such as receipts under the Ordinance for storage of Gunpowder, Emigration, Medical fees, together with the far larger items now brought to your credit under Licenses and Stamps, making a total of nearly \$380,000, which could not have appeared in the estimated Revenue of 1865 and which, if deducted from the estimated Revenue of 1868 would leave your ordinary Revenue much the same as in 1865 with the essential difference of there being no longer a large surplus on which to fall back, and no sum in hand for any unusual emergencies such as every Government, if wise, ought to anticipate and prepare for.

25. In my wish to give you as full and frank explanations, as possible, of the probable amount of your Revenue in 1868 and the

unusual circumstances likely to affect it, I have occupied your attention so long, that I must somewhat abbreviate my remarks on the items which you are called on to vote. I shall probably remedy this at our next Meeting, but in the meantime it is very important that Members of the Council, who are anxious for information as to the reasons influencing the Government in proposing any particular Expenditure should seek that information before our next Meeting, because in most cases they will find the explanations, which they require, stated at length in memoranda and correspondence filed in the Colonial Secretary's Office, whilst I scarcely know of any document in that Office, which I am not willing to lay before Members of this Council.

26. The item which, whilst novel, is heaviest in the proposed Expenditure is the contemplated provision for a new Civil Hospital in a Central position. It is proposed to purchase the site recommended by a Medical Commission for \$32,500, and to vote a sum of \$25,000 towards the cost of the building next Year. The correspondence and discussions which resulted in passing recently the Contagious Disease Ordinance, have at last imperatively required something to be done for the enlargement of the Lock Hospital, and it is proposed to give up the whole lot and all buildings thereon now used as a Civil Hospital, for that purpose, the Colony receiving a sufficient sum as recompense for the inconveniences and expense incurred on account of the measure taken to preserve the health of H. M.'s Troops and Sailors, and transferring the Civil Hospital to a more central and convenient position. I am not yet in a position to say that Her Majesty's Government will accede to the proposal, which would of course materially aid the Colony in obtaining a new Hospital, a measure which the ruinous condition and inadequate accommodation of the present building must have rendered ere long a necessary duty under any circumstances.

27. The construction of the New Road to the Gap has been again deferred, but nevertheless, notwithstanding all the difficulties of the Colony, you will observe that provision is made for an Expenditure of \$205,000 on the Public Works, Roads, Drainage and general improvement of the Colony, and I may observe that, when retrenchment is possible in any other direction, I would always advocate its not being pressed in those matters which conduce to the health, facility of communication and the general attractions of the Colony. The Community which raises the Revenue has unquestionably a first lien for such purposes on the money which they contribute, whenever there be a surplus after due provision for the maintenance of Law and Order.

28. You will find that more ample provision than previously has been made for the conduct of the Public business by strengthening the various departments. That increase is in a great measure met by the diminished Expenditure on Gaols under the present system of administration, and by the increased Revenue

accruing under the new Registration and Junk Ordinances. Amongst the additions to which I allude are some to the Staff in the Colonial Secretary's Office, and this is a point on which any Member of the Council will oblige me by reading the correspondence connected with it.

29. The Council must bear in mind that I am not now attempting to give anything like full explanation of the proposed Expenditure, which may be said in a great measure to explain itself in the detailed Estimates which shall be supplied as soon as possible to each Member, but I may state in reference to one important department, the Mint, that although its establishment and working expenses are put down at less than \$60,000 for 1868, yet if it was really in sufficient work to pay even its present expenses with the seignorage of 1 per cent, its cost would rise to at least \$100,000 per annum according to the Master of the Mint.

30. You will appreciate the importance of this more easily, if you consider that with a seignorage of only 1 per cent, and a waste of at least 3 per mil, it would require a coinage of more than 13 Millions of Dollars for the Mint to pay its mere working expense, computed as above, without taking into account interest on upwards of \$350,000, sunk capital.

31. From recent inquiries I have ascertained that the Mint has not coined on account of the Public, that is, has not received seignorage, on a total of more than \$1,026,773 since its establishment in May 1866, of which \$18,992 paid 2 per cent seignorage, whilst all the profits from seignorage, without making deduction for waste, have not reached \$10,500. I can therefore only hope that the Mint's profits of \$40,000 placed to your Revenue side for the Year 1868 may be realised, and though from the past it does not seem probable, yet I am bound to remind you that it is quite a possible, as it certainly is a very desirable contingency, that the amount in question may be very greatly exceeded.

32. On the whole I see no reason to apprehend the Colony's not having in some way or other a sufficient Revenue for most of its reasonable requirements during 1868, though I frankly admit that during my long experience it never before fell to my lot to make a financial statement exhibiting so many temporary and uncertain elements of possible disturbance in the calculations affecting the Revenue side of the account.

APPENDIX B.

RETURN of the SUBSIDIARY COINS issued at the Treasury from 19th to 24th August, 1867, inclusive, beginning on the 17th September, 1866.

Amount issued as per last Return,.....	\$ *138,763.40
To Private Individuals,.....	<u>100.00</u>
TOTAL ISSUED TO DATE,	<u>\$ 138,863.40</u>

(Signed,) FREDK. FORTH,
Treasurer.

Treasury, Hongkong, 26th August, 1867.

BALANCE REMAINING

	<u>TREASURY.</u>	<u>VAULT.</u>
In 20 cent pieces,	697.40	9,467.00
" 10 " do.,.....	..	16,014.60
" 5 " do.,.....	1,100.00	7,683.00
" 1 " do.,.....	..	8,987.28
" mil do.,.....	..	17,500.00
	<u>1,797.40</u>	<u>59,651.88</u>

* Exclusive of \$20,000 advanced to the Government of Singapore on 19th July, 1867.

APPENDIX C.

RETURN OF LICENSES, &c. ISSUED UNDER HARBOR AND COASTS
ORDINANCE.

DATE 1867.	JUNK LICENSES.		FISHING LICENSES.		ANCHOR -AGE PASSES.	SPECIAL PERMITS.	CLEARANCES.		REMARKS.
	Annual .	Monthl y.	Annual .	Monthl y.			Days.	Night.	
Total previous Return	288	92	929	531	6,861	7,340	6,396	139	
August 19	20	78	12	..	
" 20	1	..	18	13	16	..	
" 21	15	34	34	..	
" 22	20	32	33	1	
" 23	3	..	37	41	23	1	
" 24	4	..	29	43	29	..	Sunday,
" 25	8	16	13	..	Total receipts paid into
TOTAL,..	8	..	147	257	160	2	Treasury till 23rd instant, \$17,590.25.
GRAND TOTAL,	288	92	937	531	7,008	7,597	6,556	141	

Total Documents issued,.....24,290.

(Signed,) H. G. THOMSETT,
Harbor Master. &c.

Hongkong, 26th August, 1867.

APPENDIX D.

MEMO :

RETURN of REVENUE under the Victoria Registration Ordinance 1866, from
the 1st January to the 29th August (inclusive) 1867.

	\$	cts.
Registration of Householders :—		
4,775 Certificates,.....	11,325.00	
Re-registration of Householders :—		
82 Certificates,.....	20.50	
Registration of Servants :—		
6,759 Certificates,.....	1,698.75	
5 Duplicate Certificates,.....	9.00	
8 Bonds for non-Resident Householders,.....	40.00	
TOTAL REVENUE,.....	\$ 13,093.25	

ADDITIONAL EXPENDITURE incurred by Registrar General's Department
under the "Victoria Registration Ordinance, 1866."

Salaries,.....	3,208.39
Furniture,.....	181.80
Printing,.....	120.47
Street Boards,	300.30
TOTAL EXPENDITURE,.....	\$ 3,810.96

(Signed,) CECIL C. SMITH,
 Registrar General.

Registrar General's Office, 28th August, 1867.

The Appropriation Bill is then read a first time; and His Excellency adjourns the
Council at 4 o'clock.

RICHARD GRAVES MACDONNELL,
Governor.

Read and confirmed, this 10th Day of September, 1867.

L. D'ALMADA E CASTRO,
Clerk of Councils.