

—
FINANCE COMMITTEE.
—

25TH NOVEMBER, 1892.

PRESENT :—

Hon. G. T. M. O'BRIEN, C.M.G., Colonial Secretary,
Chairman.
Hon. N. G. MITCHELL-INNES, Colonial Treasurer.
Hon. J. H. STEWART LOCKHART, Registrar- General.
Hon. F. A. COOPER, Director of Public Works.
Hon. R. M. RUMSEY, R.N., Harbour Master.
Hon. C. P. CHATER.
Hon. HO KAI.
Hon. T. H. WHITEHEAD.
Hon. E. R. BELLIOS.

Hon. J. J. BELL-IRVING.

Mr. F. H. MAY, Acting Clerk of Councils.

MINUTES.

The minutes of the last meeting were read and confirmed.

THE PROPOSED LOAN.

The CHAIRMAN—We will now proceed to the business of the day, which is the Supply Bill for 1893. The first item is \$146,790, charge on account of Public Debt. I may mention in regard to this item that I have reason to believe there may be a difference of opinion as to the mode of raising the loan. The best opportunity for the

discussion of that point appears to me to be the time when the Loan Ordinance itself is introduced. In whatever mode the loan may be raised some provision will be necessary in the Supply Bill to meet the charges for 1893 on the loan. On the other hand in the loan is not raised the money will not be spent.

Hon. T. H. WHITEHEAD—The discussion, I understand, is about the \$40,000, interest and charges on loan to be raised, or is it on the whole amount?

The CHAIRMAN—The item now before the Committee is the item of \$146,790, which is the amount proposed to be appropriated on account of public debt. I said in regard to that item that I was aware there might be difference of opinion and I referred to the last portion.

Hon. T. H. WHITEHEAD—In respect to the interest on £200,000—£8,000 at 2/10d. —it is impossible to obtain that amount of £8,000 for exchange of \$56,000. If remitted at present it would cost over \$58,000.

The CHAIRMAN—Yes, at present, but on the other hand exchange may go up.

Hon. T. H. WHITEHEAD—Therefore, on that point the estimates are misleading and the same remark applies to the amount for Sinking Fund as well as to the military contribution of £40,000.

The CHAIRMAN—That is to say, the current rate of exchange at the present time is less than 2/10d. That I am perfectly well aware of, but the money is not to be remitted to-day or for some time to come. When the estimates were prepared I took the best advice I could get through bankers and others as to what the best rate to take for the coming year might be, and was advised to adopt a rate of 2/10d. When the time comes for making payment it may be lower or higher. It appears to me to be a fairly safe rate. You mentioned in Finance Committee the other day that there was a probability of exchange going up in the present year.

Hon. T. H. WHITEHEAD—If England does something for silver.

The CHAIRMAN—Exactly; but at all events that there was a fair chance of exchange going up. If England does the thing you anticipate, exchange will certainly go up. But nobody can say with certainty what the rate of exchange will be when we have to make this payment on account of our loan.

Hon. T. H. WHITEHEAD—As regards this \$40,000, in respect for loan to be raised in 1893, I think it would be well that the Finance Committee should be asked to vote the money when it has been decided upon to raise the loan, and not at present.

The CHAIRMAN—But meanwhile it may not be possible to take a decision on the loan for some time. His Excellency is waiting further instructions from England, the Loan Ordinance has not yet been introduced and it may not be possible to introduce it for some time to come.

In the meanwhile we must pass the Supply Bill in some form or other. I think it would be more prudent to consider that we shall have to pay something for the loan of 1893 and it would be more prudent to make some provision in the Estimates and Supply Bill than to make no provision. I think it probable—I can't say more—that this sum of \$40,000 may be required for the purpose stated, and I have some reason to anticipate it will suffice.

Item passed.

THE QUESTION OF PENSIONS.

The CHAIRMAN—The next item is \$79,400 for pensions. That item, I am sorry to say, shows a considerable increase on the corresponding item of last year. The increase is partly due to additional pensions granted, including a large pension to the previous Chief Justice, and partly to a lower rate of exchange being taken this year.

Hon. T. H. WHITEHEAD—Before the question is put to the vote, I may say that I think some different arrangement should be laid down in regard to pensions in the future. Civil pensions—not those relating to the police—entail a very large loss to the Colony as regards the exchange upon them, and as to the future surely some different method ought to be adopted by the Government. Take, for instance a merchant or banker in Hongkong. If he remains here for a number of years and saves a little money and invests it—the interest on that money he may have to live upon at home—he must take the current rate of exchange. Why should not officers of the Government be required to do the same? As regards future officers I think some different arrangement should be brought into existence to that now in force.

The CHAIRMAN—The amount the Finance Committee is asked to recommend to be voted is the amount required by Government to fulfil certain contracts it has undertaken, and I do not understand the hon. member who represents the Chamber of Commerce to intend to convey that the Government should be guilty of a breach of its contracts in this respect. Therefore, so far as the voting or non-voting of the amount that the Finance Committee is asked to recommend is concerned, his remarks do not appear to me to be quite to the point, But perhaps I ought to understand him to be merely taking this opportunity to express an opinion as to what it might be well to do in regard to future appointments of Civil servants. Is that so?

Hon. T. H. WHITEHEAD—I do not for one moment make any suggestion that the Government should commit any breach of contract towards any of its officers. I threw out a suggestion as regards officers of the Government in future in regard to pensions and exchange thereon. I am sorry I did not make myself more clear.

The CHAIRMAN—I think you have practically repeated what you said before, but having said

it in regard to a proposal to vote a certain amount of money for certain payments to be made next year, I was pointing out that your remarks were irrelevant except as an incidental suggestion as to the future. I understand that you have thrown out a suggestion as to what it would be well for the Government to do in regard to future appointments to the service. As to that of course there is something to be said on both sides. It would be a very good thing for the colony if it could get competent civil servants cheaper than it does; it would be a better thing still if the colony could get them for nothing. But any reduction of the rate of pension that civil servants are entitled to look to on their retirement would tend to our getting less competent servants than the colony gets at present. I had occasion to say, in speaking to a motion of retrenchment before this Council not long ago, that I was of opinion, looking to the expense of living here and to other circumstances, that the civil servants were not overpaid—that remark applied of course to their pensions as well as to their salaries. If at any time the point is raised in the Council or otherwise. His Excellency the Governor will, I have no doubt, be glad to receive any suggestion and forward it to the Secretary of State. My own opinion is perhaps not very much here or there on the subject, but I most certainly do consider that civil servants are not overpaid here, and if you reduce their salaries or pensions you will probably get a less desirable class of civil servants. I may mention that in all silver-using colonies—in regard to some of them I speak from personal knowledge—there is always a fixed rate of exchange at which civil servants are allowed to draw pensions.

Hon. T. H. WHITEHEAD—May I ask if all salaries are now fixed in dollars?

The CHAIRMAN—Yes.

Hon. T. H. WHITEHEAD—Salaries of new officers are fixed in dollars?

The CHAIRMAN—Yes.

Hon. T. H. WHITEHEAD—As I said before, most of the employed of mercantile and banking houses receive their salaries in dollars and they have to bear the loss in exchange.

The CHAIRMAN—Yes. They have compensations which civil servants have not got.

Hon. T. H. WHITEHEAD—And they have no pension to look forward to.

The CHAIRMAN—They are allowed to trade and speculate, and on the whole I think, at least I hope they make money in ways not open to civil servants. If you want competent servants you will have to pay fairly liberally for them, and in reckoning your expenditure the pensions of course are an important part of it.

Item passed.

GOVERNMENT SALARIES—THE OFFICIALS DEFEATED.

The CHAIRMAN—The third item is \$11,339 for the Governor and Legislature. There is a

small increase proposed in the vote for repairs to furniture and incidental expenses. The Committee may remember that it was necessary a few days ago to take a supplementary vote for this purpose and I think they will hardly object to the small increase.

Hon. C. P. CHATER—Sir, the duty which devolves upon me to-day, of proposing that all salaries should be reduced to the amounts at which they stood in 1890, is indeed a very unpleasant one, but that it is a duty, and an imperative duty, the position of the finances of the colony sufficiently proves, and I am, therefore, compelled to make the proposal, however ungracious may be the task. It must be remembered that when these salaries were increased, it was at a time of most exceptional prosperity in Hongkong. But it was not only under that circumstance that salaries were raised, but under a distinct promise from the then Administrator, Mr., now Sir, Francis Fleming, and later on by the then Governor, Sir William Des Voeux, that should there be any shrinkage in our revenue, or should the finances of the Colony be in an unsatisfactory position, this question of salaries would be reconsidered, and the salaries reduced. It is evident, I am sure, that the time has arrived when we must demand the fulfilment of this promise. The position of the colony is indeed very patent to everybody—the financial condition of the colony—and we need not go much further than to quote what His Excellency said in his speech at the opening of Council, that he had found it necessary to write home to the Secretary of State, and ask his permission to issue a loan, and that the permission of the Secretary of State had been granted. As secondary and confirmatory evidence that the condition of the colony is not in a very satisfactory state I may mention that I was one of the members appointed to go into the question of salaries, and at our meetings the strongest evidence that was adduced in favour of an increase was to the effect that rents had gone up here something like 30 per cent,—that rents were somewhere about 30 per cent, higher than they were a few years previously.

The CHAIRMAN—I read your report.

Hon. C. P. CHATER—And this I may mention weighed with the members of Committee in very great measure in proposing that salaries should be increased. As to what rents are now compared with what they were in 1890, I leave you to ascertain from the records of the Land Office. I regret to say that, much to my own cost, rents are now anything but satisfactory and they are very considerably lower, and therefore the reason that lay most of all in the minds of the Committee then is not the same today. I regret that there seems very little prospect of any immediate improvement. The order of the day amongst all classes in Hongkong—bankers merchants, brokers, tradesmen, storekeepers—is r e t r e n c h m e n t a n d e c o n o m y , a n d

therefore I think it behoves the Government to do likewise and retrench as much as it possibly can. As I said before it is a very disagreeable duty, but it is a duty, and I therefore beg to propose:—"That the salaries of the Government officials be reduced to what they were before the sitting of the Commission of 1890."

Hon. HO KAI—I beg to second the proposal and in doing so I quite agree with the senior unofficial member that it is no pleasant duty to any of us here to support or second such a resolution, but, at the same time, the opening speech of His Excellency, pointing out that a loan was very necessary at the present juncture shows at once that we are in a very bad state financially speaking and we have to economise whether we like it or no. As the salaries had been raised only a couple of years ago we cannot regard that as anything like a vested interest, and especially when we have the statement of the former Governor to the effect that when times were bad we could review our position and reduce the salaries to the old level. Of course it is only to be expected that those who are affected by our proposal should regard with disfavour our policy in reducing salaries. It is not a pleasant thing for us, and let me assure them that it is only the necessity of retrenchment and economy during very bad times that induces the unofficial members to come forward earnestly with such a proposal.

Hon. T. H. WHITEHEAD—I cordially agree with the remarks which have fallen from the senior unofficial member and the hon. member who represents the Chinese. It is a most ungrateful and ungracious duty that devolves upon us at the present time. In the course of last year and also in the early part of this year I brought forward a motion for retrenchment, and I did so with feelings of very deep regret. All along during the two years or little more I have been in this Council I have realised that the revenues of the Colony were not of a very elastic nature, and that the estimates were more likely to show a shrinkage—and a serious shrinkage—than an increase. I am still of that opinion. I am further of opinion that at no distant date the revenue derivable from opium will show a further decrease. In what direction we can look for an increase I have yet failed to discover. In regard to the speech of His Excellency at the opening of Council I have carefully re-read it, and I cannot but express disappointment with the proposals which he makes and the promises put forward in regard to retrenchment. These may or may not be realised. They are indefinite. His Excellency proposes to utilize Portuguese and Chinese in Government service instead of Europeans.

The CHAIRMAN—In the clerical service.

Hon. T. H. WHITEHEAD—Yes; and there is very little likelihood of any retrenchment and economy being effected until the present officials resign, retire, or death may overtake them (laughter).

His Excellency in his speech refers very pointedly to vested interests which cannot be disregarded. The senior unofficial member has referred to the distinct declaration of the then Administrator of the Government, now Sir Francis Fleming, and also to Sir William Des Voeux's promises in his speech of April 1891, I will quote one or two sentences from it. He said:—"As the estimates which contain these increased salaries are only voted for one year the Council will of course be at full liberty to reconsider the position with reference to the estimates of 1892 and public officers will understand that although these salaries may be fixed at a given amount for this year it does not follow that they will remain at that figure for next or any subsequent year should the circumstances of the Colony require a reduction." His Excellency (Sir William Robinson) confirms the opinions I have expressed and reiterated in this Council. His words are these: "The Civil Service is, to a certain extent, over officered; and the salaries of the clerical service are capable of reduction as vacancies occur" I can only say that I support the motion which has been brought forward by the senior unofficial member with the deepest feelings of regret, but circumstances leave me no other alternative. The unofficial members have a duty to perform towards the ratepayers, and if we did not take the course we are now taking, I think we would be failing in our duty. It is to be deeply regretted, I think, that His Excellency did not avail himself of the offer of the assistance of a Commission to inquire into the whole question of the cost of the administration which was suggested to him in the month of May last, for I am certain that Commission would have been able to render the most valuable services to His Excellency.

Hon. E. R. BELLIOS—I regret, sir, to be obliged to support the motion. I am a *paterfamilias* myself and I can realise the disappointment the cutting of salaries will cause to fathers of families here. The increase of salaries naturally induced families here to have small comforts and luxuries which I am sorry will be taken away from them, but retrenchment is the order of the day, sir, and I think we should all follow suit. We should all contribute our little mite so that we should not be encumbered with a heavy debt and then be placed in the same position as the Colonies of Australia and New Zealand find themselves placed in to-day—bad credit and the impossibility of raising another loan. If this is done, sir, I think it would not be necessary to raise the loan that it is proposed to do.

The CHAIRMAN—Your motion, Mr. Chater, may be taken as an amendment to the question?

Hon. C. P. CHATER—Yes.

The CHAIRMAN—With regard to the amendment that has been proposed by the senior unofficial member and duly seconded, I must inform the Committee that I do not intend to say anything

on the merits of the question involved It would not be seemly and it is not a duty I am disposed to undertake to argue whether or no the Government officials, including myself, are overpaid, or, on the other hand, are underpaid. They are in the enjoyment of certain salaries which have been sanctioned by the Secretary of State after having been passed by this Council, and the official members will in pursuance of that sanction of the Secretary of State, as a matter of form, vote against the amendment if it is put to them to-day. Do you wish the amendment put?

Hon. C. P. CHATER—Yes, sir.

The CHAIRMAN—The question is whether the item \$41,339 stand part of the Bill. An amendment has been proposed and seconded. Will the members now vote on that amendment?

Hon. T. H. WHITEHEAD—May I draw your attention to a decision in this Council on 5th December, 1890, when the Chairman of the Finance Committee ruled that he had no vote unless there was an equality of votes, that he had only a casting vote. The Hon. W. M. Deane was then Acting Colonial Secretary.

The CHAIRMAN—You are quoting a former precedent?

Hon. T. H. WHITEHEAD—Yes.

The CHAIRMAN—Your point is that I have no vote?

Hon. T. H. WHITEHEAD—That has been held so on a similar occasion formerly. The question was in connection with goal extension, on the 5th December, 1890. Five unofficial members voted for an amendment and four officials against The Acting Colonial Secretary said—"I have thought over this matter before and as I read the Standing Rules and Regulations the Chairman in Council has his own vote and a casting vote, but I do not see that that power is extended to the Chairman of a Committee, and I think I must rule I have only a casting vote in case of an equality and not a double vote."

The CHAIRMAN—The point is new to me and it would be inconvenient and indeed impossible to decide it off hand, but I may meet the difficulty by abstaining from voting. The opinion expressed by the votes of the Finance Committee does not carry any final decision in this matter and possibly the most convenient way would be for me not to give any vote. I record no vote.

The members then voted on the amendment with the following result:—

FOR (5.)	AGAINST (4)
Hon. C. P. Chater	The Director of Public Works
Hon. T. H. Whitehead	The Colonial Treasurer
Hon. Ho Kai	The Registrar General
Hon. E. R. Bellios	The Harbour Master
Hon. J. J. Bell-Irving	

The CHAIRMAN—That amendment having been carried, Mr. Chater, I suppose, Strictly speaking, that the original question would fall to the ground and we should be unable to proceed further with the estimates, but I take it that

you have done what you wanted to do by placing your protest on record?

Hon. C. P. CHATER—I think we can proceed with the estimates but we shall have to do the same thing at every vote.

The CHAIRMAN—Certainly, there is no objection to that.

Hon. C. P. CHATER—I think that is the right thing to do as I understand it.

The CHAIRMAN—Don't you think the most convenient way would be to take that amendment as applying to every item—I mean to those which it naturally applies to—and to vote on the estimates as though you agreed to them, it being understood that when the items are so passed, they are subject, as far as the unofficial members are concerned, to the reservation that the various salaries be reduced as you have suggested. Otherwise we shall have so many votings.

Hon. C. P. CHATER—As long as it is understood so that is all that is wanted. But there are other points which we desire to go into—not only the reduction of salaries.

The CHAIRMAN—Naturally, but those points can be mentioned in their proper places.

Hon. T. H. WHITEHEAD—Perhaps it would be well to read over each item as it appears. The next is for the Colonial Secretary's department.

The CHAIRMAN—That is what I am doing, but we are still at the question of \$41,339 for the Governor and Legislature. The question is that this stand part of the Bill. It will be understood that all those who have expressed the opinion just referred to—in the sense of the motion which they make through the senior unofficial member—will record their vote, subject to that expression of opinion.

Hon. HO KAI—I don't see how we can do that.

The CHAIRMAN—You don't?

Hon. HO KAI—It is rather inconsistent, because we are voting on a definite motion and if we are considering say this \$41,339 I do not see how we can support it subject to anything. I think it would be most inconvenient if we were bound down. I think we should propose the amendment every time as we go along.

The CHAIRMAN—You will find that exceedingly difficult. We should have to calculate on every item what the increase had been.

Hon. C. P. CHATER—I think perhaps under the circumstances the best course would be to adjourn until the items have been reconsidered.

The CHAIRMAN—You mean that you would make certain definite reductions.

Hon. C. P. CHATER—Yes, but I could not do that at the moment and therefore I asked you whether we should postpone this meeting until a later day. We only arrived at this decision late last night, in fact I might say early this morning, and if the meeting was postponed I thought that we might make more definite proposals than we have. But as you ruled, sir, that we should have the meeting to-

day I have put our proposal in the form of a reduction of salaries to the amounts of 1890 in order to cover what we want. I say if the meeting is adjourned we can give the exact figures.

Hon. T. H. WHITEHEAD—It is on record what the salaries were in 1890.

Hon. C. P. CHATER—We could not get at the actual figures; it is a difficult matter to get that off hand.

The CHAIRMAN—You would have to get a number of details if you wish to do it in the way you propose. Do you not think it would be more convenient, have you any strong objection, to do what I proposed, Mr. Chater? I thought you seemed disposed to concur.

Hon. C. P. CHATER—My hon. friend on my right (Hon. Ho Kai), who is a barrister, has raised a legal question. He does not seem to think it would be legal to proceed as you propose.

The CHAIRMAN—It would save a great deal of time and trouble, and would not affect the principle at all.

Hon. C. P. CHATER—We arrived at the conclusion that each vote should be brought up and voted upon, but if there is any way out of the difficulty we are prepared to go on now, I am sure.

Hon. HO KAI—Do you think it is consistent? How could we vote for a certain sum, how could we for instance say "Aye" to this item \$41,339 when we do not know by how much it would have to be reduced? Reducing the vote would be the subject of dispute.

The CHAIRMAN—Naturally, but as each item is brought up—take this item now of \$41,339 for the Governor and Legislature. The question I should put to the Finance Committee would be that the item stand part of the Bill subject to the amendment moved by the senior unofficial member that the amount of salaries be brought into accord with the figures appearing in the estimates of 1890.

Hon. HO KAI—That would be the proper course, but I do not think we should say "Aye" to the item of \$41,339 without the understanding that our opinion is against it and that we want it to be reduced to a certain amount.

The CHAIRMAN—If I expressed myself in such a way as to cause that misunderstanding you are right to correct me. But I propose to put the amendment in general terms to each item and then submit it to the Committee. Do you see any objection to that?

Hon. HO KAI—No.

The CHAIRMAN—Then we will do so. Then when the minutes go before Council it will appear that the officials are in favour of certain amounts and that all the unofficials are in favour of certain reductions. As regards item 3 then. "Governor and Legislature \$41,339," an amendment has been put that the item stand part of the Bill subject to such reduction as will bring the salaries into accord with the estimates for 1890.

Item passed subject to amendment.

THE APPOINTMENTS OF CADETS.

The CHAIRMAN—The next item is "Colonial Secretary's Department \$35,976." The question is, this does item stand part of the Bill? An amendment has been moved subjecting it to the reduction as aforesaid.

Hon. C. P. CHATER—We have another point. I see there is an item "Four passed Cadets at \$1,800." I do not take exception to the amount, but to the mode by which the Government brings out these cadets from home. They are brought under certain conditions, and the Government of course have to fulfil these conditions. When once they have studied Chinese; and if there is no vacancy they have to fill up, then it has been the habit of the Government to create unnecessary offices for the filling up of them by these cadets.

The REGISTRAR-GENERAL—Name the offices.

Hon. C. P. CHATER—Allow me to continue. Here are some of the offices, namely, the Assistant Colonial Secretaryship, the Assistant Registrar-Generalship, and the Assistant Postmaster-Generalship. Although the last mentioned office is a very old and long established office, now that the Postmaster-General has been relieved of the duties of the Treasury, we think that he might manage all the business without any assistance, and in proof of that I would point to the fact that the work is being done, although the Postmaster-General and Assistant Postmaster-General are away on leave. What we should like to ask the Government would be that cadets should not be asked to come out from home without the matter being brought forward before the Legislative Council, and to give effect to this, I beg to move that this item be struck out of the estimates.

Hon. HO KAI—I beg to second that proposition.

The REGISTRAR-GENERAL—With regard to the principle laid down by the senior unofficial member regarding the method of bringing cadets out I have not the least objection. I think it is not at all a bad principle, but with regard to the other remarks of the hon. member I feel that I must take exception to them, as belonging myself to the class of cadets. The hon. senior unofficial member referred to the post of the Assistant Postmaster-General. That office was not created for a cadet and no cadet has ever held that appointment substantively. With regard to the Assistant Registrar-General I may mention that over since the Registrar-General's office has been an office someone has occupied that position. Although he did not possess the name he did the duties I myself did the duties although I did not hold the title. With regard to the Assistant Colonial Secretary I believe the same explanation applies, namely, that although the cadet never had the title there was a cadet attached to the office who did the work. With regard to the remuneration of cadets I do not think my hon. friend can find objection to the munificent sum of \$1,800 a year being paid

as salary to a man who as a rule is a University man who has received a thorough education at home.

Hon. C. P. CHATER—I thought I distinctly stated that I took no objection to the amount, but to the principle of getting cadets from home.

The REGISTRAR-GENERAL—I have nothing to say against the principle, but there were certain inaccuracies in the hon. member's remarks which I wished to correct.

Hon. HO KAI—All vacancies more or less are filled by men sent from home. In the case of the gaol just recently, instead of having a cadet for that position we get some one sent out from

Hon. T. H. WHITEHEAD—I fully support the principle that this Council should be asked to sanction all and every expenditure before that expenditure is incurred. The bringing out of cadets is an expense and I am sorry to say that the Council has not always been considered in the matter of the expenditure and their being brought out until they had arrived here or were *en route*. It was only the other day that a cadet, after some experience here, filled a very important office in the colony and filled it with a great deal of credit to himself and satisfaction to all concerned. Had his services been retained in that position it would have been a great saving to the colony, but the Colonial Office took a different view and forwarded to Hongkong another officer from home who was not and is not required here. I hope before more cadets are brought from home that the Council will be consulted and their sanction obtained to the necessary expenditure before any expenditure is incurred.

The CHAIRMAN—You move that that item be also omitted. Mr. Chater.

Hon. C. P. CHATER—That is only with the idea to give effect to my request that the question of getting out cadets should be placed before the Legislative Council.

The CHAIRMAN—Whatever your idea may be must I put the amendment or not put it? I am quite willing to put it, but as to what action the Government will take as regards the wish expressed with reference to the future appointment of cadets I am not in a position to say.

Hon. HO KAI—Are you in a position to give that undertaking?

The CHAIRMAN—What undertaking?

Hon. HO KAI—That the Legislative Council be consulted before a cadet is ordered from home?

The CHAIRMAN—I am not in a position to do so.

Hon. HO KAI—In that case I must vote against the item.

Hon. T. H. WHITEHEAD—I hope I am not misunderstood. I have not the least objection to the class of men who come out as cadets; not for a moment.

The CHAIRMAN—The question is that item 4, "Colonial Secretary's department. \$35,976," stand part of the Bill. An amendment has

been moved that this amount be reduced by such an amount as will bring the salaries into accord with what they were in 1890 and that the vote be further reduced by a sum of \$7,200 on account of passed cadets.

Item passed subject to amendments.

THE AUDIT OFFICE.

The CHAIRMAN—The next item is "\$10,000, Audit Department."

Hon. T. H. WHITEHEAD—I move that the vote be omitted. We have repeatedly given our reasons in connection with this when voting against this expenditure in late years and we still regard it as unnecessary.

Hon. HO KAI seconded.

Amendment carried and vote omitted.

THE TREASURY.

The CHAIRMAN—The next item is \$27,092 for the Treasury. The question is that this item be reduced by such amount as aforesaid and stand part of the Bill.

Item passed subject to the amendment.

PUBLIC WORKS DEPARTMENT.

The CHAIRMAN—The next item is \$93,119, Public Work's Department. The question is that this item be reduced by such an amount as aforesaid and stand part of the Bill.

Item passed subject to amendment.

THE POST OFFICE.

The CHAIRMAN—The next item is \$147,766 for the Post Office. The question is that subject to the reduction aforesaid the item stand part of the Bill.

Item passed subject to the amendment.

THE REGISTRAR-GENERAL'S DEPARTMENT.

The CHAIRMAN—The next item is \$25,358 for the Registrar-General's Department.

Hon. T. H. WHITEHEAD—I would move as a further amendment that the vote be reduced by one half and that the department as a department be abolished, and the work distributed among other departments.

The CHAIRMAN—The original question is that this item stand part of the Bill. You, Mr. Chater, have moved that it be reduced as aforesaid, and Mr. Whitehead has moved an amendment on the amendment that the vote be reduced by half, the department abolished, and the work distributed among other departments. If you abolish the department what is to be done with the half vote left?

Hon. T. H. WHITEHEAD—Divide it among the departments. (Laughter.)

The CHAIRMAN—You might as well do it thoroughly, Mr. Whitehead. Half the salaries and no one to take them would be anomalous. Would you like to reconsider the point? Let the item be omitted altogether? (Laughter.)

Hon. T. H. WHITEHEAD moved that the vote be omitted altogether.

Hon. E. R. BELLIOS—I regret to differ from my hon. friend.

The CHAIRMAN—There is no seconder to the second amendment, which is therefore lost.

Hon. HO KAI—Before putting the vote, Mr. Chairman, there is one item here which I think some members of the Council would like some explanation of. There is an item of "three student interpreters \$480 each." I have only just been informed by the Registrar-General of the meaning of that and most of the other members do not know the explanation.

The CHAIRMAN—If any member wishes to know he can ask.

The REGISTRAR-GENERAL—These interpreters are persons who from the fact of their being born in Hongkong have some knowledge of Chinese and they are taken on by the Government with a view to their becoming interpreters in Chinese, the idea being that it is very necessary and desirable to have interpreters of such a class. At the present time there is a youth of that description who has been trained for an interpreter for over a year and he has already acted as interpreter at the magistracy. These interpreters are put under the Registrar-General's Department but they do no work in the department. The Registrar-General is supposed to exercise a certain amount of supervision over them during their training.

The CHAIRMAN—I do not understand that there is any exception to that. The question is that the item, reduced as aforesaid, stand part of the Bill.

Item passed, subject to original amendment.

THE POST OF ASSISTANT HARBOUR MASTER.

The CHAIRMAN—The next item is \$60,115 for the Harbour Master's Department. The question is that the item stand part of the Bill subject to the reduction in salaries.

Hon. T. H. WHITEHEAD—And also to the reduction of the post of Assistant Harbour Master. His post is regarded as anomalous and really unnecessary, as there is nothing for the Assistant Harbour Master to do.

The CHAIRMAN—Is that amendment seconded?

No member seconded.

The CHAIRMAN—That not being seconded the original amendment is put.

Item passed subject to the original amendment.

LIGHTHOUSES.

On the vote of \$15,268 for Lighthouses.

The CHAIRMAN—I don't think that the amendment with reference to salaries applies here. I don't think the lighthouses have any salaries.

The HARBOUR MASTER—The lighthouse keepers have.

Item passed subject to the amendment.

THE OBSERVATORY.

The CHAIRMAN—The next item is \$12,3??2 for the Observatory.

Hon. T. H. WHITEHEAD—I move that the amount be reduced by \$4,000.

The CHAIRMAN—Before putting the question and taking the sense of the Committee on this item for the Observatory I beg leave to amend it by reinserting the equivalent vote of £50 for

the Eastern Extension Telegraph Company, for working cable. This item has appeared in previous Estimates, but was struck out as it was hoped it would be found possible to dispense with this service rendered by the Telegraph Company by establishing direct communication between the Post Office and the Observatory. It has been shown that it is not possible to do this and therefore I move that the item £50 which appeared in 1892, or its equivalent, say \$350, be added to the amount.

The DIRECTOR OF PUBLIC WORKS seconded.

The addition to the estimates was agreed to.

The CHAIRMAN—The question is that the sum of \$12,750 stand part of the Bill, subject to the amendment as aforesaid regarding the reduction of salaries.

Hon. T. H. WHITEHEAD—I am agreeable merely to vote for the reduction of the salaries to what they were in 1890.

Item passed subject to the amendment.

THE STAMP OFFICE.

The vote of \$4,328 for the Stamp Office was passed, subject to the amendment as aforesaid.

BOTANICAL AND AFFORESTATION DEPARTMENT.

The vote of \$21,642 for the Botanical and Afforestation Department was passed subject to the amendment as aforesaid.

THE LEGAL DEPARTMENT.

The CHAIRMAN—The next vote is \$71,108 for Legal Departments. Before putting the question I wish to make an alteration in the estimate for 1893. The new Registrar of the Supreme Court has been appointed at the reduced salary of \$5,400. That effects a certain saving and I propose to put the smaller amount in instead of the \$6,480 provided for. The question is that the vote so reduced and subject to the further reduction aforesaid stand part of the Bill.

Item passed subject to the amendment.

ECCLESIASTICAL.

The CHAIRMAN—The next item is \$2,200 Ecclesiastical. I do not think there is anybody's salary to be reduced there.

Hon. HO KAI—I see there is an item "Grant for Protestant Chaplains for the Gaol and Hospital, \$1,200." What is that?

The CHAIRMAN—\$600 goes to the Roman Catholic, \$600 to the Anglican Church, and the Union Church, I think it is called, gets a similar amount.

Vote passed.

EDUCATION.

The vote of \$78,767 was passed subject to the amendment as aforesaid.

MEDICAL.

The CHAIRMAN—The next item is \$83,271 for Medical Department. I mentioned to the Finance Committee the other day when we were considering the supplementary provision for the Medical Department that it seemed that hitherto the expenditure for a good many years had been under estimated. Further provision is made this year

to provide such an amount as will suffice and yet not more than will suffice. The Medical Department is a spending department and it is very difficult to keep an absolute check on it, but I hope that if the Council vote this larger amount than it is customary to vote the necessity for supplementary provision which has occurred annually for a large number of years will not occur in 1893. I hope so, but I cannot undertake it.

Hon. T. H. WHITEHEAD—Might not the paying wards be made self-supporting?

The CHAIRMAN—The rate of payment made by what we call paying patients was settled by a committee some time ago. I am not aware whether it would be advisable or possible to raise that rate of payment to any considerable extent.

The COLONIAL TREASURER—There are three classes of paying patients. The first class pay \$3 a day, the second \$2, and the third \$1. I believe the first and second pay their way, but I should not like to speak authoritatively on the matter without referring to the papers.

The CHAIRMAN—I have read some of the papers on that question, including the report of the Committee, and as far as I remember they deprecated any raising of fees, but I do not think the consideration of that would affect the passing of this vote. It would not affect the expenditure but the revenue.

Vote passed subject to the amendment as aforesaid.

TWO MAGISTRATES OR ONE.

The CHAIRMAN—The next vote is for \$25,172 for the Magistracy.

Hon. HO KAI—I beg to move that the amount be further reduced by \$5,184. In effect I wish to express the opinion that one Police Magistrate would be quite sufficient. It has been proved beyond doubt, when one Magistrate was absent, that the other did the duty of the two Magistrates together as well as could be desired. He could get away at three o'clock in the afternoon on the average although he took the duties of both. At present we have the Assistant Harbour Master as Acting Police Magistrate and I think the opinion is that he is a very decent, fair Magistrate, and if the work of the Magistracy increases and requires more assistance I am sure the Assistant Harbour Master will be ready to give his services.

The HARBOUR MASTER—When he could be spared from his own office.

Hon. HO KAI—Yes; that is one reason why I did not support the proposition of my hon. friend to abolish the office of Assistant Harbour Master.

Hon. T. H. WHITEHEAD—I have much pleasure in seconding the amendment. I would remark that the Magistrate referred to as having done the work of two Magistrates did it in a most satisfactory way, with very great credit

indeed, and to the entire satisfaction of the lawyers, barristers, and whole community.

The CHAIRMAN—That was Mr. Wise?

Hon. T. H. WHITEHEAD—Yes, and he did it with great ease to himself.

The CHAIRMAN—The question is that this item as reduced as aforesaid and further reduced by the provision for the Second Magistrate stand part of the Bill.

Item passed as amended,

THE COST OF THE POLICE.

The CHAIRMAN—The next item is \$228,892 for the Police.

Hon. T. H. WHITEHEAD—I might suggest that something be done to regulate the traffic in the streets. At the present moment it is allowed absolutely to regulate itself. It is absolutely dangerous to go one way or another whether on foot, or in ricksha, or carriage. There is absolutely no provision made for it.

The CHAIRMAN—I have seen some remarks in the Press on the subject and I have drawn the attention of the Superintendent of Police to the matter. I have no doubt that whatever can be done will be done.

Hon. T. H. WHITEHEAD—Every year I have drawn the attention of the Government to it and for a few weeks afterwards there was some little improvement, but matters now are a disgrace to any civilized place. It was only the other day that I had six visitors to my office and some time previous to that I had ordered chairs, and on going out the visitors were pounced upon by some twenty or thirty 'ricksha and other chair coolies and one of the ladies and her husband got severely knocked about. A more disgraceful state of affairs than exists at present at certain hours of the day probably does not exist anywhere in the East.

The CHAIRMAN—Very disgraceful indeed.

Hon. T. H. WHITEHEAD—I have myself had a very unpleasant experience of this. The accident which befel me some time ago would not have happened but for the carelessness of the police. A log of wood some 40ft. long and two feet thick was allowed to lie across a public thoroughfare from one side of the road to the other side, thus blocking the road completely, with not a soul near it, not a policeman near, and a state of affairs such as that is most disgraceful, more especially when one considers that the police obtain \$228,000 from the colony's revenue.

The CHAIRMAN—The charge for police is certainly very large in proportion to the amount of revenue.

Hon. T. H. WHITEHEAD—What we get in return is most inadequate.

The CHAIRMAN—In addition to what I have already done in the matter, which is not much. I will draw the special attention of the Superintendent of Police to your remarks, Mr. Whitehead.

Vote passed subject to the amendment as aforesaid.

VOTES PASSED WITHOUT DISCUSSION.

The following votes were passed without discussion, subject to the amendment as aforesaid, namely, Gaol, \$58,884; Fire Brigade, \$20,482; Sanitary Department, \$64,445; Charitable Allowance, \$5,200; Transport, \$3,000.

MISCELLANEOUS SERVICES—REUTER'S
TELEGRAMS—THE CROWN AGENTS.

The CHAIRMAN—The next item is \$83,192 for Miscellaneous Services. That shows a large reduction as compared with the estimate for 1892 but if hon. members will compare the two estimates and then turn over to the estimates for Public Works they will find that a large portion of the probable saving apparently made in the Miscellaneous Services, in Repairs, is included in the expenditure in the Public Works schedule for next year. This saving is for street lamps, electric light, and so on. Roughly speaking, with the exception of \$10,000 which appeared in the Estimates for 1892 for a trigonometrical survey of Hongkong, the apparent saving in Miscellaneous Services is really compensated by expenditure transferred to the Public Works. The question is that this amount stand part of the Bill. Your amendment, Mr. Chater, will not apply.

Hon. T. H. WHITEHEAD—I have an amendment to propose, that the subscription to Reuter of \$1,572 be omitted. The service which Reuter has rendered this last year has deteriorated very much indeed and in fact may now be regarded as absolutely useless. When the general election took place in England a few months ago we were treated very badly indeed in connection with the result and had to get our information from Singapore and elsewhere by mail steamer. In the case of the recent election of the President of the United States no news reached Hongkong by wire as to who was elected, whether Republican, or Democrat, or who or what. News reached here by letter from Shanghai. I therefore regard this expenditure of \$1,572 as quite unnecessary. It is just like money thrown away, and if Reuter is not going to give us something better I think we can do without his service altogether.

The CHAIRMAN—If you strike the vote out altogether there will be no opportunity to try him either for better or worse. I agree with every word you say as to the treatment by Reuter of this colony. I have never been in any place where the telegraphic service was so bad. We do not pay a very large sum between us, the Chamber of Commerce and the Government, but we get very little for it.

Hon. T. H. WHITEHEAD—It is not the amount of money concerned. My idea is to improve the service. Things have got so bad that Reuter wants shaking up, and if he does not improve I think ultimately the expenditure had better be abandoned.

The CHAIRMAN—You will remember as a member of the Chamber of Commerce that the

Chamber was asked some little time ago if it could not shake Reuter up and I think you said you had shaken him up.

Hon. T. H. WHITEHEAD—I don't think we could do it too often.

The CHAIRMAN—That was before the general election? Your last attempt to get Reuter to mend his ways was prior to the general election?

Hon. T. H. WHITEHEAD—At the next meeting of the Committee of the Chamber of Commerce I intend to bring the subject up again. So long as we keep at him it is possible perhaps to get something better.

The CHAIRMAN—In order to have a chance of getting something better it might be well, perhaps, to retain this vote. We are not bound to pay it.

Hon. T. H. WHITEHEAD—I have no desire to press my amendment. There is another item of \$2,000 for Crown Agents. Might I ask what service that covers?

The CHAIRMAN—I am sorry I am not in a position to give you much detailed information. Where an item has been voted for a number of years and it is only proposed to revote the same item I have not thought it incumbent upon me to make particular inquiry about it. I don't know exactly how this payment to Crown Agents has been arrived at in past years. I know, however, that there is a Crown Agents' fund by which salaries and pensions are provided and I know that the cost has been divided between the Crown Colonies. How the proportion of Hongkong has been arrived at I am not aware.

The COLONIAL TREASURER—£200 per annum is paid to the Crown Agents. That amount has been settled. The Crown Agents also charge certain small percentages on freight of the goods they send and on extra orders of stationery.

The CHAIRMAN—I must tell you that the Crown Agents do not get any immediate benefit from commission. It does not affect their emoluments and it is not to their interest to get a large expenditure so that they should get large commissions. They are paid certain salaries and are also entitled to pensions and the money required for this purpose comes out of the fund which is provided by the Crown Colonies.

Hon. T. H. WHITEHEAD—Suppose the Government sends home for £5,000 worth of goods; what is the Colony charged by the Crown Agents for getting them?

The CHAIRMAN—Do you know, Mr. Treasurer?

The COLONIAL TREASURER—They have a charge for examination and they also charge a small percentage, I think it is one per cent, on freight, and they have this £200 which is paid annually.

Hon. T. H. WHITEHEAD—On an order for £5,000 worth of goods what sum would those departmental charges amount to?

The COLONIAL TREASURER—It depends on the amount of inspection which has been made.

Hon. T. H. WHITEHEAD—Therefore goods ordered from them may cost a considerably larger amount of money than if bought locally?

The CHAIRMAN—It does not follow, Mr. Whitehead. I have bought some things locally and some things from home and my experience is that they are dearer here. There are a good many circumstances to be taken into account and it cannot be settled off hand that one course is better than the other.

The REGISTRAR-GENERAL—The Crown Agents are wholesale buyers and purchase for other colonies as well as Hongkong.

The CHAIRMAN—I know that in some Colonies it is felt that the Crown Agents are standing in the way of local salesmen who would benefit by taking the Crown Agents' position. As far as my opinion goes, Crown Agents serve the Colonies very well and I do not at all think on the whole that we should benefit by leaving them even if it were open for us to do so.

Hon. T. H. WHITEHEAD—I observe that under the head refunds of revenue there is a larger refund estimated for next year than this year by the sum of \$4,000. I presume that is owing to more empty houses.

The CHAIRMAN—Not so much that, but you may remember the matter being referred to in Council. The practice here was for payment of refunds, except refunds for assessed rates and taxes, to be made from the receipts and only the difference was brought to the credit of the revenue. It is considered the proper course to bring to the credit of the revenue all that is received and if there has been over payment to make the refund from a vote. It has been estimated that \$4,000 would cover these refunds. We took a supplementary vote of \$2,000, I think, in May to admit of refunds being made in the regular way. The question is that this vote stand part of the Bill.

The vote of \$83,192 for Miscellaneous Services was then passed without amendment.

THE VOLUNTEERS.

The CHAIRMAN—The next vote is \$294,353 for Military Expenditure. This shows an increase owing to the rate adopted for next year, namely, 2s. 10d., being a lower rate than that which was adopted last year. I hope that the 2s. 10d. rate may see us through.

Hon. T. H. WHITEHEAD—I sincerely hope so. There is a sum of \$12,000 for Colonial Defences, expenses of Volunteers. It was with heartfelt sorrow that I listened to the paragraph in His Excellency's speech in connection with the Volunteer Force. He said if it were to cease to exist it is possible that the Imperial Government may demand an increased Military Contribution. As an amendment to the vote I move that it be reduced for the Volunteers

to the same sum as for this year or last year. I think that if His Excellency had accompanied this intimation, if it was thought necessary to make such a suggestion which may reach the Imperial Government, by a statement that he would do as the Governors at Singapore and Ceylon did, namely, stand up for the rights of the taxpayers if any attempt was made to extract from our Treasury more of our money by means of the more numerous official vote of the Council, it would have been better. I regret extremely that such a statement was not made by His Excellency and that any suggestion should have been made whereby the Imperial Government may be induced to increase our military contribution, because that contribution already is close upon one-sixth of our total revenue, which I submit is more than we ought to pay, a great deal more. I would further submit that there is only one course for the unofficial members to follow if the Imperial Government attempt to extract more funds out of the Colony, and that is that they should resign in a body their appointments, and I feel quite certain the Government might have difficulty in filling their places and carrying on the work as has hitherto been done. I do not think any colony has been more loyal or has contributed more cheerfully their share of whatever was considered fair and right for the military, and it is unfortunate that the question should have again been brought up in the way it has been. I therefore move the reduction of the vote for Volunteers to the same sum that it was last year.

The CHAIRMAN—Before putting that question I should like to make a remark or two. I have not the least doubt that if any attempt was made to increase our military contribution the Governor would oppose such an attempt to the utmost of his power, and I do not think that you are at all likely to have had or to have any Governor who with more hearty good will and with perhaps better effect would do so; and if he did not add an observation to that effect as a sort of rider to the statement that he gave expression to in his address it could only have been that he counted on everybody taking that as a matter of course which required no statement on his part. As regards reducing the vote the hon. member is under a misapprehension, I think. The vote is precisely the same as for the previous year. The Governor in his address to the Council mentioned that there was a proposal to re-establish, or establish on a new basis, the Volunteer Corps in Hongkong, and that if that proposal were carried out or showed such promise of being carried out as might be gathered from a hundred and fifty men joining he said that he would then propose to the Finance Committee certain additional expenditure. I think he mentioned \$10,000 initial expense and \$13,000 for the annual maintenance of the Corps. The vote as compared with 1892 is the same amount.

Hon. T. H. WHITEHEAD—I mean 1891.

The CHAIRMAN—You move a reduction of \$5,000 to make the vote the same as for 1891?

Hon. T. H. WHITEHEAD—Yes.

The CHAIRMAN—The amendment is not seconded.

Vote passed.

PUBLIC WORKS RECURRENT—THE ROADS OF THE COLONY.

The CHAIRMAN—The next item is \$160,100 for Public Works Recurrent. I just mentioned to the Committee that certain items have been transferred to this account from the Miscellaneous vote. There were also some small alterations in the items, which are explained in the footnotes. An increased vote is proposed to be taken for the maintenance of telegraphs. The increase is \$4,000 and is proposed to replace a number of worn out poles by iron ones and generally to try to improve the telegraph service of the Colony. The new system of signalling ships, it is hoped, will be a greater success when the telegraph service has been improved.

Hon. T. H. WHITEHEAD—I see there is a large decrease in the maintenance of roads and bridges out of Victoria and a reduction of \$4,000 in bridges and roads in Kowloon. I think it has been brought before the members of Council quite recently that the roads are really in a very bad state indeed and I cannot but regard this proposed reduction or decrease in the vote for maintenance of roads as false economy. We should keep our roads in good order.

The CHAIRMAN—That is undoubtedly the case. We should keep our roads in good order and I think we do. I should say that our roads on the whole, though I am not a very great walker, are rather creditable. There is not a very large mileage of roads in the Colony.

The DIRECTOR OF PUBLIC WORKS—Fifty miles.

The CHAIRMAN—On the whole, I should say, making allowance for difficulties, climatic amongst others, the condition of the roads in this Colony is creditable rather than the reverse. The particular road to which the hon. member drew my attention the other day, on which I made a reference to the Director of Public Works, appears not to be in such a very bad state as was represented to me. I have not been over it myself, but as it happens, the Governor has been over it twice in the course of five weeks and his account of it did not corroborate the complaints that were made of that road.

The DIRECTOR OF PUBLIC WORKS—With regard to the sweeping statement of the hon. member as to the condition of the roads in the colony, I should like him to specify what roads he means and what is the matter with them.

Hon. T. H. WHITEHEAD—The road I referred to is the one from West Point to Aberdeen and the last time I passed over it it lamed a pony that had not been lame for months before and the road was not in a creditable state. The

statements I have made can be borne out and supported by those who have passed over the road and an apology was made to the Council for its condition by the hon. member and a promise was made that the road should be repaired.

The CHAIRMAN—Are you referring to me?

Hon. T. H. WHITEHEAD—No, the hon. member opposite.

The DIRECTOR OF PUBLIC WORKS—I made a promise that the road should be taken in hand, but I certainly do not think that the road is in a disgraceful state.

The CHAIRMAN—I sent the papers on to the Governor for his information and he said he did not consider the road in a disgraceful condition.

The REGISTRAR-GENERAL—At any rate that is a very small portion of the roads of the colony.

The CHAIRMAN—It is of course impossible to keep every road always at a high pitch of perfection. Heavy rains and droughts are trying influences, and on the whole I consider the roads are good.

The DIRECTOR OF PUBLIC WORKS—I would call attention to the fact that the hon. member has not answered my question as to what is the matter with the roads.

Hon. T. H. WHITEHEAD—I can only say I regard them as far from satisfactory.

The CHAIRMAN—The question is that the item stand part of the Bill.

Vote passed.

PUBLIC WORKS EXTRAORDINARY—GAOL EXTENSION.

The CHAIRMAN—We now come to the Public Works Extraordinary. The first vote is \$120,000 for the Central Market.

Vote passed.

The CHAIRMAN—The next vote is the Government contribution to the Praya Reclamation.

Vote passed.

The CHAIRMAN—Drainage of Recreation Ground, Happy Valley, \$13,000.

Hon. T. H. WHITEHEAD—Might I ask what is proposed to be done to the Recreation Ground?

The CHAIRMAN—The Director of Public Works has brought the plans of the proposed work. It is proposed to do nothing with the garden. That would cost \$8,000 and if it is done it will have to come out of current balances, as the Secretary of State will not allow any expenditure out of the loan on the ground except for drainage. If it is found that funds are available and it is desired to do anything it will have to be done by financial minute.

Hon. T. H. WHITEHEAD—It is the only level ground in the colony and as it would be a great acquisition to the youth of the colony it would be money well spent.

The CHAIRMAN—Whether it can be done next year or not I don't know, but it cannot be done out of the loan.

Hon. C. P. CHATER—Was not that piece of ground given away to the Athletic Club?

The CHAIRMAN—I do not know much about the matter, but it was not given away and I think hardly promised.

Vote passed.

The CHAIRMAN—The next item is \$45,000 for Slaughter-house and Sheep and Pig Depot,

The DIRECTOR OF PUBLIC WORKS—The general scheme for the construction of slaughterhouse and the proposed site are on the table and the drawings and details are ready for the commencement of the actual building.

Hon. HO KAI—Before the buildings are proceeded with I presume the members of the Public Works Committee will be supplied with information.

The CHAIRMAN—In the case of any works which have not been before the Public Works Committee, plans, and estimates, and explanations as a matter of course will be brought before them. This is merely a preliminary authority, so to speak.

Vote passed.

The CHAIRMAN—I have been authorised by the Governor to withdraw the item of \$60,000 for Gaol Extension as he has undertaken to receive a memorial on the subject and his hope is that the Colony may be saved a certain amount of expense. We will take that item as withdrawn, then.

The following items were passed without discussion :—New Water Mains \$5,000; Sewerage of Victoria \$60,000; Water Supply of Kowloon \$45,000; Tytam Reservoir, Clear Water Channel, \$4,000.

THE EXCHANGE QUESTION AND THE MILITARY CONTRIBUTION.

The CHAIRMAN—There is a matter which I promised to bring up again before the Finance Committee, and that is the question regarding the mode of making the payment of the military contribution of £40,000. I may mention that I have made inquiries at two banks as to the terms on which they will give a forward rate for the coming year—that is to say, a rate for the payment of \$10,000 at the end of each quarter I have received an answer from one bank, but I have no liberty to say anything about it or disclose the details of it. I was requested to regard it as strictly private and confidential. I may mention that in my opinion it would not be an advantage to the Colony to accept that offer, the amount of which I am not at liberty to mention. The answer I got from the other bank was that they could not undertake to quote any rate for the forward rate for the termination of each quarter of the year. The payments have to be made to the Military on the last day of each quarter. One bank, as I say, said they could not quote a forward rate for such purposes at the end of each quarter, and the other bank expressed itself prepared to quote a rate but said I was not to mention it. I myself have not the smallest doubt that the

Colony would in the long run and generally gain by adopting the military rate in preference to trying to get a forward rate from a bank. The hon. member who represents the Chamber of Commerce was and is still, I believe, of a different opinion. If he wishes to elicit the sense of the other members I have no objection to putting the question. simply to ascertain what the opinion of the Finance Committee is on the point.

Hon. E. R. BELILIOS—I would deprecate the interfrnce with and departure from the old rule of fixing exchange when you want it fixed. The case of a merchant was cited, a merchant fixing a forward rate. The merchant has a certain factor to deal with, that is his goods; he sells his goods on the one hand and engages to cover with the other. He might buy exchange at a cheaper rate than he gets a price for his goods. By putting the two together he either secures his profit or secures himself against a loss. Government has not such a factor to deal with, therefore I think the old style of buying a remittance whenever you wanted it should not be departed from. Then, again, the question of the fall in silver. We have had already a fall in silver, and for the past year we have made a loss, but in the natural course of things and in all probability in a short time forward silver might commence to rise and we might recoup ourselves, whereas if we act like a merchant and fix our rate forward, more especially at a lower rate than that quoted for the day, it would be reckless speculation and no Government in the world would be justified in adopting such a course. On these grounds I think it would be more prudent policy to stick to what we have done hitherto.

The CHAIRMAN—I am very clear as to what our course ought to be. I think fixing a forward rate would be a good thing for the Military and the Bank and a losing business for the colony.

Hon. E. R. BELILIOS—Now we have a rule to go by, we are guided by a certain law which we have made for ourselves to buy and fix exchange whenever we have money to do so, but if we bought forward it would be like allowing some one to exercise his discretion and I am afraid in exercising that discretion we might be landed in heavy losses. Suppose the man entrusted with that discretion committed an error of judgment, where should we be? The India Office a few years ago wanted to change their policy of selling Council bills on India. They took it into their heads that it would be better to watch the markets every day, but in the end they were obliged to give it up and revert to the old practice of selling a certain amount for a certain sum to be paid in London every week.

The CHAIRMAN—Perhaps the best way of eliciting the sense of the Committee would be to put the question.

Hon. C. P. CHATER—I should like to make one or two remarks before that is done. There

can be but little doubt in the minds of hon. members present as to what course we should pursue after your remarks. Even if there was the opinion that forward exchange should be secured, after what you have just informed us, that one bank refused to quote and the other gives a rate which is not nearly as good as that of the Army, undoubtedly, sir, there is but one course for us to pursue, and that is to secure the Army rate.

The CHAIRMAN—The bank I refer to, Mr. Whitehead, is your bank. You do quote a certain rate, which I do not propose to mention, because there is no necessity to do so, for a forward rate for the first day of each quarter. Payment has to be made on the last day of each quarter. I asked you for that rate and in answer you said that you were not prepared to quote.

Hon. T. H. WHITEHEAD—I gave you a quotation for the first day of each quarter.

The CHAIRMAN—That is not what is wanted. You are not prepared to quote at all for the last day of each quarter, and the other bank quotes a rate which I could not advise any one to accept. I will put the question now.

Hon. HO KAI—I do not think there is any necessity. There is only one—

Hon. T. H. WHITEHEAD—Is it possible to secure the military rate? Would the military only fix their rates from time to time?

The CHAIRMAN—There is no absolute certainty; it is only a question of probability. The military rate is always an advantage in a falling market and in advance of the market rate. That argument is strongly in favour of adopting the military rate.

Hon. T. H. WHITEHEAD—It is simply a question of opinion.

The CHAIRMAN—Quite so, a mere matter of opinion.

Hon. T. H. WHITEHEAD—If we are to have a falling market we had better take the military rate.

The CHAIRMAN—The question is that in the opinion of this Committee it is preferable to pay the military contribution for 1893 according to the military rate.

Carried *nem. con.*, the Hon. T. H. Whitehead not voting.

The Committee then rose.