

11TH JANUARY, 1893.

PRESENT :—

His Excellency the Governor, Sir WILLIAM ROBINSON, K C.M.G.

Hon. G. T. M. O'BRIEN, C.M.G., Colonial Secretary.

Hon. W. M. GOODMAN, Attorney-General.

Hon. J. H. STEWART-LOCKHART, Registrar-General.

Hon. N. G. MITCHELL-INNES, Colonial Treasurer.

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.

FINANCIAL MINUTE.

The COLONIAL SECRETARY—I have to submit a financial minute in which the Governor recommends the Council to vote a sum of £500 to cover the cost of show cases, the pay of an attendant to arrange exhibits, and other expenses, in connection with a proposed representation of the resources of Hongkong at the Imperial Institute to be opened in May next. In submitting this minute I may state that no expenditure in this behalf has already been incurred and no liability undertaken. The minute will be submitted to the Finance Committee immediately after the sitting of Council. I move that the minute be referred to the Finance Committee.

The COLONIAL TREASURER seconded.

Agreed to.

THE LOAN ORDINANCE.

The COLONIAL TREASURER moved the second reading of the Bill entitled "An Ordinance to declare the terms and conditions applicable to Loans authorised to be raised by the Government of Hongkong and to provide for the creation of Inscribed Stock." He said—As I entered into the objects of the Bill so fully on the last occasion I do not wish to add anything further beyond repeating the fact that this Bill merely prescribes the manner in which inscribed stock should be raised should that method of borrowing be decided on for raising the loan and emphasising the fact that the Bill has been drafted at home on an approved model, and therefore no alterations should be introduced unless they appear to be essential.

The ATTORNEY-GENERAL seconded.

Bill read a second time.

The Council went into Committee on the Bill.

Upon clause 4, which provided that the interest on the inscribed stock should not exceed 4½ per cent. per annum,

Hon. T. H. WHITEHEAD said—May I ask whether it is necessary to include such a high rate of interest as 4½ per cent. for gold?

HIS EXCELLENCY—"Shall not exceed 4½ per cent."

Hon. T. H. WHITEHEAD—I would suggest, "Not to exceed 4 per cent."

HIS EXCELLENCY—The most favourable terms will be secured. I think the Crown Agents suggested 3½ per cent.

Hon. T. H. WHITEHEAD—Gold at 4½ per cent. is ridiculous because I may mention it is possible to borrow locally at about the same rate in silver. I therefore think it would be wrong to borrow in gold at 4½ per cent.

The COLONIAL SECRETARY—Passing this clause will not oblige the Governor to borrow at that maximum rate of interest.

Hon. T. H. WHITEHEAD—It gives the Governor power, which should not be asked for if not required.

The COLONIAL SECRETARY—Yes, but the Ordinance is permanent in character, and 20 years hence or 50 years perhaps 4½ per cent. may be the lowest rate at which we can borrow. I think there is not the slightest danger of the Crown Agents borrowing at a higher rate than they need or of the Governor asking them to do so. On the other hand if you reduce this 4½ per cent.—although at present it will not interpose any obstacle in the way of our borrowing—it might do so at some future time, and it would then be necessary to pass some other Bill.

HIS EXCELLENCY—Do you move any amendment, Mr. Whitehead?

Hon. T. H. WHITEHEAD—I do not, your Excellency.

On Section 5, which read as follows:—"All the inscribed stock which may be created under the provisions of this Ordinance shall be redeemable at par on a date to be named in that behalf by the Crown Agents when issuing the stock, such date not being later than fifty years from the date of issue. From and after which date all interest on the principal moneys secured thereby shall cease and determine whether payment of the principal shall have been demanded or not,"

Hon. T. H. WHITEHEAD said—I would again ask your Excellency instead of having a redemption fund to have drawings after the first five years and to pay off such in cash at once so that all risk attendant on reinvestment of redemption fund in securities of other colonies would be avoided. It is quite usual in connection with loans that annual drawings do take place and a Government which has borrowed pays off bonds which have been drawn by a notary public, as has been done with all the Chinese Imperial Government Loans from foreign banks in China, and as is done in connection

with loans raised in the London market. It therefore does away with the risk which necessarily follows investment of redemption fund in other securities, as to wit the risk new run, in connection with the redemption fund of our 1887 loan which has been invested in securities of other colonies, some of which since the date of purchase have depreciated as much as 8 and 10 per cent. and there is nothing to prevent them depreciating still further—12 or 15 per cent.—therefore I think it would better to have drawings after five years instead of a redemption fund, and bonds so drawn should be payable forthwith.

The COLONIAL SECRETARY—The suggestion is impracticable in this Ordinance. This Ordinance authorises the raising of a loan in a certain way—by inscribed stock—and subject to the conditions prescribed by the Imperial Act in the case of such loans. In the case of inscribed stock loans periodical drawings do not take place, in fact the absence of such periodical drawings constitutes one of the principal differences between borrowing by debentures and by inscribed stock. The Crown Agents have pointed out the advantages accruing from borrowing by inscribed stock and they are very considerable. However that may be, it is quite impossible in this Ordinance which authorises the raising of a loan by inscribed stock to insert a provision contrary to the Imperial Act laying down the conditions in cases of such loans.

The ATTORNEY-GENERAL—One point, I may call attention to, with regard to the great advantages of inscribed stock, is that trustees and those who want to invest for a considerable time are willing to take up that stock, whereas if they did not know what particular bonds may be drawn in one, two, or three years, and there is no fixity in their bonds they are not likely to give such high prices for them as if they were assured that they would stand for a certain time.

HIS EXCELLENCY—You have the advantage of a permanent investment for 50 years.

Upon Section 7 some discussion arose. It dealt with the method in which the sinking fund "shall" be applied.

The COLONIAL SECRETARY moved the alteration of the word "may" for "shall."

The next sentence of the clause provided that if "the price of the inscribed stock be below par at the time when the contributions are received the Crown Agents shall, &c."

Hon. T. H. WHITEHEAD—May I ask what the meaning of the word "par" is. If stock is issued at 93 what meaning does the word "par" convey?

The COLONIAL SECRETARY—This is rather a doubtful point. It may of course mean 100 per cent. or it may mean whatever rate the stock is issued at. I incline myself to believe that the latter meaning is the correct one, but I cannot undertake to say with certainty. It will be

observed that the alteration of the word "may" for "shall" will meet any difficulty which otherwise might arise.

Hon. T. H. WHITEHEAD—Would it not be well to remove the possibility of error and any mistake in the matter and instead of "par" insert "below the price of issue?"

The COLONIAL TREASURER—I do not think so. The loan, though issued at, say, 93, is repayable at 100. Therefore, even if the market price were to rise to, say, 97, which would be above its issue price, yet it might be advantageous to buy at that figure. I think the word "may" instead of "shall" meets all that is required.

The COLONIAL SECRETARY—I agree with the Treasurer that the alteration of the word removes any danger. It makes the clause permissive merely.

Hon. HO KAI—I beg to support the suggestion that the word "par" be struck out and some other word substituted. I think it is extremely improper that legislators should use a word which is not clear in its meaning, and it is all very well to leave it to the law Courts to decide certain expressions. We have no right to use a word which is in doubt. I am not advocating any special alternative word but let us be certain of the meaning of the word "par" before we use it.

The COLONIAL SECRETARY—If the Bill had been drafted here the suggestion of the Hon. Ho Kai would be perfectly reasonable. It stands to reason that if it were drafted here we should be perfectly clear as to the exact meaning of every word in it. But this Bill has been drafted at home and there is this danger in making any alteration, that if we make any which are at variance with any of the requirements of the Imperial Act we may have the Bill returned to us from home without sanction to be re-passed in its original form before sanction at home can be granted, which would of course create a great deal of delay. I may mention that it is within my own experience in another colony that an Ordinance of this kind was twice so returned because what appeared to be very slight modifications had been made. And as I have already observed as the word "shall" has been altered to "may" I do not think any further alteration is necessary.

HIS EXCELLENCY—My own impression is that "par" means price of issue. But we might say that we pass this Bill on the understanding that par means price of issue.

This was agreed to.

The other items were passed without comment, the Council resumed, and the Bill was read a third time and passed.

THE FINANCIAL CONDITION OF THE COLONY.

The COLONIAL TREASURER moved the second reading of the Bill entitled "An Ordinance for raising the sum of £200,000 by Loan for the purpose of defraying the cost of certain Public Works."

The ATTORNEY-GENERAL seconded.

Hon. C. P. CHATER—I rise to propose an amendment, and it is, that the second reading of this Bill be postponed for six months. In doing so, I may as well at the very outset inform your Excellency that I am of opinion that if a loan is necessary under the present conditions, a gold loan is to be preferred to a silver one. At the last meeting of Council the hon. the Colonial Treasurer informed us that a gold loan would probably be procured in London at  $3\frac{1}{2}$  per cent., while a silver loan could not be procured here under  $4\frac{1}{2}$  per cent., which in a loan running for 50 years means a difference of 50 per cent. to the Government in borrowing in gold instead of silver. Against that however, we have to meet with a loss of about 7 per cent. in the issue of the loan, for I understand him to say that perhaps we might have to issue it at 93, thereby having a margin in hand of somewhere about 40 per cent. But against that we have to contend with a loss in the fall of silver. A fall in the market value of silver would mean a fall in the value of the dollar. While thinking this matter over carefully, I have come to the conclusion that even if there was a fall, and a very material fall—allowing that the dollar fell from  $2/8\frac{1}{2}$  at the present moment to  $2/-$ —still we should have a margin by, having borrowed in gold against silver of about 25 per cent., or in other words, it means that the dollar would have to fall to somewhere about  $\frac{1}{4}$  before a silver loan would be more advantageous to the colony. That, I think, is a very good reason why we should prefer borrowing in gold to silver. There is another and not a very unimportant reason why we should borrow in gold if it is to be had, and it is this. At the last meeting the hon. the Colonial Treasurer told us that we could obtain a loan here at  $4\frac{1}{2}$  per cent., and in this statement he was confirmed by the hon. the Colonial Secretary, and I am quite the of same opinion. I believe a loan locally could be procured at  $4\frac{1}{2}$  per cent., but what I fear is that if a local loan were procured here the money to be put into the loan would come from a withdrawal of fixed deposits from the banks in Hongkong. (Hear hear.) I do not know whether your Excellency is aware that at the present moment banking facilities are very materially reduced for several reasons, one reason, and a very good one, being that there are fewer banks here now than there were some little time ago. We have the New Oriental Bank in liquidation, and the old and much respected Chartered Mercantile Bank in course of reconstruction. But beyond this fact, there is another, and one which weighs in the minds of most people. It is the utter want of confidence in the future market value of silver. For this reason bankers and capitalists and merchants will not bring money out to the East for investment, because they fear that at any moment a severe drop in silver may occur. They would gain something at the time, but might afterwards

lose very considerably by a decisive drop in the price of silver. We have therefore to depend on our own resources here, and if money were largely withdrawn from the banks and put into a local loan, it would mean a further curtailment of banking facilities in Hongkong. I fear it would almost mean a stoppage of business, which would be a very serious thing for all parties concerned, whereas, on the other hand, if the loan is effected in London—and although the hon. the Colonial Secretary has informed us that the Crown Agents would want some of the money, still I believe a great portion of it would find its way to Hongkong, and if it did it would tend to relieve matters here, and would enable busness to be carried on more comfortably than at the present moment and perhaps more profitably. Therefore for these reasons I am of opinion that a gold loan is preferable to a silver one. Having come to the conclusion that a gold loan is preferable, I now come to the point as to when we should make that gold loan. Well sir, I feel sure Your Excellency will agree with us when you hear the arguments brought forward, that this is probably the very worst moment to go in for a gold loan. We have at the present moment a Conference sitting, or rather we have a Reuter's telegram informing us that it is postponed until next May, and that is the reason why I have asked that the second reading of this Bill should take place six months hence, instead of three months hence, as was the original suggestion of the representative of the Chamber of Commerce. We have sitting in London at the present moment the Indian Currency Commission, presided over by Lord Herschell, deliberating whether India should go in for a gold standard or not. We have others in India advocating that the Indian mints should be closed altogether. We have also, I believe, Sir John Lubbock recommending a charge of 10 per cent. on the coining of rupees instead of, as at the present moment, 2 per cent. Then we have, on the other hand, America as perplexed as ever as to the future of silver. We have on the one hand, one senator bringing in a Bill proposing to repeal the Bland Bill, or in other words to stop the purchases of silver by the Government. We have another senator bringing in a bill to have the reverse effect, viz., free coinage—and yet a third bringing in a bill to leave the purchase of silver by the Government entirely to the discretion of the President. Whilst these matters are pending, I think that this is probably the very worst moment to borrow in gold. If any one of these things happened it would mean a very material drop in the value of silver. If India should go in for a gold standard, I have not the slightest hesitation in saying America would immediately pass a Bill and put a stop to all purchases, and if both of these should happen silver would have a very decisive drop, and consequently the dollar would fall very

considerably. On the other hand, if America took the initiative and passed the bill stopping purchases of silver, India, in self-defence, would have to immediately stop coining rupees. Should any one of these things happen, it would mean a very material drop in silver, and then perhaps would be our time to go in for a gold loan. We should then start on a very much lower basis than at the present moment, and consequently, however great the fall, we should be on the right side in having delayed. But, sir, I fear that the postponement which I have asked for may not suit the hon. the Colonial Secretary; in fact I feel sure it would not suit him if it were postponed altogether, because he would then have to come before the Council with a very unsatisfactory balance sheet. He would have to come before us undoubtedly with a very large deficit, if all the proposed public works were to be carried out, and I believe anyhow the hon. the Colonial Secretary would have to come before us with a deficit without taking into consideration even the public works extraordinary. In my arguments which I put forward the other day with regard to the reduction of salaries I stated that one of my reasons for moving the reduction was that the financial position of the colony was not as satisfactory now as it was when it was agreed to raise the salaries of the officials. This statement I am now prepared to prove, and to point out to your Excellency that that argument of mine was perfectly correct. I have taken the trouble to go into the figures again.

HIS EXCELLENCY—Has this any bearing on the question of the loan?

Hon. C. P. CHATER—Yes, and I will come to the point at once. The Commission to go into the question of salaries was appointed in 1889. In that year the revenue of the colony was \$1,978,274 and the expenditure \$1,452,167, showing a surplus of \$519,000. The Commission agreed to raise the salaries in 1890. Now let us see what the figures were in that year: revenue, \$2,011,859; expenditure, \$1,470,221; leaving a surplus of \$541,000. About the beginning of 1891 the unofficial members petitioned the home Government to ask the Secretary of State not to raise the salaries. They foresaw that the financial position was not as good as it had been, and it was likely to become worse. The Secretary of State, however, granted the increase of salaries, but on certain definite conditions. These conditions, I regret to say, your Government, sir, is not inclined to carry out. Reverting, however to the subject of the financial position again, I find that in 1891 the revenue was \$2,025,302 and the expenditure \$1,868,073, leaving a surplus of only \$157,229, thereby proving undoubtedly that the unofficial members were perfectly correct in what they foresaw. Now I come to 1892. I have not the actual figures before me, they are not published yet, but I have taken them from your Excellency's speech at the opening of the session. I

find the revenue put at \$1,997,216, and the expenditure at \$1,882,000, showing a surplus of \$115,286, a further falling-off. The unofficial members under these circumstances asked for the reduction of salaries to their former level, their reasons being that the financial condition of the colony was not so good now as when the salaries were increased. Now we come to 1893, and according to the figures given by the Colonial Secretary the revenue is estimated at \$1,906,000, and the expenditure at \$1,899,644. An estimated expenditure has always been exceeded, but these figures as they stand show a surplus of \$6,711. It will thus be seen that our surpluses have steadily fallen, and what the Colonial Secretary is going to give us for 1893—\$6,711—might turn out to be a large deficit. The reason I say that the Colonial Secretary will not approve of this postponement is because he will not be able to fall back upon the loan to carry out his public works extraordinary. We have heretofore since 1889 carried out our public works extraordinary from our surplus revenues; to-day we are asked to pass a bill for a loan for the purpose of enabling the Colonial Secretary to fall back on it as a reserve fund. Whenever his budget is not satisfactory he will have this loan to fall back upon. Now, sir, I say that the postponement of the Bill for six months would not in any shape or form stop public works extraordinary. There is a very easy way to meet that. The total amount now wanted for public works extraordinary for the year is \$417,000, and by your Excellency's instructions this amount has been reduced by \$60,000 in connection with the gaol vote, leaving \$357,000 to be expended. Therefore, as a matter of calculation for the next six months, about \$180,000 would be required. I think there would be absolutely no difficulty in getting temporary overdrafts at the Bank for this sum, waiting meanwhile to see how the future might turn out. For these reasons I propose the amendment that the second reading be postponed for six months.

Hon. E. R. BELLIOS—Your Excellency, anxious as I am to avoid hampering the Government with motions prohibitive of any measures they may have planned and matured in the belief that if adopted by this Council such measures would prove beneficial to the colony, yet under the present circumstances I feel I am justified in seconding this resolution that has been proposed by the hon. member opposite, to the effect that the second reading of this Loan Bill be postponed for a period of six months. I am prepared, sir, to go further and to advocate the abandonment of the project altogether. We now have outstanding unpaid bills of the last loan £166,000, which with the sum proposed to be raised by this Bill will amount to £366,000, which, at \$7 to the pound sterling, would show the formidable debt of 2½ million dollars. For the past fifty years, since this island has been colonised, we have jogged

along, we have paid our way, and we have provided for our public works. I maintain sir, that this we shall still be able to do with judicious management of our monetary affairs. In private life, when we find we cannot make the two ends meet, we slash at our expenditure right and left, we bring about equilibrium, and we save something for any extraordinary call which might be made on our purse. Since our revenue has commenced to diminish and this impending loan looms in the near future, no appreciable diminution has been made in our expenditure. I think, Sir, it would be advisable to await the result of the policy of retrenchment you have inaugurated. The proposed loan is subject to redemption in fifty years. If by reducing salaries you economise £5,000, or \$35,000, every year, in twenty years, with 6 per cent. compound interest, you will have saved for the colony at that rate exactly the sum of £200,000, or \$1,400,000, the amount of the proposed loan. Moreover, if you succeeded in retrenching further to the extent of another sum of \$60,000 per annum, as you are hopeful of doing this year, then the two sums put together will aggregate \$95,000 saved per annum, and this will place us in a still better position. In that case, by carrying out the recommendation of the Loan Commission, to borrow by overdrawing our credit account with our bankers when money is wanted, and paying off such overdrafts when our revenue is good, we will only require some seven or eight years to recoup ourselves for the expenditure that might be incurred in completing the extraordinary public works we have already undertaken. It is all very well to say that in civilised countries loans are raised when money is wanted for public works. I contend that compared with any other place in the world Hongkong stands unique in its character as a commercial city. Ships pass through our harbour and they register their enormous tonnage in the Harbour Master's office, but they leave very little of their cargo behind. We have no agricultural land to tax nor any produce on which we can levy export duty. Almost all our revenue is derived from and is dependent on outside sources. Our taxpaying population are mostly all Chinese, barely 10 per cent. of whom claim British allegiance. Should anything more attractive or any business more lucrative present itself on the mainland, they will all desert us, and trade will fall behind. We have got a glaring example in the neighbouring colony of Macao. Owing to the inducements over here the British and other foreign merchants deserted that city, came over here, and brought their trade with them. And I may remind hon. members of the remarks which fell from your predecessor a few years ago from the very chair your Excellency is now occupying. He told the Council that in certain circumstances this colony might possibly be reduced to that deplorable condition in which the island of St.

Thomas finds itself at this day. It is evident we are not as prosperous as we were in 1889. The best indicator of the prosperity or adversity of any given city is the value landed property commands in that city. Your Excellency will bear me out when I say that except land put up and sold by auction on application, during the last year one or two attempts were made by Government to sell land on their own account, but they failed. No reasonable offer could be obtained for it at the auction. Rents are lower by 20 to 50 per cent. almost all over the island. Empty houses are seen in almost every locality. Artisans, carpenters, blacksmiths, tinkers come here from the mainland; they open shops but fail to continue in business; in a few months they shut up, leaving their stock-in-trade to pay for arrears of rent. Owing to the espionage established in our harbour within our own waters by the Chinese Customs authorities, to which our attention has been repeatedly drawn in vain by our indefatigable and worthy Deputy Harbour Master. Mr Hastings, our foreign junk trade has decreased. In 1891 the tonnage visiting this port was less by 300,000 tons than that in 1890; in 1892 the shrinkage in the nine months ending 30th September last, compared with the corresponding period of 1891, is 100,000 tons. The hon. member on my left representing the import and export department can corroborate that statement. It is in human nature when funds are available to feel inclined to spend those funds.

Ye mortals ever blind to fate,

Too soon dejected, and too soon elate.

In 1890 we had large supplies of money to spend, we became elated, we forgot we had the large loan of £166,000 to pay off, we increased our salaries, we invested in Maxim guns—(laughter)—and we proposed to enlarge unnecessarily our racecourse at heavy outlay. Fortunately this mischief was nipped in the bud by your Excellency appearing on the scene at the right moment. When the economies you have adopted become fruitful, the proceeds of this loan added to the money saved will flush us with cash; the errors and mistakes of 1890 of lavish expenditure will again be committed. In a small Crown colony like ours, where a fleeting British community exists and there is a change every year in our *personnel* and in the membership of this Council, it will be wise to work from hand to month as far as finance is concerned, it will be wiser not to undertake any extraordinary public work unless we know we have money in hand wherewith to pay for such work. If this loan were floated it would be very comfortable for the Government to have a large credit balance at their disposal with their bankers, but in the long run this ease which will be enjoyed will result in loss, because while you will be credited with 2 per cent. interest on your  
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will be paying to your bondholders 3½ to 4 per cent. per annum. In a few years those who are advising to apply for this loan will have departed from these shores, but old residents who have large stakes in the Colony, whose interests are irrevocably, irretrievably, and inseparably connected with the rise and fall of this city, will rue the day when the loan was sanctioned. (Applause.)

His EXCELLENCY (to Hon. T. H. Whitehead)—Have you anything to say?

Hon. T. H. WHITEHEAD—Yes, a little later, your Excellency.

The COLONIAL SECRETARY—I should like to hear what the hon. member may have to say against the Bill to raise a loan in gold as compared with silver and whatever other objections he may have to make before stating the case in reply.

Hon. T. H. WHITEHEAD—I rise to support the motion of the senior unofficial member that the consideration of this Bill be adjourned for six months. I wish to make it clear that our real object is not to thwart the Bill as would be the effect of a similar motion in the House of Commons. It is a *bona fide* endeavour on the part of the unofficial members to get the consideration postponed until the Council, and the colony are in a position to consider and deal with it intelligently and effectively. This is a silver using colony; its rates and taxes are collected in dollars. The Government now ask for authority to raise a loan in gold which will have to be repaid in gold. In your Excellency's opening address you informed the Council two months ago that "the position of the Colony in regard to its finances has never in recent years been as correctly presented to honourable members as it might have been, and that the state of affairs so far as the colony's finances are concerned could not be considered entirely satisfactory." The unofficial members quite share in your Excellency's views, and it is a matter of regret that the colony's estimated revenue for 1893 will not do more than pay ordinary expenditure. Extraordinary public works already commenced should be proceeded with, and I realise that it is now necessary for the colony to borrow in respect of these public works. I am still of the opinion that it is only reasonable posterity should pay its share of such works as it will derive much benefit there from. If the Government now asked for the Council's sanction to raise a moderate silver loan I should help to pass such a Bill at this sitting, but the Government seeks for authority to borrow in gold. It is most unwise for a silver using colony to contract a loan in gold at the present time, when the immediate and future gold value of silver is shrouded in boundless uncertainty, greater than was ever known, and when no one begins to know what is going to happen to the metal. In your Excellency's opening address to the Council two months ago you said—

"The frequent fluctuations in silver and eastern exchange are naturally creating great difficulties, and indeed consternation, in countries in which the silver standard is in force, as well as in one of the largest and wealthiest counties in England. It is sincerely to be hoped that the monetary conference which is about to meet will decide on some sort of bimetallism which will at all events give a fixity of value to silver coin, which appears to be the first consideration. If such should be the case the effect would be immediately felt by the energetic business community of this well-favoured Island"

By the way the honourable the Colonial Secretary's opinion of this well-favoured island is that "it is not an attractive place in itself, that it is an enormous distance from home, and afflicted with perhaps the most trying climate in the world in the spring and summer months." However, the International Monetary Conference met in Brussels recently and has adjourned its sittings until May next, while the Indian Currency Commission presided over by Lord Herschell is still taking evidence in London. The consensus of opinion amongst the highest financial authorities of the age is that the International Monetary Conference will reassemble four months hence simply to record its failure to effect any remedy to give stability to silver. If such should be the case it is almost certain that a determined effort will be made to repeal in the United States the law which now enforces America to purchase 54,000,000 of ounces of silver annually, or roughly speaking about 8½ million pounds worth of the metal. Should America cease her purchases one of the first authorities in London. Mr. Samuel Montagu, M.P., predicts a fall in the gold value of the rupee to 9 pence, and in the dollar to 1s. 6d. It is extremely unwise for this silver using colony to borrow at the present juncture in any other metal than the currency in which its revenue is collected. The colony's loan of £200,000 in 1887 was contracted in gold in obedience to the orders of the Secretary of State, and against the general wish of the colonists. In 1886 the unofficial members feared that there would be a further depreciation in the gold value of silver which made it dangerous and inexpedient to borrow in gold. Lord Stanley thought differently and was of opinion that an allowance for a further fall of 3d. per dollar was sufficient to satisfy all prudent requirements. His Lordship's estimate has been very wide of the mark, for the gold value of the dollar has since fallen almost seven pence per dollar. Exchange at that time was about 3s. 2½d. per dollar while to-day it is 2s. 8¼d. If the loan was repaid to-day the colony would lose in exchange 15 to 17 per cent. That is not the only loss. There is a redemption fund which has been invested by the Crown Agents in the securities of other Colonies some of which have depreciated in value, some 8 to 10 per cent.,

since they were purchased. There is no reason why there should not be further depreciation in the securities and a further fall in the gold value of silver, all of which loss the Colony will have to pay. Both India and China are silver using countries. In bygone years they contracted loans in gold because by so doing they could borrow at a slightly lower rate of interest than they could have borrowed at in silver. What is the result to-day? Neither country would for one moment listen to any proposal to contract further debts in gold. China loses very heavily through having contracted such loans. India through having borrowed in gold now loses millions of pounds sterling per annum, and her finances are seriously dislocated and embarrassed thereby. Whatever may be the opinion of the honourable the Colonial Secretary about the unofficial members of this honourable Council we respectfully submit that we have more knowledge and experience in the financial world and in the world of business than the honourable the official members. We entreat your Excellency to allow the question of the Colony's contracting another loan in gold to stand over for six months. At present no one knows what is going to happen in regard to the gold value of silver. In six months hence we may know something. If sound financial principles are followed the Colony's loan should be in silver and not in gold. For a silver using Colony to contract a gold loan now is to indulge in gambling at the risk and expense of the ratepayer. It may be a surprise that unofficial members should have again presumed to offer any suggestions on this question having been recently told by the honourable the Colonial Secretary that they had shown themselves totally unfit for their positions in this Council by their honest endeavours to effect a retrenchment of £5,000 a year in the extravagant cost of Government, while their ill-advised action in his opinion did not betoken any marked capacity for administration. We are further labouring under the reproof administered by your Excellency when you compared us unfavourably with other unofficial members of your acquaintance who were amenable to reason. We venture to hope that the honourable the official members of Council will be amenable to reason in this matter, or if they are only amenable to your Excellency's commands and to the orders of the Secretary of State, that we will find your Excellency at least ready to give some weight to our arguments, and adjourn for six months the further consideration of this Bill until we are in a position to deal with the question intelligently and effectively.

The COLONIAL SECRETARY—Referring, Sir, first to the observations which have last been made I think that I shall be giving practical proof of the sincerity of my desire to treat the unofficial members with all imaginable courtesy,

and that I shall at the same time be best consulting the dignity of this Council, if I refrain from offering any reply to such of the observations that we have just heard as have a purely personal bearing. I have a duty to perform in this Council—I have on recent occasions discharged it: my speeches are on record and I am quite content to be judged by them. I am glad, Sir, to find that the opposition to this Bill is neither general nor very pronounced, only one member who has spoken having shown a decided opposition to the Bill, *per se*, and two of the unofficial members having offered no opposition whatever to the second reading. I shall proceed to deal with the objections which have been raised *seriatim*, and if inadvertently I omit to notice any point, I shall be much obliged if the hon. member who made it will remind me of it. It may also perhaps be of some little use if I make a few observations—they will be very brief—for the benefit of those capitalists who will have to consider upon what terms they will lend to us. In speaking to Supply in Committee I showed that the colony, taken as a whole, had progressed and was bound to continue to progress and I grounded my statement largely but not exclusively on the revenue returns. It was then necessary only to state the broad results that the revenue had more than sufficed to meet the ordinary expenditure and that it had continuously increased, and although it is impossible within the limits of a speech to set out all the component details it may be well for me now to supplement my statement by drawing attention to some of the more important items. Postage receipts are generally recognised as affording some criterion of the condition of the community. They have increased in Hongkong during the ten years from 1882 to 1891, from \$100,793 in 1882 to \$1477,770 in 1891, showing an increase of about 40 per cent., and that in spite of large reductions in the postal rates during that period. The item "Markets," again furnishes some test as regards a large section of the community. It has increased from \$57,950 in 1882 to \$83,592 in 1890 and \$96,354 in 1891, showing an increase in the last over the first year of over 66 per cent.

Hon. T. H. WHITEHEAD—Indirect taxation, for we pay more for what we get from the market.

The COLONIAL SECRETARY—It is in any case a fair indication of the condition of a large section of the community. To take another item. Rent of leased lands shows an increase of 28 per cent. the figures being \$140,467 for 1882 and for 1891 \$180,158. But which, sir, of all the items that compose our revenue supplies the most trustworthy answer to the question whether the colony as a whole is progressing or not? Unquestionably the item of assessed rates and taxes. And what, sir, does that item shew? It shows an increase in 1891 over 1882 of more than

80 per cent., the figures being for 1882 \$252,937, for 1886 \$306,131, for 1889 \$374,857, for 1890 \$414,392, and for 1891 \$464,242. These, sir, are very eloquent figures. They speak for themselves and require no comment. Rates were increased on July 1st, 1885, from 12 per cent. per annum to 13 per cent. in Victoria. The increases in the other divisions, of the Peak District and the villages, are not worth considering as more than five-sixths in value of the whole rateable property in the colony lies within the limits of Victoria. It would be interesting to know how many towns there are in the British Empire in which, with so trifling an addition to the rates as one-twelfth, the revenue derived from the assessment of rateable property has in the ten years increased by over 80 per cent. I may also mention that the sinking fund of our loan of £200,000 had to its credit on September 30th last a sum of £42,245. Ceylon was able a few years ago to borrow for her public works extraordinary at a very small fraction over 3 per cent. and I submit for the consideration of capitalists whether the facts and figures I have mentioned do not go far to show that it would be good business to lend to Hongkong at a not much higher rate of interest. That, sir, is very briefly what I have to say on this branch of the subject and I now turn to the objections which have been raised to the Bill. In the first place delay has been counselled and reasons have been urged in favour of that course which are by no means devoid of debate. But there are arguments on the other side which outweigh them and which when taken collectively are fatal to the suggestion. Our balances accruing in former years from the special fund, the origin of which is doubtless within the knowledge of the Council, and from our previous loan, are exhausted. The expenditure for 1892, including the expenditure on public works extraordinary, will exceed the revenue by some \$300,000, which should be immediately adjusted by being charged against the loan. The estimated revenue for 1893 shows a surplus over the estimated ordinary expenditure of only some \$7,000, or some \$47,000 only if we exclude the provision made to meet the charges on the proposed loan. There is nothing in these facts to conflict with my recent statement in regard to the financial position. I stated that with due provision made for the public works extraordinary by a loan, the colony would be in a sounder and better position financially than ever it had been in before. I maintain that statement and it is no contradiction to say now, as I said then, that a loan for the public works extraordinary is absolutely and immediately necessary. The Praya Reclamation must be continued without interruption as we are bound by law to complete it with reasonable despatch, and I may mention that I have recently received representations from marine lot holders urging increased expedition and complaining of the loss to which

they are subjected pending construction. Nor, as far as I can see, can we avoid early expenditure on the gaol, but as no objection has been raised to the passing of the second reading on the ground of the item of the gaol appearing in the schedule of the Bill I need say no more on that head at present. Again, money for first class investments is cheap in London at the present moment and the value of silver is exceptionally low—a combination of circumstances which is most favourable to raising our loan, which may not long continue and which it is of importance to take prompt advantage of. It has been suggested that we might obtain what funds we immediately require for adjusting the existing over-expenditure on public works extraordinary and for pressing public works by borrowing for a short period from a local bank and so defer the necessity of passing the Bill. But once the Bill has been passed, the Crown Agents will be able if necessary to obtain temporary accommodation for us on far better terms than we could get from a local bank. The passing of the Bill will not compel the Crown Agents to raise the loan at once but it will enable them to promptly seize the right moment for raising it and in the meanwhile to obtain temporary accommodation on most favourable terms, if for any reason it should be found desirable to defer issuing the loan. As to the right moment for issuing the loan they will have the benefit of the best financial advice in London, and it is of the utmost importance that they should be placed in a position to take immediate advantage of it. Looking at all these considerations, sir, I think it must be admitted that further delay is neither desirable nor possible. In October, 1890, the hon. member who represents the Chamber of Commerce said in Council that the finances of the colony might be considered to be in a fairly satisfactory position and he was then in favour of a loan,—an opinion in which the other unofficial members generally concurred. The Council is in possession of the whole of the facts, and all the works, with the exception of one, on which it is proposed to spend the proceeds of the loan, have already been approved by it. Wherever the details have not as yet been presented they will be submitted to the Public Works Committee before the corresponding expenditure is incurred. Attention has more than once lately been drawn by unofficial members to the fact that the ordinary expenditure has increased in recent years and it was argued the other day in Finance Committee by the hon. member, Mr. Belilios, who has indeed followed the same line of argument to-day, that if a certain reduction were effected in that expenditure it would not be necessary to raise the loan. Well, sir, the complaint of increasing expenditure is one with which Chancellors of Exchequer in growing communities are unfortunately only



too generally familiar. The expenditure of growing communities has an awkward knack of increasing, and in most countries so circumstanced it is generally considered to be matter for congratulation if the revenue also simultaneously increases and it is found possible to confine the former within the latter. We, Sir, are in that fortunate position. In spite of a very severe and protracted fall in the value of silver which has necessarily increased our expenditure in various directions, the revenue for the last two years has more than sufficed to meet the ordinary expenditure and I have no manner of doubt that it will similarly suffice during the current year also. It will not suffice to cover the cost of public works extraordinary in addition, it has not done so in the past, such cost having been largely defrayed from balances arising from the special fund derived from sources of income which are no longer available and from our previous loan; and it will not do so in the future. Nor is there any reason to regret that it is not practicable to cast the whole cost of great public works, which will endure for generations and largely benefit posterity, on current revenue, that is to say, on the existing body of taxpayers. I will go farther and say that even if practicable it would still be wrong to do so. If the revenue sufficed to cover the cost of the public works extraordinary in addition to the ordinary expenditure the proper course would be to readjust the revenue so as to cover only the latter and provide a reserve fund for emergencies, such as extensive damages by typhoons and floods, and when that had been secured, and provision made for the public works extraordinary by a loan, to reduce taxation to whatever extent it might then be found practicable to reduce it. To expect or require the current revenue to cover the cost of relatively vast public works extraordinary in addition to the ordinary expenditure would be as mistaken in principle and policy as it is erroneous in fact to represent the revenue as inadequate for the ordinary expenditure. That the ordinary expenditure admits of reduction has already been stated by your Excellency, and you have indicated the directions in which you consider that it may properly be reduced; but that any feasible reduction would suffice to provide the requisite funds for the public works extraordinary during the next 3 or 5 years as suggested by the hon. member opposite, is a wholly chimerical imagination. And even if it were otherwise, that would afford no valid argument against raising the loan, though it might furnish an argument in favour of reducing taxation when the loan had been raised. The senior unofficial member, though not very decided in his opposition to the Bill, for he does not counsel abandonment of the proposal but merely postponement, has given expression to some doubts as to the prudence of borrowing now, and has also given vent to some forebodings as to the present unprosperous

state of affairs. It is a disappointment, sir, to find that the hon. member has not seen fit to give the second reading of the Bill his cordial support, for from whatever other quarter opposition might come it might fairly have been expected that he at least would have heartily supported the Government in this matter. The prospects of the Praya Reclamation are involved in the Bill, and so keenly did he realise very recently the vital importance to the colony of speedily completing that great work, which he has done more than any other man to effectuate, that only last spring he officially proposed to the Government that it should borrow the amount required to complete the work and advance it to the marine lot holders on their undertaking to repay the advances within twelve months of the completion of their respective sections.

Hon. C. P. CHATER—In Hongkong in silver.

The COLONIAL SECRETARY—And he is now in favour of borrowing in gold, but I fail to see how that affects the point. He had then, sir, no doubts as to the prudence of Government immediately borrowing: in fact he reversed Polonius's advice, "Neither a borrower nor a lender be," and counselled the Government to immediately both borrow and lend. He based his proposal on the ground that some of the lot-holders might find it difficult to meet their calls, and that to the rest of them it would be a boon to be enabled to place the amounts in immediately remunerative undertakings. (He would appear, by the way, to have been mistaken as to his first reason, for since then there have been two calls, one of which has been paid practically in full, and the other is in the course of satisfactory settlement.) He pointed out the practical impossibility of suspending the work, the Government being under a legal obligation to complete it, and he dwelt on the injury to the work already done, the serious public inconvenience, and the grave sanitary complications which suspension would involve. On 29th August he again wrote in to shew why, "in my opinion, the Government need not hesitate to make such a loan, and why they may consider its repayment as well assured." He said, "there are not wanting signs of an approaching recuperation." After giving his reasons for this he proceeds to state that the fall in the rents of houses (of which we heard a good deal the other day) is purely temporary and will soon rectify itself. On this head he writes.—"The fall of rents has been due to too great haste in building, which has caused the supply of houses, especially of those for Europeans, to exceed the present demand. This, however, is a matter that will be cured by time, especially as the population of the colony is steadily increasing." In saying that the fall in the rents of houses would be cured by time, he must have had a very short time in his mind, for under his proposal some of the advances would have been repayable within two years. I

may point out in passing that all this materially corroborates the position taken by the Government in regard to the recent motion for the reduction of certain salaries. And as lately as the 20th of last September he wrote: "the risk run by the Government is really nil". The amount that was required to complete the reclamation, and that consequently Government was under his proposal to borrow from time to time and advance to a very small section only of the community, the marine lot owners, was \$2,491,198 or say in round numbers 25 lacs; and the outstanding liability of the Government, supposing every lot owner punctually to repay his advances when repayment became due, would at one time have exceeded 8 lacs, the exact figure being \$811,000. Such was the operation which he pressed on the Government as involving absolutely no risk, and yet to-day he is disposed to question the prudence of the Government's proposal at the present juncture to borrow some 14 lacs only on behalf of the whole community by a loan the repayment of which will be distributed over a period of 50 years. On this question of prudence I appeal from his doubts of to-day to his confidence of the 20th September last and I venture to ask him whether, in view of the proposal which I have mentioned and of the arguments by which he supported it, he cannot see his way to voting for the second reading. The alternatives to the loan are the following—Increased taxation, or the abandonment of public works of construction, or an annually recurring deficit coupled with large and systematic overdrafts of the Government account in the bank for a series of years. Now, whatever view may be taken of the financial position, every one will, I think, be agreed that the present time is, to say the least, an inopportune time for increasing taxation. Nor can there be much difference of opinion as to the inexpediency of abandoning the public works. Some of these are works of pressing necessity, some when completed will directly increase the revenue, others will prove, by their development of the colony indirectly but not less really remunerative, and as regards nearly all of them temporary abandonment would mean additional cost when they came to be resumed. Besides, as I have already explained, as regards at least two of them expenditure is unavoidable. We cannot abandon the Praya Reclamation, and even if that suicidal course were open to us, it would not enable us to adjust the existing over-expenditure of \$300,000 on the public works extraordinary. To the third expedient, that, namely, of largely and systematically overdrawing the Government account in the bank, as was suggested by the hon. member opposite, in order to temporarily cover annually recurring deficits, there are insuperable objections. In the first place, it would be wastefully extravagant, for we have to pay 5½ per cent. on overdrafts. It would place the Government in a very

undesirable and undignified position. It might prove a source of serious embarrassment if, as might very well happen, the bank were for any reason compelled to call in the overdraft. And; lastly, it has been imperatively vetoed by the Secretary of State. The passing of the second reading of the Bill will commit the Council to sanctioning the raising of a loan of £200,000 in gold in London by means of inscribed stock. As to the question of the method of raising the loan the Government must be solely guided by the single consideration of economy. It is bound to borrow in the cheapest market. This obligation is, I think, to some extent at all events recognised even by the hon. member who represents the Chamber of Commerce, for he has endeavoured to show that the Colony might perhaps have to pay more in the long run for a gold loan raised in London than for a silver loan raised in Hongkong. It is therefore unnecessary for me to examine very particularly the other considerations which have been or which may be imported into the question, for they are practically immaterial, the essential and determining factor being the answer to the question, which is the cheapest market? But amongst other subsidiary considerations. I may just mention two that make for borrowing in gold. The first is that if we so borrow the Colony will be saved the cost of remitting a large portion of the equivalent of the loan to England, as the Crown Agents will spend the proceeds, or much of them, in meeting charges which would otherwise have to be met by remittances from Hongkong; and secondly, as was remarked by the hon. senior unofficial member, if we so borrow, the silver said to be available in Hongkong for the purposes of the loan will remain available for the encouragement of local commercial enterprises. Borrowing in gold in London, therefore, affords the double advantage of saving remittances to the Crown Agents and of producing the funds required for the public works without trenching on local capital, which will, *pro tanto*, be left free to develop the resources of the colony by assisting private undertakings. The difficulty, if it be a difficulty, of profitably investing the sinking fund, will equally obtain whether we borrow in silver or in gold, for in either case we shall be bound by the same restrictions in regard to such investment.

Hon. T. H. WHITEHEAD dissented.

The COLONIAL SECRETARY—The hon. member who represents the Chamber of Commerce shakes his head. All I can say is that if he can induce the Secretary of State to relax those restrictions I shall be very much surprised. The Crown Agents' charges, I have reason to believe, compare favourably with the similar charges ordinarily made by banks or other agencies in connection with the raising of loans. I am rather pleased to find that exception has not been taken to the length of the currency of

the loan on the ground of its being unfair to our old friend posterity. There is a good deal of sense, as in many of the bulls perpetrated by my countrymen, in the famous enquiry, what has posterity ever done for us? It is very easy to be over solicitous for posterity—it will have much the best of the bargain, and may fairly be left to bear its small share of the burden. The advantages of borrowing by means of inscribed stock are so clearly set out in the Crown Agents' letter, which has now for some time been in the hands of hon. members, that I need do no more than refer to it. The concluding paragraph is especially important. It points out that the floating of the loan will facilitate the conversion of our existing loan on terms that will be very beneficial to the colony. The losses of India, which were mentioned by one hon. member, are hardly to the point, for India borrowed when the value of silver was high and we are about to borrow when it has fallen to something over thirty-five per cent. discount. It might also have been mentioned that Ceylon recently borrowed in silver, but that is an example to avoid and not to follow. They had reasons there, which we have not here, for borrowing in silver and their 3 per cent. gold loan is quoted at 94, while their 4 per cent. silver loan stands at only 104, or something less. Coming now to the main point, which is the cheaper market, all the arguments which have been advanced, or which, as far as I can see, can be advanced, in favour of borrowing in silver were urged when we last had occasion to borrow, and they were overruled by the Secretary of State. In spite of what has been said by the hon. member who represents the Chamber of Commerce, I make bold to state that the result of that decision of the Secretary of State has been that up to the 30th September last the Colony has benefited by borrowing in gold to the extent of some \$74,000. As regards the proposed loan the local Auditor has been kind enough to take out some figures for me. They show that for a fifty year loan, assuming the average of exchange to remain constant, the colony would benefit by borrowing in gold to the extent in round numbers of \$360,000 if the rate of interest payable were  $\frac{1}{2}$  per cent. less than would be payable on a silver loan, \$545,000 if the rate of interest were  $\frac{3}{4}$  per cent. less, and \$725,000 if it were 1 per cent. less. It is by no means improbable that our loan may be raised in London at a more favourable rate of interest than 1 per cent. less than we should have to pay for a silver loan in Hongkong. In that case and subject to the conditions I have mentioned the benefit would considerably exceed \$725,000. If after the loan was raised the average of exchange were to rise the benefit would proportionately increase. If it fell the benefit would diminish, but it would not be converted into a relative loss until taking the difference of interest to be a  $\frac{1}{2}$ ,  $\frac{3}{4}$ , and 1 per cent. respectively, the average of exchange had fallen by over 3d., 4d.

and 5d. respectively to the dollar. As the difference of interest will probably amount to at least 1 per cent. it may be said with some confidence that the Colony would continue to benefit by borrowing in gold unless the average of exchange fell by nearly 6d. to the dollar. The hon. senior unofficial member made out a case in favour of gold against silver. If he is right in his figures it is an even stronger case than mine, but I think mine is strong enough for the purpose. Such a fall as 6d. to the dollar is, I hope, very unlikely, but even so great a fall as that would not mean a loss on the whole transaction if the fall were only temporary. A relative loss on the whole transaction would occur only if the average of exchange so fell; that is to say, only if during the whole 50 years currency of the loan exchange averaged about 6d. less to the dollar than the rate ruling at the date of issue. Those who advocate borrowing locally in silver rather than in gold in London do so mainly on the ground that the latter course involves the risk of loss by a fall in exchange. They leave out of account of course the chance of a rise in exchange and they cannot have adequately realised, I think, the extent to which the average of exchange must fall before the advantage by borrowing in gold would be converted into a relative loss. However that may be, their argument amount to this—that it is better for the colony to borrow at a higher rate of interest than she need, and so incur an immediate, certain, and annually recurring loss than to run the distant and by no means certain risk of loss by fall of exchange. The benefit to the colony, supposing the average of exchange during the currency of the loan not to fall below the rate ruling at the date of issue, will amount, as I have shown, to \$725,000, and perhaps to more, excluding altogether the further benefit contingent on a rise in exchange. This is too large a sum to be thrown away and the Government being bound to make the most advantageous terms that it can for the colony is therefore unable to consent to borrow otherwise than in gold in London. I have now, sir, I think, dealt with all the arguments that have been advanced against the Bill. I have shown that some of them are not well-founded and that none of them should prevail; that from the point of view taken by the Government with regard to the financial position of the colony the loan should be raised, and that from that taken by the unofficial members, or some of them, the loan should *a fortiori* be raised; that in 1890 the unofficial members were in favour of a loan and that to say the least nothing has occurred in the interval to render a loan less desirable or less necessary; and I have also shown that under all the circumstances of the case it is best to borrow in gold in London; and in conclusion I have only to state that the Government, in the interests of the community at large, will vote for the second reading of the Bill.

Hon. C. P. CHATER—There are a few points in the speech of the hon. Colonial Secretary to which I should like to reply. The first is with regard to the gaol. He touches upon it very lightly.

The COLONIAL SECRETARY—Before I commenced my speech I invited remarks in order that I might have an opportunity to reply to them. The gaol was not mentioned.

Hon. C. P. CHATER—He has stated that because we did not refer to the gaol at all in our arguments, apparently we did not object to expenditure on the gaol.

HIS EXCELLENCY—No; he did not go so far as that.

Hon. C. P. CHATER—I wish to get it placed on record that we are not in favour of any expenditure on the gaol. The next question I have made a note of is with regard to the loan being gone on with. The Colonial Secretary said that the loan must go on, that the Crown Agents could be instructed to issue the loan at an advantageous moment, and that in the mean while the Government here can borrow through the Crown Agents in London in sterling at a cheaper rate than what I have suggested should be done, namely, borrow here, temporarily, in silver. That is the point where the Colonial Secretary has not understood me. I have not objected to the loan. What I objected to is this. I objected to its being made at the present moment, because I say that it is a most inopportune moment to commit ourselves to a loan in gold. The Colonial Secretary says instantly afterwards that if we want money we shall be able to get it from the Crown Agents at a cheaper rate. Yes, in sterling. My argument was that merchants would not bring money to the East because they did not know how soon after there would be a serious drop in exchange. He advocates that money should be borrowed in London permanently at the option of the Crown Agents. The next point I come to is that of the Praya Reclamation. The Colonial Secretary has informed the members of Council that I advocated strongly that the Government should finance the Reclamation scheme for the marine lot holders. I did so. He further informed the Council that I said there would be no risk in the Government doing so. That is perfectly correct also. But he might, for the information of hon. members, have informed them that your Excellency appointed a Commission of official members of Council (I believe I am correct, but I am speaking from memory) to go into the question, to ascertain and find out whether it would be safe for the Government to finance the scheme for the marine lot holders or not. The hon. Colonial Secretary might have told us what the opinion of the Commission was. I stated what my opinion was. I contend that there is no risk, and I may say that a petition is now in

course of being signed by all the marine lot holders, and will be presented in the course of a short time, but I should like to have heard what the opinion of the hon. members who were appointed to that Commission was, and whether they regarded the proposal as safe or not. The next thing the hon. Colonial Secretary might also have informed hon. members of Council is this, that at the same time, while I advocated the scheme, I offered the money to the Government in silver in Hongkong at 4½ per cent. repayable on six months' notice. I want these facts to be on record. When only a portion of a story is told it misleads people. What is more, when the petition is in due course presented to your Excellency, I am still of opinion that it would not only be perfectly safe for the Government to advance the money to the lot holders but it would help the colony very materially at the present juncture of affairs. Then, sir, in his argument in regard to the Praya Reclamation the hon. Colonial Secretary said that while I strongly advocated that the Government should borrow \$2,000,000 I at the same time proposed the postponement of a loan of £200,000. My argument was not that the loan should be postponed altogether, but that it should be made in gold, but not to-day, when there is a great risk and probability of a big fall in silver on the day you make it. I suggested that it should be left over until after these financial matters which are pending had been adjusted. He has entirely misunderstood me when he says I was afraid to advocate that the Government should raise a loan. I said if the loan was necessary let it be made, let it be made in gold, but let us first hear that some arrangement has been made with regard to the value of silver before it is made.

HIS EXCELLENCY—Do you wish, Mr. Colonial Secretary, to reply?

The COLONIAL SECRETARY—No, sir, I should not be in order in doing so and I imagine that the hon. member also was out of order in his speech.

HIS EXCELLENCY—I have nothing to add to what the Colonial Secretary has said in regard to the loan, which I consider absolutely necessary. But I wish to make one remark in regard to an observation made by the hon. member for the Chamber of Commerce. It is that I am extremely obliged to the unofficial members for the clear, able, and exhaustive way in which they have dealt with this question. I shall have very great pleasure in sending to the Secretary of State a printed report of this debate calling particular attention to the remarks of the unofficial members. Hon. members need have no anxiety about the loan being raised immediately as the Ordinance will give the Crown Agents power to raise it by instalments, and they will of course do so at the most fitting time.

The amendment against the second reading was then put.

FOR.	AGAINST.
Hon. C. P. Chater	The Colonial Secretary
Hon. T. H. Whitehead	The Attorney-General
Hon. E. R. Belilios	The Registrar-General
	The Colonial Treasurer
	The Harbour Master
	The Director of Public Works
	Hon. J. J. Bell-Irving

Hon. Ho Kai did not vote.

The vote was then taken on the second reading of the Bill.

FOR.	AGAINST.
The Colonial Secretary	Hon. C. P. Chater
The Attorney-General	Hon. T. H. Whitehead
The Colonial Treasurer	Hon. E. R. Belilios
The Registrar-General	
The Director of Public Works	
The Harbour Master	
Hon. J. J. Bell-Irving	

Hon. Ho Kai did not vote.

Council then went into Committee on the Bill.

Hon. T. H. WHITEHEAD—I beg to move that we adjourn until the despatches from your Excellency to the Secretary of State and the replies from the Secretary of State in connection with borrowing in gold have been made public.

Hon. C. P. CHATER seconded.

The COLONIAL SECRETARY—I beg to represent, sir, that great inconvenience and possible loss will be caused by further delay. The consideration of this question has been twice postponed already to meet the convenience of unofficial members, and your Excellency is personally aware that the despatch which the hon. member wants would not throw any light whatever on the subject beyond the fact, of which hon. members are already aware, that permission to introduce this Ordinance has been asked for and granted. Any addition to the delay which has already taken place, out of consideration for the hon. unofficial members may result in serious monetary loss to the Colony.

Hon. HO KAI—I am not aware that this Ordinance has been postponed on account of the unofficial members.

HIS EXCELLENCY—The last two meetings were adjourned to the request of Mr. Chater and Mr. Whitehead.

Hon. HO KAI—I was not aware of that.

HIS EXCELLENCY—I may mention that the despatch simply repeated exactly what I said to the Council in my opening speech and the Secretary of State's reply was simply concurrence in the suggestion that a loan should be raised. I cannot postpone the Council until a copy of the despatch has been circulated. I will proceed with the Bill now.

The two clauses of the Bill were passed without discussion.

On the question that the schedule attached stand part of the Bill.

Hon. HO KAI said—I beg to move the omission of the last item on the schedule, namely, "extension and improvement of the gaol." The reasons which have been advanced against the extension and improvement of the goal have been

gone into at previous meetings and also in Finance Committee and it has been well discussed, I believe, in the proper place. I do not propose to-day therefore to refer to them but I can assure your Excellency that the feeling against this wasting of money is increasing among every class of the population, and especially among those whom I have the honour to represent in this Council, and I understand, in fact, that a petition has been sent in by the Chinese justices of the peace and the leading Chinese of the colony in order to strengthen the hands of the Government and let the Governor here know, and the Secretary of State at home know, the opinion of the Chinese themselves as regards the Chinese prisoners, and I am sure no one can claim better knowledge of Chinese criminals than the Chinamen themselves, and I am sure their opinion—the opinions of the leading Chinese in this colony—must be entitled to great weight both with you, Sir, and the Secretary of State. The reason I did not make my objection before was because I do approve of the principle of the Bill so far as the Ordinance is concerned, but at the same time I do not wish in any way to oppose my views to the opinion of my unofficial colleagues. So far as this item is concerned I am determined at all hazards to do anything and everything in my power to oppose it, and I am sure I am doing so with the full concurrence of my constituents, the Chinese in this colony, and if there is no objection on the part of the Government I should propose that this petition I have mentioned be laid on the table at the next meeting of the Council.

HIS EXCELLENCY—Certainly, I have no objection.

Hon C. P. CHATER seconded the amendment.

The COLONIAL SECRETARY—I was extremely pleased to hear the hon. member who has moved the amendment and who abstained from voting on the second reading of the Bill—because, as he has told us, he did not wish to oppose his unofficial colleagues—say that he approved of the Bill. That is very important, especially in view of the fact that the Chinese pay some two-thirds of the whole of the assessed rates and taxes payable in the Colony. His opinion therefore I say is of very special importance. I hope, however, that he may see fit to withdraw his amendment because I think on reflection he will see that his position is hardly logical. Some expenditure on the gaol is unavoidable—the precise amount I am not in a position to state, for it has not been definitely decided, but that in any case it will be a substantial sum must be apparent to the hon. member himself, for he has in common with the other unofficial members expressed his concurrence with the Secretary of State in the necessity for the provision of some 200 to 250 separate cells, and intimated his readiness to vote the requisite funds for that purpose.

Hon. HO KAI—I don't think we did.

The COLONIAL SECRETARY—The same remark applies to the other unofficial members in so far as they may object to the inclusion of this item in the schedule. The inclusion of this in the schedule does not bind the Council to sanctioning any particular amount of expenditure on the gaol and all the unofficial members have already in their memorial to the Secretary of State expressed their willingness to vote a substantial sum for gaol improvements. If therefore they vote for the amendment they will be committing an inconsistency which they must, on consideration, perceive to be incapable of explanation.

HIS EXCELLENCY—There is no special amount fixed.

Hon. HO KAI—If it is not an extraordinary public work we need not provide for it in the loan. What I wish to guard against is that we should pay for this as an extraordinary public work. If the Colonial Secretary's remark is correct, and we may only have a small expenditure, we can provide for it out of the ordinary revenue without any provision in the loan. But it would look as though we agreed that a large amount should be expended if we put it in against the loan, and as though such an amount could not be supplied out of the ordinary revenue.

HIS EXCELLENCY—No work has been sanctioned, and including it in the schedule does not bind the Council at all.

Hon. HO KAI—I would also point out that the Secretary of State has not had an opportunity of seeing the representations of the Chinese, who feel very strong, extremely strong and unanimous on the subject. They do not look so much at the increased cost, and the waste of money, but as a measure which tends to increase the number of the criminals.

The COLONIAL TREASURER—I think the item should stand as it is because we do not know that the Secretary of State will not force us to spend a large sum on the gaol. The fact that it appears there does not at all bind the Council to spend it, but we may be compelled to spend a large amount and it must therefore appear in the schedule.

HIS EXCELLENCY—The petition will go home next mail. This does not bind the Council to spend a farthing. It simply provides that if the Secretary of State says, "You must spend \$150,000 on the gaol," there will be a means of getting the \$150,000.

Hon. C. P. CHATER—I think the best course to pursue is to put the matter to the vote. It is the best way to show that the unofficial members do not sanction any extensive outlay on the gaol.

The vote was then taken on the amendment for the omission of the item "Gaol Extension and Improvement" in the schedule.

FOR.	AGAINST.
Hon. C. P. Chater	The Colonial Secretary
Hon. E. R. Belilios	The Colonial Treasurer
Hon. T. H. Whitehead	The Attorney-General
Hon. Ho Kai	The Registrar-General
Hon. J. J. Bell-Irving	The Director of Public Works
	The Harbour Master

The amendment was therefore lost.

Hon. T. H. WHITEHEAD—Before we resume may I make a remark. In your Excellency's opening address to the Council in November last in connection with the proposed loan your Excellency said that if hon. members desired, the standing Public Works Committee might be appointed to superintend and control the expenditure of the amounts raised under the loan—

HIS EXCELLENCY—I am quite prepared to give every assistance.

Hon. T. H. WHITEHEAD—I understand that the proceeds of the new loan will be kept separate and distinct from the revenue of the colony.

HIS EXCELLENCY—Certainly.

Hon. T. H. WHITEHEAD—Such was not done with the proceeds of the previous loan. They were all jumbled up together with the general revenues of the colony.

The COLONIAL SECRETARY—The hon. member's observations are quite out of order.

HIS EXCELLENCY—Yes, but we always allow Mr. Whitehead great latitude. (Laughter).

The COLONIAL TREASURER then moved the third reading of the Bill.

The COLONIAL SECRETARY seconded.

Hon. C. P. CHATER moved his amendment. He said—I do so because the unofficial members do not wish in any way to be compromised to the extent of the gaol.

Hon. T. H. WHITEHEAD seconded.

The vote was then taken with the following result:—

FOR.	AGAINST.
Hon. C. P. Chater	The Colonial Secretary
Hon. T. H. Whitehead	The Colonial Treasurer
Hon. Ho Kai	The Director of Public Works
Hon. E. R. Belilios	The Registrar-General
Hon. J. J. Bell-Irving	The Attorney-General
	The Harbour Master

The amendment was thus lost, the Bill was read a third time, and passed.

#### THE MARRIAGE ORDINANCE.

The ATTORNEY-GENERAL moved the third reading of this Bill, which is an Ordinance amending the Marriage Ordinance 1875.

A few printers' errors having been altered,

The COLONIAL SECRETARY seconded.

Bill read a third time and passed.

#### MEDICAL REGISTRATION.

The ATTORNEY-GENERAL—This Bill was allowed at the last meeting of the Council to remain in Committee in order that one of the clauses might be considered. I beg to move that the Council now resolve itself into Committee.

The COLONIAL SECRETARY seconded.

Bill taken in Committee.

The ATTORNEY-GENERAL—The second clause of this Ordinance excited some discussion when

I was not here. It was objected to, I am informed, and the words "according to Chinese methods" were proposed to be struck out. Now the section No. 2, the wording of which is objected to, repeals Section 2 of the original Ordinance. As the proposed amendment does not seem very satisfactory to some hon. members, and especially, I believe, to the hon. member who represents the Chinese, I would propose to settle the difficulty by omitting the clause altogether and the result of that would be that Section 3 would become Section 2 and so on. I suppose that the reason this was put in the 1884 Ordinance when it was decided that it was necessary to regulate the admission of regular practitioners, medical and surgical practitioners, was that the objection was then raised, "If you pass this Bill what about the Chinese? They are accustomed to their own methods and how are you to prevent them going to their own doctors if they like?" It was thought advisable then to exclude Chinese practitioners from the operation of the Act. I speak with great diffidence on the subject but those interested in Chinese surgery will find in the second volume of Williams' "Middle Kingdom" a very interesting account. I was reading it the other night and as far as I could gather there is a good deal of scarification and acupuncture in the methods of treatment. It would be a great pity to create a grievance and prevent gentlemen who wish to do so from resorting to these methods, the Chinese methods, of treatment. Nothing has occurred since 1884 which calls for special attention to this matter that I am aware of. It seems to have worked very well in its original form and we may leave the law as it was, I think.

Hon. HO KAI—I think the learned Attorney-General seems to have missed my point altogether. What I objected to was not that the Chinese should be allowed to practise their system of surgery and medicine—puncturing and so on—but that those who have been trained in European medicine should not be allowed to practise among the Chinese the result of their study of such systems of Western medicine which are incomparably superior to the Chinese system. By this Section they are precluded from practising altogether.

The REGISTRAR-GENERAL—The clause which it is proposed to substitute I think entirely meets the point brought forward by Hon. Ho Kai. It does not in any way debar Chinese gentlemen who have received a training in Western medicine from practising and using the methods they have thus acquired. I had occasion a few days ago to point out to the hon. member on my right the clause and asked him whether it did meet his objections. He informed me that that clause if re-enacted in the present Bill would meet his objections.

The ATTORNEY-GENERAL—I think the hon. member (Hon. Ho Kai) misinterprets what I

have said, because I had an opportunity of seeing him the other day and I told him I proposed leaving out this new clause and so leaving the old law as it has been since 1884, and I understood that it met his view, but I also understood him to say that some special clause should be put in to make some intermediate class of practitioners. As the Government has already stated they are not prepared to do that. By omitting this amending clause we leave the law exactly as it was and that section I will now read. "This Ordinance shall not operate to limit the right of Chinese practitioners to practise medicine or surgery or to receive, demand, or recover reasonable charges in respect of such practice."

Hon. HO KAI—Before we go further I must leave anything better I can ask for them until a future occasion, when the Government is more able to encourage the practice of European medicine among the Chinese.

The Bill then was read a third time and passed as amended.

#### ADJOURNMENT.

HIS EXCELLENCY—The Council will now adjourn until this day fortnight.

#### FINANCE COMMITTEE.

A meeting of the Finance Committee was held immediately afterwards, the Colonial Secretary presiding.

The CHAIRMAN said—The only business before the Committee to-day is this financial minute in which the Governor recommends the Council to vote a sum of £500 to cover the cost of show cases, the pay of an attendant to arrange exhibits, and other expenses, in connection with a proposed representation of the resources of Hongkong at the Imperial Institute to be opened in May next. In regard to this matter I may inform the Committee that some days ago I wrote to the Chamber of Commerce to ask whether they would be disposed to take part in this business and I received a reply stating that they were in favour of furthering it, but that they wished to know in what way they were expected, or it was desired, that they should help and in answer to that I said it was desired to know whether any members would like to present exhibits, and that the Government would also be obliged for advice as to what exhibits it might be well to buy. To that communication I have not yet received any reply, and indeed then has not been time for an answer. The Registrar-General, however, has been good enough to interview some gentlemen on the subject, and a notice has been put in the *Gazette* referring any member of the Chinese community who may wish to present exhibits, to the Registrar-General. It may be of interest to the Committee to hear some remarks made by the Prince of Wales, who presided in November last at the general meeting of the

Institute. His Royal Highness said:—"I wish to say just one word with regard to my Colonial friends. I have no reason to doubt for one moment that they take the warmest interest in the Imperial Institute, still, I hope that in the case of a certain few Colonies we may see a little more activity displayed than has been the case hitherto in completing their preparations for the installation of their collections, so that when the Queen opens the Institute everything may be so arranged as to ensure that all the Colonies will be then fully represented." Hongkong has not yet contributed anything to the Institute as far as I know, and up to the present we have not taken any steps to be represented at the opening of the Institute in May. If any member has any remarks to make I shall be glad to hear them, and to give any further information if it is in my power to do so.

Hon. C. P. CHATER—I think we ought to have a space allotted to us.

The CHAIRMAN—That has already been done; the question is to put something in it.

Hon. C. P. CHATER—I do not see that we can send anything but granite. We produce absolutely nothing.

The CHAIRMAN—It is true that we don't produce very much.

The REGISTRAR-GENERAL—We have vermilion works, soy factories, rope factories, sugar works, paper mills, and we have silver work and other articles of *vertu* which are made here and which are much admired at home.

An Hon. Member—Shares (Laughter).

The CHAIRMAN—The vote, as you will see, is for £500 for show cases, £25 remuneration to some one for arranging the exhibits, and it was thought that the Government might pay

freight for anyone who wished to send exhibits which were approved as suitable. Then we might buy a few things in addition. I must confess that I myself do not attach very much importance to the matter. I mean to say that no exhibition of what is produced here will give any idea of the business or importance of Hongkong, but if the space reserved for Hongkong is absolutely empty, and if by bad luck it should be the only empty space, I do not think, to say the least of it, that it would be very fortunate.

Hon. C. P. CHATER—Is it an annual expenditure?

The CHAIRMAN—Oh, no; at least if there is an annual expenditure it would be for dusting, &c., and would certainly be a very trifling sum.

The ATTORNEY-GENERAL—I do not think that the exhibits will be entirely restricted to the products of a place. Lace, embroidery, and silks are always charming exhibits.

The REGISTRAR-GENERAL—I believe one of the objects in view in having exhibits of a colony is to create a market for the class of goods exhibited. As regards Hongkong the articles exhibited may not be actual products of the place, but still they are sold here and may be obtained here, and in that way it might be a benefit to the colony, for people would perhaps send here for the class of articles they have seen exhibited.

The CHAIRMAN—I gather from the tone of the letter I received from the Chamber of Commerce that the hon. member (Hon. T. H. Whitehead) would be in favour of this?

Hon. T. H. WHITEHEAD—I think in the aggregate it may do a little good—very little good—very little. I would not go so far as to say it would do much good.

The vote was then passed without dissent.