

7<sup>TH</sup> MARCH, 1892.

FINANCE COMMITTEE.

A meeting of the Finance Committee of the Hongkong Legislative Council was held on the 7th March. There were present:—Hon. W. M. Goodman, Colonial Secretary, in the chair; Hon. A. J. Leach, Acting Attorney-General; Hon. J. H. Stewart-Lockhart, Registrar-General; Hon. N. G. Mitchell-Innes, Colonial Treasurer; Hon. F. A. Cooper, Surveyor-General; Hon. W. C. H. Hastings, Acting Harbour Master; Hon. C. P. Chater, Hon. Ho Kai, Hon. T. H. Whitehead, and Hon. E. R. Bulilios.

THE DEFENCE WORKS AND THE EXCHANGE  
ACCOUNT.

The CHAIRMAN Gentlemen, we meet again this afternoon to consider the financial minute which was referred to the Council at its last meeting, which is:—"The

Governor recommends the Council to vote a sum of \$26,937.57, the equivalent of £3,928 7s. 11d. at 2s. 11d. the dollar, due to the War Department out of the sum of £116,000 contributed for defence works." I believe on the last occasion some hon. members wished further explanation, and I understand the Treasurer has furnished hon. members with an abstract giving such information as I trust will satisfy them. As regards the question of the time when this amount should be paid. I should like just to call your attention to the despatch of the Secretary of State. His Lordship says:—"The final balance for these defence works which is now due is £3,928 7s. 11d., in accordance with the memorandum which accompanied Sir William Des Voeux's despatch, and I have to ask you to obtain a vote for that amount from the Legislature at an early opportunity, so that it may be paid before the 31st March  
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the financial year ends." Therefore I trust after such further information has been given as may be required you will see your way to vote the equivalent in dollars of that sum, so that the money may be paid before the 31st March.

Hon. C. P. CHATER—I should like to ask whether there is on record any similar transaction to this, where the payments have been made by us to the Military Authorities at the Treasury rate and the amount has afterwards been re-adjusted.

The CHAIRMAN—I rather think there is, but I would refer you to the Treasurer.

Hon. C. P. CHATER—My object is very plain. If there is a transaction of this nature on record, and if the rates have been in our favour, and after re-adjustment moneys have been paid back to us, we have nothing more to say; but if not, then the Military Authorities have no such claim upon us.

The COLONIAL TREASURER—There is a very recent case, where we paid the military contribution at the Treasury rate and the War Office said the difference between the Treasury rate and the rate of the day enabled them to return us \$3,000, which was to be set off against the payment by us. Therefore there is a clear case.

Hon. T. H. WHITEHEAD—We paid them at which rate?

The COLONIAL TREASURER—We paid them at the Treasury rate.

Hon. T. H. WHITEHEAD—Whereas they ultimately agreed to the money being paid at the current rate of exchange of the day?

The COLONIAL TREASURER—No; it was the other way round. We paid at the current rate and they said, "No, we wish this paid at the Treasury rate."

Hon. T. H. WHITEHEAD—Has that amount been so credited?

The COLONIAL TREASURER—Yes.

Hon. T. H. WHITEHEAD—Therefore that argument does not apply to this case, because the amount was paid at the Treasury rate.

The COLONIAL TREASURER—I may perhaps give a short resumé of how the thing happened.

Hon. T. H. WHITEHEAD—Before you proceed there is one matter I should like to have before the Committee. The Treasurer's statement to members states that payments were made by the Colony monthly according to indents supplied by the Military Authorities. What I should like hon members to have before them is a copy of one of the forms of indent.

The CHAIRMAN—I have not got them here.

Hon. T. H. WHITEHEAD—Well perhaps you could tell us what they were.

The COLONIAL TREASURER—It was simply worded like this, "contractor's balance," etc., and then a double column, \$15,000, £2,250.

Hon. T. H. WHITEHEAD—No rate of exchange mentioned?

The COLONIAL TREASURER—No.

Hon. T. H. WHITEHEAD—Did the indent demand payment in dollars or pounds?

The COLONIAL TREASURER—It did not say which. It was done in this way, a line, and on the left hand side the dollars and on the right hand side the pounds.

Hon. T. H. WHITEHEAD—What did the Government understand by that?

The COLONIAL TREASURER—I don't think, any one quite saw what was understood. The Colony voted £116,000 and I don't think any one really thought what the exchange was to be.

The CHAIRMAN—The position really was this: when they had received what we estimated was the full amount, they said these alternative amounts put in, one in sterling and the other in dollars, were simply for facilitating their own accounts. They afterwards claimed the difference between the Treasury rate and the rate of the day when the sums were paid. We objected to this and the whole thing was referred to the Secretary of State, who has ruled that this balance is due.

Hon. T. H. WHITEHEAD—Yes, but it is a well-known fact that the Secretary of State for the Colonies has to knuckle under whenever he is asked to do so by the War Office.

The CHAIRMAN—I am not in a position to endorse that statement at all. I think we may assume that the Secretary of State would do that which he thought right and proper.

The COLONIAL TREASURER said when this began there was a letter on record of 1889, which he read, in which it was pointed out that the exchange was stated at the Treasury rate only for the sake of convenience. No notice was taken of that and it was not until 189?? that any objection was raised to calculating it at the rate of the day. The Military Authorities then pointed out that the discrepancy was due to the amount being calculated at the Treasury rate, whereas they insisted on its being paid at the rate of the day.

Hon. E. R. BELLIOS—Was the amount in sterling purchased in a bill and sent home or was it paid in dollars to some one here?

The COLONIAL TREASURER—It was paid locally in dollars, because it was wanted to pay the coolies here. We had one amount of £10,000 paid at home by the Crown Agents, and that has never been converted into dollars. That is the only sterling payment that has been made. The amount in dollars was put on the left hand side and the sterling on the right; nothing was said about exchange and we paid in dollars.

The CHAIRMAN—Of course I take it we shall be rather wiser in future. I would suggest that any sum voted in future should be voted in dollars, then we will know what we are doing. I was not here at the time, but it appears there was a large sum voted in sterling and according to the Secretary of State we have not paid that sum. It is a matter of account and we must pay the balance.

Hon. E. R. BELILIOS—But each item was adjusted at the moment. They took the risk of exchange evidently.

The CHAIRMAN—I can only say in reply to that, that we assumed it was so, but they explain that the amounts were not equivalent, and that it was merely the way they kept their accounts.

Hon. T. H. WHITEHEAD said he would suggest that the Treasurer should communicate the further information he had collated.

The COLONIAL TREASURER said he had prepared a resumé of the papers which were in the possession of the Government, and when he had given extracts from these the hon members would know as much as the Government itself. The correspondence, of which he would give a précis, began in 1889 by a letter in which the Deputy Adjutant-General pointed out that the Treasury rate was used for convenience in bookkeeping and that the difference between that and the rate of the day was so much. No notice of that was taken. The Assistant Military Secretary in 1890 forwarded a requisition for a payment and then the Colonial Secretary pointed out that the Crown Agent's account had come to hand and if all the amounts paid were calculated at the Treasury rates the £116,000 had been exceeded and there are no further demands on the part of the Military Authorities could be acceded to. The Military Authorities then wrote saying they were very much surprised this point was being raised now, that they had repeatedly stated what their rate was, and referred to this letter of 1889 in which they had put it in black and white. The answer was that the Government had accepted the rates quote, in the requisitions. The question was then referred to the Secretary of State, whose decision was that payment should be made at the rate of the day. Then there was a further correspondence about one of the payments for which the requisition was made in March, but which was not paid until October, and the Secretary of State, on that being referred to him, said payment should be made according to the rate in March, when, as he understood, the expenditure had already been incurred by the Military Authorities. On that point being settled some questions were asked by the War Department here as to what the rate should really be, and the answer given by the Government was that the rate for the balance should be that of the days when the bills were actually paid. The Military Authorities agreed to that. After that the matter was referred to the Colonel Commanding Royal Engineers and himself (the Colonial Treasurer) to calculate what the total might be, and they found it to be £3,928 7s. 11d. The question now remaining was at what rate should that balance be paid? The Military Authorities claimed, and apparently they were backed up by the Secretary of State, that it should be at the rate of the day on which payment was made.

Hon. E. R. BELILIOS—Who fixed these rates on the day of payment?

The COLONIAL TREASURER—They are the rates given in the daily papers, I believe.

Hon. E. R. BELILIOS—But the rates vary between morning and afternoon.

Hon. T. H. WHITEHEAD—I have had this statement checked and the rates may be regarded as fairly correct except as regards one item:—20th October, 189??. at 3s. 1d., \$18,000. The rate on the 20th October was 3s 8<sup>5</sup>/<sub>8</sub>d.

The COLONIAL TREASURER—That is the item I alluded to just now. They demanded that that should be paid at the rate of the 24th March, as they had demanded payment on that day, and the Secretary of State said the delay was our fault and the War Office ought not to be the loser.

The CHAIRMAN—I take it a judge, if he had a case before him in which there was some squabble about the payment of money and the rate of exchange, would say that you could not gain by not having paid the amount at the proper time. The whole difficulty arose from the Military Authorities sending in the indents in the way they did, in a double form. We were not aware they were made up in that way simply for the purpose of their own bookkeeping, and the delay has arisen through our having fought out the question. Sir William Des Voeux did his utmost to get the best terms for the Colony, but the point has been ruled against us, and when a thing is ruled against us the only thing to do is to pay up cheerfully. If there is no further information asked for we had better put the question.

The COLONIAL TREASURER—I suppose the vote will be taken in sterling at the rate of the day when payment is made.

The CHAIRMAN said he supposed that would be so, and again read the Secretary of State's despatch on the subject.

Hon. C. P. CHATER—I think it should be at the rate of the day when the demand was made: This claim was made some time ago, when the rate was probably better than it is to-day, and I think if the principle of payment at the rate of the day of demand is adopted in a case where the exchange has gone up we ought to apply it in the other.

The COLONIAL TREASURER—I fancy the reply to that would be that if the delay has been our fault they should not suffer by it.

Hon. T. H. WHITEHEAD—I cannot but think the War Office is as much to blame as the Colonial Government in not having had the rates fixed at the time. They made a demand on the Colonial Government in dollars and at the same time they gave the equivalent in sterling, thereby tending to mislead the Colonial Government. The War Office being as much to blame as the Colonial Government I don't think the Colony ought to pay the whole amount of loss which

resulted from the action of the War Authorities. I would propose to divide the amount, the Colony to lose half and the War Office the other half.

The CHAIRMAN—I don't know that there is any one to blame in the matter. There is always a liability to mistake, and the mistake in this instance was in voting a large sum in sterling. I don't know that there is any great blame attaching to any one. The matter will be settled by paying that sum, and I think that we ought to pay it. I think I must ask the Committee to vote the sum asked for, £3,928 7s. 11d.

The COLONIAL TREASURER—I may mention that there seems to be very little doubt the particular sum we have paid, whether too much or too little, has been spent on our defence works, because there seems to have been an idea of asking us to vote more, but the War Office said no, what excess there was they must pay themselves, and I see they have paid £200 out of Imperial funds for the completion of the works.

Hon. C. P. CHATER—I should have been inclined to support my hon. friend (Hon. T. H. Whitehead), but after the answer of the Treasurer to my first question, that there was a case in which the rate had gone in our favour and the surplus had been returned to us, I don't see what we can do but pay.

The CHAIRMAN—I looked into the matter as well as I could. Perhaps I did not give all the information I ought to have done at the last meeting, but now everything is clear and I think there ought to be no ill-feeling about the payment of this money. It has all been spent in the Colony.

Hon. T. H. WHITEHEAD—Sir, I don't see that there is any need for ill-feeling at all. If I were satisfied the case the Treasurer refers to was quite analogous I would be willing to vote for the payment of this sum; but I submit it is not analogous. This is demanded at a rate fixed by the Treasury; the other is totally different.

The CHAIRMAN—They arise in reference to two different things, one the military contribution and the other defence works.

Hon. T. H. WHITEHEAD—But they are not analogous.

The CHAIRMAN—They seem to me very analogous. In the first case we paid at what I may call *a* rate and they took it at *b* rate. Now the operation is just reversed, the principle being very analogous.

Hon. E. R. BELLIOS—I would remark that on future occasions when anything of that kind arises it might be advisable to consult the Legislative Council as to the mode of payment. Perhaps if this had been brought before them at the time the unofficial members might by a word of advice have averted or minimised the loss.

The CHAIRMAN—I am sure it must always be of great advantage to the Government to have the advice of practical commercial and banking gentlemen. The mistake was in voting the money in sterling instead of dollars; then there was a little mistake on the part of the Military Authorities in sending in the double indents without explaining that that was only done for the purpose of their own bookkeeping system; and there was a mistake on the part of the Government in insisting that that was conclusive. It has now been decided it is not conclusive. But, gentlemen, it is not a very large sum. I will now put it to the Committee.

The vote was then altered to read as follows: —£3,928 7s. 11d., or the equivalent in dollars on the day of payment, due to the War Department out of £166,000 contributed to the defence works.

Hon. T. H. WHITEHEAD—I understand this is the Governor's minute. Is it in the power of the Finance Committee to alter the Governor's minute?

The CHAIRMAN—Yes, I take upon myself to give that permission in the name of His Excellency if the Committee will recommend the vote of the sterling payment or its equivalent in dollars.

The question was then put, when the Hon. T. H. Whitehead voted against and all the other members in favour of the motion, that the Council be recommended to vote the amount asked for.

The Committee then adjourned.