

HONGKONG.

CORRESPONDENCE WITH THE SECRETARY OF STATE ON THE SUBJECT OF
RETRENCHMENT AND THE MEMORIAL OF THE UNOFFICIAL
MEMBERS OF THE LEGISLATIVE COUNCIL
DATED 12TH JANUARY, 1893.

*Laid before the Legislative Council by Command of His
Excellency the Governor, on the 2nd June, 1893.*

Governor to Secretary of State.

(Confidential.)

No. 112.

GOVERNMENT HOUSE,
HONGKONG, 8th June, 1892.

MY LORD,

Before I received Your Lordship's despatch No. 112 of 3rd ultimo, the question of the expenditure on the clerical establishment in this Colony was already engaging my attention, and on 28th ultimo, I requested by my despatch No. 189 that a decision on the classification scheme forwarded with despatch No. 88 of 15th March last might be deferred until I should have had an opportunity of re-considering the suggestion made by Mr. MITCHELL-INNES and of addressing Your Lordship further on the subject.

2. As Your Lordship is aware, it will shortly have to be decided in what directions reductions may be effected in the expenditure without creating hardship or impairing the efficiency of the public service. I have come to the conclusion that the civil service is over-officered, that the cost of the Police might probably be with safety reduced, and that the clerical service is probably over-manned and certainly overpaid. Reductions in the strength of the civil service will have to await vacancies, and I am not as yet prepared to submit definite proposals for reducing the Police force; but the present is a convenient opportunity for placing the clerical branch of the service on a proper footing.

3. The enclosed minute, which the Colonial Secretary has drawn up at my request, exhibits the average of the clerical salaries in Hongkong, Singapore, Mauritius, and Ceylon; and his further minute of 6th instant, (copy enclosed), prepared by him by my desire after I had communicated to him Your Lordship's despatch No. 112 of 3rd ultimo, contains a proposed scheme of classification which shews a saving of some \$31,000 per annum on the existing expenditure. Your Lordship will, I am sure, recognize the thoroughness displayed by Mr. O'Brien in the compilation of these two minutes.

4. I have carefully considered the scheme submitted by him, and I concur in thinking that it makes a very liberal provision for the clerical establishment. It divides the establishment into six classes and assigns salaries ranging from \$360 rising to \$480 in the lowest class, to \$1,800 rising to \$2,400 in the highest. Taking into account the number of clerks which it is proposed to place in each class, and assuming the average salary in each class to be half the total of the maximum and minimum salaries of the class, it gives an annual average salary for all the clerks of about \$823. This average exceeds that in the Singapore and Mauritius establishments by \$88 and \$79 a year respectively, and is a great deal more than double the average of the Ceylon establishment. The salaries provided by the scheme are also far more liberal than those given by the best private firms in Hongkong, even apart from the consideration that Government grants pensions while those firms do not.

The Right Honourable
THE MARQUESS OF RIPON,
*Her Majesty's Principal Secretary of State
for the Colonies,*

Sc., Sc., Sc.

5. Personally I am of opinion that an average salary of \$750 would be sufficient, but I find it difficult to arrive at this result without disregarding what I understand to be considered as desirable by Your Lordship, viz., that periodical increments should be provided for every class, and that the lowest salary in each class should exceed the maximum salary of the class immediately below it.

6. I submit this scheme for Your Lordship's approval, though I should prefer one shewing an average salary of \$750 a year instead of \$823. I concur in the opinion expressed by Your Lordship that it is undesirable to create an intermediate class between the civil service proper and the Portuguese staff of clerks by importing Englishmen to fill certain of the clerkships; and I think that Your Lordship will agree that for native Portuguese and Chinese the salaries proposed are, if not excessive, at all events abundantly liberal. For such clerks Hongkong is not a specially expensive place; climatic influences do not affect them in the same way as they affect Englishmen; they are free from the expense which has to be incurred by Englishmen in remitting money to their families in England and paying for passages when they have to go on leave; and in many ways they are able to live much more cheaply, as well as more comfortably, than Englishmen occupying corresponding positions in the Colony.

7. The scheme, if sanctioned, would of course not affect vested interests: it would not be retrospective, but would be introduced gradually on the occurrence of vacancies. The question of reducing the number of clerks employed must also be a work of time: it requires further consideration, and is in any case dependent on the opportunity of vacancies.

8. The scheme does not include Interpreters, Translators, and Chinese Writers. They stand on a different footing and must be dealt with separately on their merits; but I may here note that I am of opinion that some of the Interpreters are paid too much, and some, if not all, of the Chinese writers too little.

9. Pending a reply to this despatch I defer taking action on Your Lordship's despatch No. 113 of 3rd ultimo, relating to the salaries to be assigned to the 3rd and 4th clerks in the Treasury.

I have the honour to be,

My Lord,

Your Lordship's most obedient,

humble servant,

WILLIAM ROBINSON,

Governor.

Minute by the Colonial Secretary to the Governor.

CLERICAL ESTABLISHMENT.

YOUR EXCELLENCY,

In despatch No. 72 of 1891 the Secretary of State suggested the framing of a scheme for the classification of clerical salaries on a uniform system and provision of periodical increments in the case of certain posts so as to obviate the necessity for giving personal allowances.

With $\frac{488}{2}$ the Treasurer submitted a scheme, providing periodical increments in *all* cases. It was sent to the Secretary of State with despatch No. 88 of 15th March last.

You subsequently requested the Secretary of State to defer decision on it until he had heard from you further.

The Treasurer's scheme provides for 63 clerks, and shews a slight estimated increase of expenditure over the total of the existing salaries of the clerks in question. There are in all, excluding Interpreters, Chinese writers, &c., &c., who may

be left out of account, 85 clerks to be considered. This discrepancy appears to be an objection to the Treasurer's scheme, and another objection is the aggregate cost of the proposed establishment, and the excessive rates, in some cases, that are assigned.

On looking at our Estimates I have been astonished at the scale of clerical salaries ruling here. I have had the corresponding figures taken out for Singapore, Mauritius, and Ceylon. I shall refer to those for Singapore and Mauritius at the end of this minute; meanwhile I will deal with the comparison with Ceylon with which I am more familiar.

In Ceylon the clerical service is divided into three classes—the first drawing over ~~Rs~~ 600 a year, the second, ~~Rs~~ 600 or \$266, (I take the official equivalent of ~~Rs~~ 2½ to the dollar throughout), and the third, under ~~Rs~~ 600. The average salary drawn in Ceylon by the 300 clerks in the departments coming first in the Blue Book is ~~Rs~~ 840, or \$373.

Here the average drawn by our 85 clerks is \$1,189. The highest salary drawn by a clerk in Ceylon is ~~Rs~~ 3,000 or \$1,333. Here it is \$4,536. In Ceylon there are only 4 clerks drawing \$1,333, here we have one drawing over \$4,500, 2 more drawing over \$3,300, 9 more drawing from \$2,200 to \$3,000 and a number drawing close on \$2,000.

Meanwhile official salaries other than clerical are higher in Ceylon than here, *e. g.*, the Colonial Secretary draws ~~Rs~~ 24,000 or \$10,666, and is given a house rent free.

The Attorney General draws ~~Rs~~ 18,000 or \$7,999, besides private practice which is worth about as much again. The Auditor General draws the same and allowances. The Treasurer *do.*, *do.* The Assistant Colonial Secretary ~~Rs~~ 12,000 or \$5,333. &c., &c.

In view of these and other considerations the scale of clerical salaries here appears to me to be absolutely preposterous.

We have here a clerk, to take the most signal example, who is drawing more than our Auditor, a great deal more than his official superior, the Assistant Colonial Secretary, nearly as much as the Treasurer, who is a member of the Executive Council, and more than the second class of the Ceylon Civil Service. Ceylon civil servants have to pass a very stiff competitive examination, it takes them on an average 20 years' service to *reach* the second class, and the salary of that class is ~~Rs~~ 9,600 or \$4,266. Here we have a clerk drawing \$4,536 l

In Singapore the average clerical salary is.....	\$ 735
In Mauritius.....	744
In Ceylon	373
In Hongkong	1,189
In the Treasurer's scheme	1,239

and he has, as I say, omitted some 22 clerks altogether.

3/6/92.

Minute by the Colonial Secretary to the Governor.

YOUR EXCELLENCY,

Since I wrote my minute of 3rd instant, I have seen the Secretary of State's despatch No. 112 of 3rd ultimo, and I now submit, in accordance with your directions, the following minute upon it and in continuation of my previous minute.

As I do not wish to send it in to the Office, I am unable to have my figures checked. I hope they are correct.

In the following tables* I have entered in 6 classes all the clerks appearing in the Estimates for 1892, placing in each of the first five classes the clerks drawing as much as, or more than, the average salary proposed by the Secretary of State

* Not printed.

for the class, but less than that proposed by him for the next higher class; and in the sixth class I have placed all who draw less than \$720, the average proposed by him for the fifth class.

The foregoing tables shew an expenditure of \$101,176 on 85 clerks, or \$1,190 a piece on the average; and according to classes an average of—

	\$3,276	for 1st class.
	\$2,348	„ 2nd „
	\$1,693	„ 3rd „
	\$1,208	„ 4th „
	\$ 808	„ 5th „
	\$ 475	„ 6th „

If we distribute the 85 clerks into 6 classes according to the numbers in each of the classes just mentioned, and assign to each class the salary contemplated by the Secretary of State, taking as the average pay in each class half the total of the minimum and maximum pay thereof, we arrive at the following result:—

1st class clerks	6	average	\$2,340	=	\$14,040
2nd „	7	„	\$1,800	=	\$12,600
3rd „	15	„	\$1,380	=	\$20,700
4th „	9	„	\$1,020	=	\$ 9,180
5th „	18	„	\$ 720	=	\$12,960
6th „	30	„	\$ 420	=	\$12,600
					<u>\$82,080</u>

This gives an average yearly salary of about \$965 for each clerk, and shews a saving of \$19,010 on the present expenditure.

The Treasurer's scheme in C.S.O. $\frac{488}{32}$, forwarded to the Secretary of State with despatch No. 88 of 15th March last, provides for 63 clerks. It is not quite clear what he intended the pay of the sixth class to be, but assuming it to be \$48 a month, the scheme shews an average yearly salary of \$1,239 for each of the 63 clerks.

It will be seen therefore that the average yearly salary as provided in the Estimates for 1892 for the clerks (85 in number) is \$1,189; that according to the Secretary of State's scheme it would be \$965; and that according to the Treasurer's scheme (for 63 clerks) it would be \$1,239.

In my minute of 3rd instant, I shewed that in Singapore the average clerical salary is \$735, in Mauritius, the equivalent of \$744, and in Ceylon, the equivalent of \$373. I see no reason why in Hongkong it should greatly exceed the highest of these amounts. I entirely agree, if I may be allowed to say so, in the opinion expressed in a despatch which I have recently seen by the Secretary of State that it is undesirable to bring out men from England to fill clerkships in this Colony; and for Chinese and Portuguese clerks I consider the existing rates of pay to be, almost without an exception, altogether excessive. The rates shewn in the sub-joined table, which I submit for consideration, are in my opinion amply liberal.

Monthly pay.

1st class	6 clerks	\$150 to \$200,	average	\$175	=	\$1,050
2nd „	7 „	120 to 140,	„	130	=	\$ 910
3rd „	15 „	80 to 100,	„	90	=	\$1,350
4th „	9 „	60 to 70,	„	65	=	\$ 585
5th „	18 „	45 to 55,	„	50	=	\$ 900
6th „	30 „	30 to 40,	„	35	=	\$1,050
						<u>\$ 5,840</u>
						12
						<u>\$70,080</u>

This gives an average annual salary of about \$823, and shews a saving on the existing expenditure of \$31,010.

It will be observed that the proposed average pay is \$79 per annum in excess of that given in Mauritius, \$88 in excess of that given at Singapore, and a great deal more than double that given in Ceylon. The pay of the several classes ranges from \$30 rising to \$40 in the lowest class, to five times those amounts, or \$150 rising to \$200 in the highest.

The rates compare very favourably with the salaries given by private firms in Hongkong. And it must be remembered that these firms do not grant pensions, whereas Government does.

From every point of view therefore I consider the scale which I suggest to be abundantly sufficient. Nor is either the quantity of the work demanded of our clerks, nor the quality of their work such as to justify extraordinary rates of pay.

As regards the amount of work they have to do, I am satisfied that it is in many cases not sufficient, and that the number of our clerks may presently be reduced. I am not yet in a position to submit definite proposals in this behalf; but as regards my own Office I may say that I could certainly dispense with the Chief Clerk (now on leave), and probably with another clerk in addition.

6/6/92.

Secretary of State to Governor.

HONGKONG.
No. 270.

DOWNING STREET,
28 November, 1892.

SIR,

With reference to my Predecessor's despatch No. 112 of 3rd May last, and to your despatch No. 189 of 28th May last, regarding the classification and revision of the salaries of Clerkships in the Hongkong service, I have the honour to inform you that I have had under my consideration the amended scheme of salaries, which, with the concurrence of your Executive Council, you have since submitted to me, and which may be summarised as follows:—

- 1st Class, including six Clerks, salary \$1,800 rising to \$2,400 a year ;
- 2nd Class, including seven Clerks, salary \$1,440 rising to \$1,680 a year ;
- 3rd Class, including fifteen Clerks, salary \$960 rising to \$1,200 a year ;
- 4th Class, including nine Clerks, salary \$720 rising to \$840 a year ;
- 5th Class, including eighteen Clerks, salary \$540 rising to \$660 a year ;
- 6th Class, including thirty Clerks, salary \$360 rising to \$480 a year.

2. I have no objection to the gradual introduction of this scheme, as vacancies occur, in lieu of the scheme approved in my Predecessor's despatch No. 112 of 3rd May last, if the Unofficial Members of the Legislative Council concur in your view that the proposed salaries are sufficient.

3. You will remember that the salaries of these officers were recently raised 20 per cent. above the rates of pay fixed in 1875, because it was represented in the Report enclosed in your Predecessor's despatch No. 389 of 23rd December, 1889, that the cost of living in Hongkong had grown very considerably in the case of officers domiciled in the East, as well as in the case of officers appointed from England. That Report stated in effect that the cost of living generally had within ten years increased 20 per cent. for Europeans, and 10 per cent. for non-Europeans, and it was accordingly recommended that European officers should be given what was practically as estimated in dollars a rise of 35 per cent. on their 1875 rates of pay, and non-European officers a rise of 20 per cent. over the rates prevailing in 1875.

4. Under the scheme now proposed the salaries will be more or less restored to the 1875 rates. The inference seems to follow that, in the opinion of yourself and your Executive Council, the cost of living for non-Europeans is not materially if at all greater than it was in 1875. If so, I can only assume that the statements in the above mentioned Report as to the increased cost of living were exaggerated; and if there was exaggeration in the view taken as to non-Europeans, there was presumably also some exaggeration as regards the case of Europeans.

For instance, both classes of officers alike must to some extent live on imported food and use imported clothing, the price of which (according to the Report) increased "generally speaking in proportion to the fall in exchange," a statement which was hardly borne out by the statistics of prices of various articles of food, which were given in the Appendices to the Report.

5. It would therefore appear to follow that the increase of 35 per cent. granted to the higher officers in the service was unnecessarily liberal, if viewed simply in the light of the increased cost of living, even including the cost of remittances to England.

6. I request you to lay this despatch before the Legislative Council, when the revised scheme of the Clerk's salaries is submitted to that Body.

I have the honour to be,

Sir,

Your most obedient, humble servant,

RIPON.

Governor

SIR W. ROBINSON, K.C.M.G.,

&c. &c. &c.

Governor to Secretary of State.

(Confidential.)

GOVERNMENT HOUSE,

HONGKONG, 13th July, 1892.

MY LORD,

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9. In the circumstances which I have stated, I have naturally given my careful consideration to the question of the possibility of effecting retrenchment in the ordinary expenditure of the Colony. I do not consider that the ordinary recurrent annual expenditure on Public Works can be reduced without unduly impairing efficiency, and entailing neglect which would subsequently have to be retrieved at a large outlay; and I am of opinion that the Public Works staff which I have reported to be permanently required is not in excess of what is actually necessary. But in other directions, which I will proceed to indicate, I think that retrenchment may be effected with advantage as opportunity may offer.

10. The higher officers, or civil servants proper, are not in my opinion overpaid, regard being had to the cost and conditions of living for Englishmen, and especially to the cost of house rent in Hongkong. But I have no hesitation in saying that the civil service is over-manned, that the clerical service is largely overpaid, and that the cost of the Police is unduly high.

11. With my confidential despatch of the 8th June, I submitted a scheme of reorganization by which an ultimate saving of some \$31,000 a year can be effected. It is a feature in that scheme that Englishmen should not be sent out to fill posts in the clerical service; and whatever Your Lordship's judgment may be on the scheme as a whole, I trust that this point will commend itself.

12. The following are the reductions which I think might be made in the cost of the civil service proper.

By the amalgamation of the post of Registrar General with that of Colonial Secretary, a saving of about \$6,000. To which may be added, by the abolition of the Chief Clerkship and another Clerkship in the Colonial Secretary's Office, a saving of \$3,000, apart from the saving to be effected under the general scheme of clerical reorganization.

By the amalgamation of the post of Postmaster General with that of Treasurer, a saving (allowing for an increase to the salary of the Treasurer) of some \$4,000.

By the abolition of the post of Assistant Harbour Master, a saving of \$3,000.

By reductions in the cost of Observatory department which is now to a great extent occupied with observations of no particular importance to the Colony, \$4,000.

By reductions in the subordinate branches of the Supreme Court \$3,000.

By the abolition of one Magistrate, the work of the Court not being too heavy for one energetic officer, about \$5,000.

By the combination of the post of Superintendent of the Gaol with that of the Assistant Superintendent of Police, a saving of about \$3,500.

By the reduction of the Cadets to two, a saving of about \$3,500.

Total saving about \$35,000.

13. The strength of the Military force now quartered in Hongkong renders it possible to discount to a great extent the contingency of the Police having to deal with a local *émeute*. The present cost of the Police considerably exceeds 10 per cent. of the gross revenue, and is in my opinion unnecessarily high. The Captain Superintendent, General GORDON, has not yet been able to elaborate the details of a scheme of reduction; but he has informed me that he considers that it will be feasible without risk to effect an ultimate saving of \$15,000.

14. The possible saving on the existing cost of the establishments therefore amounts to \$31,000 on the clerical service, \$35,000 on the civil service proper, and \$15,000 on the Police—or \$81,000 in all. But assuming that Your Lordship concurs in the propriety of these reductions—a point on which I shall be glad to receive an expression of Your Lordship's opinion—they obviously can be effected only as vacancies occur: they can, but very partially, be realised in the near future, and their complete fulfilment cannot be obtained before the lapse of a considerable period. They therefore afford no argument against the urgent necessity for raising a loan at the earliest possible date.

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I have the honour to be,

My Lord,

Your Lordship's most obedient,

humble servant,

WILLIAM ROBINSON,
Governor.

The Right Honourable

THE MARQUESS OF RIPON,

*Her Majesty's Principal Secretary of State
for the Colonies,*

&c., &c., &c.

Secretary of State to Governor.

HONGKONG.

(Confidential.)

DOWNING STREET,

24 October, 1892.

SIR,

I have had under my consideration the suggestions made in paragraph 10 to 13 of your Confidential despatch of 13th July last, for reducing the expenditure on establishments in Hongkong, as vacancies occur and opportunities arise.

2. Of the clerical staff I will only say, pending the receipt of a reply to my predecessor's Confidential despatch of 5th August last, that I concur in your view that Englishmen should not be sent out to fill posts in this branch of the Government Service.

3. Turning to the higher appointments, I am unable, as at present advised, to approve the suggestion that the posts of Colonial Secretary and Registrar General should be combined. The Registrar General's Office should not in my opinion be merged in any other, but hold its present distinct position, as being intended for, and only concerned with, the special needs of the Chinese population. If under the present arrangement the time of the Colonial Secretary and of the Registrar General is in neither case fully occupied, it appears to me that the subordinate staff of each department should be reduced, possibly by abolishing the posts of Assistant Colonial Secretary and Assistant Registrar General.

4. The posts of Treasurer and Postmaster General were separated but two years ago, after very careful consideration; and it is therefore premature to contemplate anew the amalgamation of those two offices. Here again economy should rather be looked for in the direction of reducing the staff of one or both of the Departments, and of holding the Chief Officers responsible for efficient and constant control of the work of their subordinates.

5. I am prepared, although with some hesitation, to accept the view, expressed in your despatch No. 252 of 3rd August last, that the work of the Harbour Department can be efficiently performed by one Officer with the assistance of a Cadet, and with a view to abolishing the office of Assistant Harbour Master, I have noted Captain HASTINGS' name for transfer to employment in another Colony, should any suitable vacancy occur.

6. With reference to your proposal to reduce the cost of the Observatory, I would remind you that the staff of the Observatory was recently increased on the recommendation of, and after exhaustive enquiry by, a local Committee. I should therefore in any case be opposed to making a reduction in the establishment at the present time; moreover valuable work appears to have been done by this Office, the importance of which in the eyes of the Astronomer Royal may be gauged from the enclosed letter*, and I am not prepared to admit that this work is of a kind which is of no special value to the Colony itself.

7. You do not state in what direction you contemplate making a slight reduction in the establishment of the Supreme Court, but I am content to leave this point to your discretion.

8. The promotion of Mr. WISE offers an opportunity for trying the experiment of carrying on the work of the Police Court with one Magistrate alone, though I am very far from confident that the experiment will prove successful. You do not state what emoluments you propose to give to Mr. WODEHOUSE, if called upon to perform the work, which has hitherto been divided between two Magistrates; and I assume that it will probably be found necessary to relieve him of his other duties, those namely of Coroner and Superintendent of the Fire Brigade, so as to allow him to devote his whole energies to the Magistracy. In that case it would seem fair to continue to him *personally* so long as he holds the posts of sole Magistrate, the aggregate salary now drawn by him in his three offices, leaving the question of his successor's salary to be settled hereafter on

* Not printed.

vacancy. If this course is adopted, however, the saving caused by the abolition of one Magistracy would for the present be reduced from \$5,000 to \$3,000 a year. The duties of Coroner might perhaps be given to the Superintendent of the Gaol, and you could doubtless select some other officer to undertake the duties of Superintendent of the Fire Brigade. The abolition of the second Magistrate will apparently require an amendment of Ordinance 10 of 1890.

9. In regard to the proposed combination of the post of Superintendent of the Gaol with that of the Deputy Superintendent of Police, I have to remind you that General GORDON stated, in a Report dated 16th April, which formed an enclosure to your despatch No. 148 of 27th April last, that for the efficient carrying out of the duties of the Hongkong Police, it was in his opinion necessary that there should be two superior officers whose *whole* time should be devoted to Police duties. I am disposed to concur in this opinion, and am therefore not satisfied that the duties of Deputy Superintendent of Police could be efficiently performed by the Superintendent of the Gaol. If, however, the latter officer's time is not fully occupied, he might perhaps be given some additional work, *e.g.*, that of Coroner, as suggested above.

10. I have already stated that I do not view with much confidence the experiment of entrusting the Magisterial duties of the Colony to a single Officer, nor am I wholly satisfied that the Assistant Harbour Mastership can permanently be dispensed with, although both in the one case and in the other you have my authority to make the reduction when opportunity offers. I cannot but think that in Hongkong as in other Colonies such amalgamation will not improbably imply a present increase of pay to the surviving officer and a re-establishment of the abolished appointment in the near future.

The fact seems to be that in more than one department in the Colony there is too much work for one officer and too little work for two, inviting to some extent re-distribution of duties but forbidding any extensive abolition.

11. You are at liberty to reduce the number of Cadets to two. If that number should hereafter be found insufficient to supply the vacancies which arise whether in permanent or acting appointments, it will be easy to increase the number again.

12. As to the Police, I would refer you to the 3rd paragraph of my predecessor's Confidential despatch of the 5th August, in which stress was laid upon the necessity for great circumspection in dealing with any proposals for reducing the strength of the force. You might, however, consider whether any changes are advisable in the specially favourable Pension Regulations of the Police, all of whom (European, Indian and Chinese alike) are allowed to retire after only 15 years' service. In the Straits Settlements there is an additional proviso to the effect that a member of the Force must have attained the age of 45 before he is allowed to retire on pension (except on grounds of ill-health); and it might be desirable to introduce at any rate this provision into the Hongkong rules, so as to some extent to reduce the heavy charges for Police pensions. Any change in the Pension Rules could, of course, only be applied to men hereafter appointed to the Force.

I have the honour to be,

Sir,

Your most obedient, humble servant,

RIPON.

Governor

SIR W. ROBINSON, K.C.M.G.,

&c.,

&c.,

&c.

Governor to Secretary of State.

No. 344.

GOVERNMENT HOUSE,
HONGKONG, 21st December, 1892.

MY LORD MARQUESS,

I have the honour to transmit for Your Lordship's consideration the enclosed protest by the Unofficial Members of the Legislative Council of Hongkong against the Appropriation Bill for 1893 as passed by the Council.

2. The Memorialists contend that the Bill, as passed, was not legally passed, inasmuch as the Official Members were incompetent to vote on a question in which they had a personal interest, viz., their own salaries, that consequently the official votes are *ipso facto* null and void, that if they be so reckoned, as they should be, it will be found that the reductions of salaries moved in each case were legally carried by a majority of the Council, and that the Bill has really been passed subject to those reductions, and that such should have been declared to be the case.

3. The contention, if sound, would obviously necessitate an alteration in the constitution of the Colony, for otherwise it would always be in the power of the Unofficial Members of Council to bring the Government to a deadlock by refusing to vote any salaries until any demand they might happen to have made had been conceded. But I imagine that the argument that Official Members are disqualified from voting for their own salaries is not sound; and even if it were, it is clear that the contention that the Bill has been legally passed subject to the stated reductions of the salaries is untenable. For as Your Lordship will see from the minutes of the proceedings, of which I enclose a copy, the items for each department were separately moved and carried; and even if the vote of the Official Member concerned in each case (*e.g.*, the vote of the Colonial Secretary in the case of the item for the Colonial Secretary's department, the Treasurer's in the case of the Treasury, and so on) be counted as null and void, every item will nevertheless be found to have been legally carried and passed and every amendment for reduction to have been legally rejected, by a majority of the Council.

4. As to the substantive merits of the motion for the reduction of salaries, I would beg leave respectfully to refer Your Lordship to my despatch No. 336 of 5th instant, with which I had the honour to forward the Bill.

5. I have now the honour to submit that the protest which I forward contains nothing to prevent Her Majesty's gracious confirmation and assent being given to the Appropriation Bill for 1893.

I have the honour to be,

My Lord,

Your Lordship's most obedient,

humble servant,

WILLIAM ROBINSON,
Governor.

The Right Honourable

THE MARQUESS OF RIPON,

*Her Majesty's Principal Secretary of State
for the Colonies,*

&c., &c., &c.

Secretary of State to Governor.

HONGKONG.

No. 25.

DOWNING STREET,

15 February, 1893.

SIR,

I have the honour to acknowledge the receipt of your despatch No. 344 of 21st December last, forwarding a protest by the Unofficial Members of the Legislative Council against the Appropriation Bill for 1893 as passed by the Council.

I request you to inform the Memorialists that the course which the Official Members of the Council pursued in voting on the question of the reduction of their salaries was correct, and in accordance with the practice of the House of Commons; and that this being so, I see no reason on that account to advise Her Majesty to disallow the Appropriation Ordinance. I have addressed you separately in regard to that Ordinance and the Estimates for the current year.

I have the honour to be,

Sir,

Your most obedient, humble servant,

RIPON.

Governor

SIR W. ROBINSON, K.C.M.G.,

&c.,

&c.,

&c.

Governor to Secretary of State.

No. 12.

GOVERNMENT HOUSE,
HONGKONG, 17th January, 1893.

MY LORD MARQUESS,

With my despatch No. 344 of 21st ultimo I had the honour to forward for Your Lordship's consideration a copy of a protest made by the Unofficial Members of the Legislative Council against the Appropriation Ordinance for 1893 as passed by the Council, and I have now the honour at their request to forward the enclosed copy of a Memorial connected therewith addressed by them to Your Lordship.

Enclosure No. 1.

2. The object of the Memorial is two-fold—first, to prevent the Royal Assent being given to the Appropriation Ordinance, and as a corollary to secure the immediate reduction of certain salaries; and secondly, to obtain the appointment of a Commission to investigate and report on the cost of the local Administration.

3. Your Lordship will already have gathered from my despatches Nos. 336 and 344 of 5th and 21st ultimo, forwarding the Appropriation Ordinance for 1893 and the protest thereagainst by the Unofficial Members, that I consider that no case has been made out either for disallowing the Ordinance, or for effecting the immediate reductions moved for in Committee on Supply in certain salaries; and I see no reason to alter the opinion which the Colonial Secretary, by my direction, expressed in opposing a motion made on the 9th May last for the appointment of a retrenchment Commission, that the appointment of such a Commission is unnecessary and undesirable. But it will probably be convenient to Your Lordship that I should deal *seriatim* with the various representations and contentions contained in the Memorial, and I shall accordingly proceed to do so, referring to the numbers and letters which, for the sake of easy reference, I have prefixed to its several paragraphs and sub-paragraphs.

4. Paragraphs 1 and 2 with its sub-paragraphs (a) and (b) set out certain circumstances connected with the passing of the Appropriation Ordinance, and pray that the Royal Assent may be withheld from the Ordinance. I have no remarks to offer on them.

5. Paragraph 3 contends that the votes of the Official Members were illegal and void inasmuch as those members were incompetent to vote by reason of the direct and personal pecuniary interest which they had in the rejection of the amendments for the reduction of salaries, and that consequently those amendments should have been declared to have been carried. On this point I would solicit reference to my despatch No. 344 of 21st ultimo (copy annexed) from which Your Lordship will see that even if the contention that under the constitution of this Colony Official Members of Council are disqualified from voting for their own salaries, (which I doubt) the conclusion that the Appropriation Ordinance as passed was not legally passed does not follow from the premises. For each item in the Bill was separately moved, and each amendment thereto likewise; and if the vote of the Official concerned in each case be counted as null and void, that of the Colonial Secretary, for example, in the case of the item of the Colonial Secretary's establishment, that of the Treasurer in the case of the Treasury, and so on, it will be seen that none the less every motion for the several items as moved by the Colonial Secretary was legally carried, and every amendment for reduction legally negatived, by a majority of the Council.

6. Paragraph 4 with its sub-paragraphs (a), (b) and (c) purports to submit "a short history of the increased salaries question," and by way of so doing it relates some utterances by Sir W. DES VŒUX regarding the condition and prospects of the Colony, recapitulates certain circumstances connected with the increase of the Military Contribution, asserts that Lord KNUTSFORD "directed the payment for 1891 of the increased rates of salary on the allegations that house rent for Europeans had increased from 100 to 150 per cent., and for Chinese 100 per cent.," and states that the Officials had notice that the increases of salaries were subject to future revision. The last point will be more conveniently dealt with in connection with the succeeding paragraph (5) of the Memorial. As regards the other points I would observe—(1) that Sir W. DES VŒUX's utterances have no bearing on the question unless the revenue has fallen away since they were made, which fortunately is precisely the reverse of the actual fact; (2) that the decision of Her Majesty's Government to increase the Military Contribution of Hongkong did somewhat illogically produce the demand made in 1891 by the Unofficial Members for the cancellation of the recently granted increases of salaries, and is also largely answerable for the similar motions for reduction in Committee on 1893 Supply; and (3) that the allegation that the Secretary of State directed the payment of the increases of salaries in 1891 on the ground mentioned, is a mis-statement.

7. Paragraph 5 contends that the civil servants have no vested interest in the increases, and that the Unofficial Members have done right in moving the reduction thereof. The civil servants have, in my opinion, the same right, no more but no less, to expect a continuance of the payment of their present rates of salary while the Colony is able to pay them and the circumstances under which they were fixed have not materially altered, as civil servants elsewhere have to expect the payment of the salaries that have been assigned to them. I have never questioned the right of the Unofficial Members to move reductions of salaries; what I do question and most emphatically deny is that they have made out a fair case in support of their motion. My view on this head is clearly stated in the subjoined extract from the Colonial Secretary's speech in Committee on Supply.

"The side of the Unofficials is that the financial condition of the Colony requires that the salaries should be reduced, and they contend that they have a right to move such reduction. In support of their contention they quote the dictum of a previous Governor—it is quite unnecessary, their right being inherent and not requiring any such support. Your Excellency's predecessor pointed out that, as there was no longer a fixed Establishment Ordinance in the Colony, the Unofficial Members would annually have an opportunity of moving the reduction of salaries whenever they thought that such reduction was called for by circumstances. That opportunity has now come round, and they have availed themselves of it. They have a perfect right to do so—nay more, it is their bounden duty to do so if circumstances demand it; the only question for them to consider is whether circumstances do demand it. As to that, let us examine a little."

8. Paragraph 6 asks the question whether "there is any justification now for the present endeavour to reduce the increased salaries to the 1890 level," and its sub-sections (a) to (k) contain the reasons which apparently have induced the Memorialists to answer the question in the affirmative. I proceed to notice each sub-paragraph separately.

Sub-paragraph (a) recurs to certain before mentioned utterances by Sir W. DES VŒUX. They are relevant only if the revenue has declined: the revenue has steadily increased.

Sub-paragraph—(b) "Land has not improved in value; it is lower now than it has been for a number of years; and land sales have fallen off."—There is unquestionably no longer the rush for land that there was in the heyday of the gambling mania in Hongkong, land does not now change hands at the inflated prices which it then often commanded, and owing to the losses sustained by not a few of the non-Chinese residents through gambling in many descriptions of shares the present would undoubtedly be an inopportune time for the Government to attempt to realise its assets by disposing of land on a large scale. But land required for *bonâ fide* business purposes commands a fair price—we obtained only the other day a sum of \$67,000 for a lot of waste land only 19,200 square feet in extent—and land sales have realised in 1892 \$121,828 as against \$51,761 in 1891 and \$16,338 in 1890.

Sub-paragraph (c) asserts that the general trade of the Colony is in an unsatisfactory condition, and that several of the oldest established mercantile houses have collapsed, and it draws especial attention to the fact that the oldest exchange bank in the East, by which I presume is meant the late New Oriental Bank Corporation which succeeded the old Oriental Bank Corporation, has fallen, and that another banking institution (the Chartered Mercantile Bank) has collapsed.

The real condition of affairs and the causes of the losses sustained by some of the non-Chinese mercantile houses are very fairly stated in the following letter which has recently been published in the *China Mail*:—

THE MARINE LOT-HOLDERS' MEMORIAL.

To the Editor of the

"CHINA MAIL."

January 14.

SIR,—Will you allow me, as an old resident and property-owner in this Colony, to enter my strongest protest against the deliberate and gross misrepresentations as to the position of the Colony made in the above memorial. Surely, the very limited number of persons interested in the Praya Reclamation are not justified in representing their interests as being of public importance; nor are they justified while seeking relief by trying to force Government into making a loan for their special benefit. To class themselves as all merchants and traders is, to say the least, wide of the truth. The attempt to say that the present widespread ruin in the Colony is due to the depressed condition of trade is utterly untrue and misleading. The honourable member who alluded to this memorial in Council knows better than anyone else that the true cause of the present wrecked condition of the Colony is attributable almost solely to the deplorable gambling mania that was created in the floating of the Land Investment Company, the Hongkong and Kowloon Wharf and Godown Company, the Borneo Companies, the Charbonnages du Tonquin, &c., &c.

I contend that the commercial prospects of this Colony are thoroughly sound and that the future of Hongkong will be far brighter than the past, if only the recent lessons are remembered. Fortunes made in legitimate business have been sacrificed to the calamitous gambling mania that was so unscrupulously led by a gang of men who had little to lose so far as their own reputation was concerned, but who could, and did look on and see hundreds ruined with complacency.

Hongkong can and will right itself without resorting to such means as the memorialists demand. Judging from the past I am firmly convinced that there are other motives behind the memorial that will develop themselves if the money is found by the Colony.

The soundest criterion of the condition of the Colony is the position of the Hongkong and Shanghai Bank and the Chartered Bank of India, Australia and China, and both are reported to be able to employ their whole funds in sound and legitimate trade advances. Trade, instead of being monopolised by a few large firms as formerly, is now divided between a numerous body of merchants.—Yours,

A.B.C.

A dispassionate view of the actual position may also be gathered from the appended extract from the editorial of 2nd ultimo in the other leading local paper, *The Hongkong Daily Press*:—

“No self-respecting Government or legislature can afford to play fast and loose with the salaries of public servants, and when an increase is granted it is not expected to be taken away a year afterwards. The statement made at the time the general increase was granted in Hongkong, that the salaries would be liable to reconsideration in subsequent years, was not equivalent to a promise on the part of the Government that they should be reduced. If the state of the Colony became so bad that there was no money to pay the salaries with, the Civil Servants would have to go without them altogether, but happily we have not arrived at that point yet, nor even at a point where a reduction in the salaries is absolutely necessary. Nevertheless the Colony's state is such that every opportunity ought to be taken, as vacancies occur, of reducing the number of officers, and, when a supernumerary is transferred from one department to fill a substantive appointment in another, to reduce the salary if the office is one of those which appear to be overpaid.”

“The necessity for retrenchment does not arise from any falling off in the general trade and prosperity of the Colony, but from the fact that the community has seen a considerable portion of its accumulated savings swept away and is now appreciably poorer than it was a few years ago. Hence the pressure of taxation is more severely felt and is borne with greater impatience, an impatience that is increased by the knowledge that the Colony has to support an army of Civil Servants far in excess of its requirements. The Colonial Secretary says that ‘while individuals in the Colony have in recent years lost heavily by gambling ‘the condition of the community at large is sound and progressive.’ But the individuals who have lost heavily by gambling are a pretty numerous class, and there is a still more numerous class of *bonâ fide* investors who have seen their property largely depreciated in value and who if they are compelled by circumstances to realise can only do so at a heavy loss. All this means curtailment of private expenditure, a smaller custom for the stores, and the depression which any community experiences when the practice of small economies is forced upon it by inexorable necessity. But our difficulties are of a temporary nature and are already, we hope, beginning to disappear. As to trade generally, there is no doubt it is expanding and is bound to go on expanding. Of course no one looks for very large profits in these days of uncertain exchange, small commissions, and keen competition. But in judging whether a community is advancing or receding in prosperity the only reliable test is the increase or decrease in the volume of its trade. In Hongkong we have no statistics available to give us the value of the trade from time to time, but information is obtainable which gives a general idea of whether it is increasing or declining. There are the shipping returns, for instance. These show an increase. But, we are told by the pessimists, the shipping returns prove nothing, that it is all a delusion about shipping being the life blood of the Colony, that ships only come here because it is cheaper to run them at a loss than to lay them up, that they bring only part cargoes and that the bulk of these they take on with them to Shanghai or Japan, leaving only an infinitesimal quantity here. With no figures to show what the ships actually do bring those who desire to represent the trade of the Colony as falling off have a free hand when they indulge in talk of this kind. But when we look at the returns of the Chinese Customs we are on rather more certain ground. Mr. McLEAVY BROWN's report on the trade passing the Kowloon Customs stations last year showed that at all events the portion of the Colony's trade coming under the notice of the Foreign Inspectorate had increased, and the last quarterly returns tell the same tale. The number of junks passing the stations inwards last quarter was 6,451 as against 6,291 in the same quarter of 1891 and 6,240 in 1890, and there has been a corresponding increase in the number outwards. These figures show that there has been not even a temporary falling off in the general trade of the Colony, while as to the future, the magnificent geographical position of the place not only renders any permanent decline practically impossible but ensures a steady growth. We do not know if financiers at home are likely to be much affected by the speeches of the Unofficial Members on Wednesday, but if they choose to use their own judgment and intelligence they will readily see that the stock of the proposed loan will form a first rate investment. The various companies in which several of the Unofficial Members are interested as directors would be glad to take it all up as an investment for their reserve funds if the loan were floated locally in silver.”

There is also, I submit, much force in the following observations made by the Colonial Secretary in speaking to Supply in Committee.

“ We have here no statistics of exports and imports and it is therefore impossible actually to prove the volume of our trade by the irrefragable evidence of incontestible figures. In default of such we must have recourse to inferential indications. These are not wanting. One of them is the amount of shipping frequenting the port. It must be presumed that ships do not come here for nothing. In 1890 the shipping of the port exceeded that of any previous year; it was, however, surpassed by that of the following year, and the present year bids fair to eclipse the record of 1891. Another indication is the amount of bank notes in local circulation. So far from this amount falling off, the returns show that it has largely increased. In November, 1882, it amounted to \$4,757,055; in November, 1890, to \$5,565,538; in November, 1891, to \$5,702,198; at date it is \$5,999,712. Then again, to take an article which has come rather prominently before the public lately, petroleum. My Office has been recently besieged with applications for temporary licences, the usual accommodation being quite insufficient for the supply. I am aware that there was an exceptional glut in the island owing to some alteration of the *lekin* in China, but the figures with which I was made acquainted in connection with recent applications for temporary licences show that the trade is simply enormous. In addition to this my honourable friend on my right, the senior Unofficial Member, has applied for leave to erect extensive premises in Kennedy-town to be permanently licensed for the storage of petroleum. And as if this were not enough, Messrs. ARNHOLD, KARBERG & Co. are erecting tanks for storing importations in bulk on a scale sufficient to supply a large portion of Southern China. This is but one item; if we knew as much about others we should perhaps gain a clue to the explanation of the extraordinary increase in the shipping of the port. To take another item: a correspondence which I have recently had with those concerned in connection with the amount of water they require from Government for their business shows that the out-put of sugar is on a vast scale. As to the coal trade of the port and the immensely important and extraordinarily favourable prospects that await Charbonnages in the immediate future, my honourable friend on my right has himself given me some very interesting information, but as it was given in the course of conversation, I do not feel at liberty to repeat it. I should only weary the Council if I were to dilate further on this branch of the subject, but before leaving it I would like to draw attention to a very significant circumstance, and that is that the Manager of the Hongkong and Shanghai Bank recently stated in public that in the month in which he was speaking the Bank had received more applications for bank shares than had been received in any single previous month during the whole period of his connection with the Bank. What inference are we to draw from these circumstances? That there is a general depletion and stagnation of legitimate business? Trade is usually considered a good thing to have and it would seem that we have it in abundance; shipping has often been termed—especially by the honourable member who represents the Chamber of Commerce—as the “life-blood of the Colony”—if so the Colony is not in any present danger from anæmia; and the circumstance mentioned by the Manager of our principal bank points to no lack of general confidence. The inference that I draw is that while individuals have in recent years lost heavily by gambling, the condition of the community at large is sound and progressive. Turning now to indications from revenue, what do we find? In 1882 the revenue was \$1,227,847; for the five years ending with 1886 it averaged \$1,291,407, and for the following five years ending with 1891 it averaged \$1,863,229. In 1889 the revenue largely exceeded that of any previous year; for 1890 the revenue exceeded that of 1889 by \$33,584; the revenue for 1891 exceeded that for 1890 by \$13,443; and it can be already said with certainty that the revenue for the current year will exceed that of 1891. So far, that is up to the moment at which I am speaking, I can find no evidence of a shrinking, dwindling revenue; on the contrary, what I find is a continuously expanding revenue. It would unduly tax the indulgence of the Council if I were to proceed to analyse the component details of the revenue. I have done so for my own satisfaction and the result has served to confirm the impression that the annually increasing revenue connotes a steady increase of the prosperity of the community taken as a whole. The year 1891 has been described as a year of terrible depression; so far as the revenue returns afford a criterion, the fact would appear to be that during that year, as also in 1890 and 1889, in spite of some persons in the Colony having lost a lamentable amount of money through speculation, the Colony as a whole progressed. The revenue exclusive of land sales for 1889, 1890, and

1891 averaged \$1,930,769 ; for 1891, it was \$1,973,540 ; for 1888 it was only \$1,557,300, and in 1887 it was \$1,427,485. As already stated the average revenue, including land sales, for the five years ending with 1886, was \$1,291,407. As compared with this the revenue, excluding land sales, for 1891—which we are told was a year of terrible depression—was \$1,973,540, which shows an increase over the average revenue for 1882-86, including land sales, of more than 50 per cent. So much for the past and present.”

And lastly, in reference to this branch of the question I would solicit Your Lordship's especial attention to the very significant returns, quoted by the Colonial Secretary in speaking to the Loan Bill, under the revenue heading of “Assessed Rates and Taxes.”

“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 \$142,770 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.”

“Honourable 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 show? 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.”

The references to the failure of the New Oriental Bank Corporation and the collapse of the Chartered Mercantile Bank are quite irrelevant unless it be intended to imply that these are attributable, to some material extent at all events, to losses incurred in Hongkong by those institutions. In view of the fact that the circumstances which led to the downfall of the New Oriental Bank Corporation and those which have necessitated the reconstruction of the Chartered Mercantile Bank are very generally known, it is astonishing that a banker—(one of the signatories of the Memorial, Mr. WHITEHEAD, is the Manager of a local Bank)—should have referred to the cases of the two banks in question as affording an argument in favour of the reduction of certain official salaries in Hongkong. The principal and incomparably the most important bank in Hongkong is the Hongkong and Shanghai Bank. Its accounts for the last half-year have not yet been published, but I have unimpeachable authority for stating that its transactions for that half-year have been the most satisfactory and profitable that it has had for many years past. The Chinese banks in the Colony also find no difficulty in employing their funds to advantage.

In sub-paragraph (d) the Memorialists quote certain figures from the returns of the revenue of the Chinese Imperial Customs, and they argue therefrom a decrease in the trade of China, and inferentially, it may be presumed, a decrease in

the trade of Hongkong. I regret that I have not had time, being anxious to despatch the Memorial by the out-going mail, to thoroughly analyse the items which make up the totals quoted; but I have analysed them sufficiently to satisfy myself that the argument advanced is very misleading. The Memorialists state that "the Chinese Customs revenue may safely be regarded as an index to the variations in trade." This is entirely erroneous. To take for example one very important item—petroleum—the Chinese Customs revenue from this article has largely diminished at some ports in 1892, but so far from the importations having diminished they have enormously increased. The explanation is that the "Battery" tax was reduced from 40 cents a case in 1891 to ten cents a case in 1892, thereby diminishing the revenue from this source, supposing importations to have remained unchanged, by three fourths. The falling off in the Kowloon revenue does not therefore necessarily imply a corresponding decrease in importations; as a matter of fact 7,700,000 gallons paid duty at Kowloon in 1892 as against 4,600,000 gallons in 1891.

A considerable portion, again, of the falling off in the Chinese revenue derived from Opium is attributable to increased smuggling (not necessarily from Hongkong) into various parts of China, and the accidental circumstance of a good harvest accounts for a large loss of revenue by way of duty on imported grain. The above considerations may suffice to shew the inaccuracy of the statement that "the Chinese Customs revenue may safely be regarded as an index to the variations in" (China's) "trade;" and it is almost superfluous to add that even if it might be so regarded, it would for obvious reasons by no means follow that it might be regarded as an index to the variations of the trade of Hongkong.

Enclosure No. 2.

I may take this opportunity to invite attention to the enclosed letter published in the *China Mail* of 31st ultimo shewing the great development of the yarn trade in Hongkong, and I may add that I learn from reliable sources that there has been a considerable development in other branches of commerce also.

In sub-paragraphs (*e*) and (*f*) an attempt is made to minimise the benefit which the Colony derives from the Shipping frequenting its port. It can hardly be necessary for me to insist on the self-evident fact that the Colony must benefit and does benefit by its shipping. The amount received by way of light dues supplies no adequate measure of that benefit, but as a matter of fact they have in 1892 brought in the sum of \$92,309, or nearly \$3,000 more than in 1891.

Sub-paragraph (*g*) points out that the revenue derived from Opium has diminished. This is so, but the variations in the amount realised by the Opium Farm depend on a number of considerations which do not, as regards many of them, by any means connote a correlative condition of prosperity or the reverse amongst the community at large, or even amongst the Chinese portion of it. What it is important to notice on this head, (and the Memorialists have failed to notice it) is that in spite of a falling off in the Opium revenue, the total of our general revenue has steadily increased—a matter for unmixed satisfaction.

In sub-paragraph (*h*) the falling off in the revenue derived from the profit on the sale of Subsidiary Coins is mentioned. The remarks on the preceding sub-paragraph are equally applicable here, and I may add that the demand for our subsidiary coins has recently revived in a remarkable degree, and that the profit realised in 1892 amounts to about \$45,000.

Sub-paragraph (*i*) comments on the alleged want of elasticity and productivity in the revenue. As already repeatedly stated, the revenue has continuously increased, and the revenue for 1892 considerably exceeds that of any previous year. The fact that it no longer exhibits the previous large surpluses over ordinary expenditure is due to a variety of causes which the Memorialists are careful to omit to mention. These causes are the increase of the Military Contribution, the fall in the value of silver which has necessarily increased the expenditure in several directions, and the growing needs of a growing community. The increases of salaries granted in 1891, which is all that I am at present specially concerned with, forms but an infinitesimal fraction of the total increase of expenditure. As regards the Estimates for 1893, it should further be noted that provision is therein made for the new item of the charges on the proposed loan. It should also be borne in mind that there is every probability that the financial results of 1893 will be more favourable than those appearing in the Estimates, as for the reasons stated in the following extract from the Colonial Secretary's speech in Committee on Supply the revenue for 1893 has been estimated with extreme caution:—

“As regards the coming year I should state in the first instance that the revenue, which has been put at \$1,906,396, has been estimated with great caution in view of the fact that the Colony was about to contract a loan. It was obviously my duty in the face of that fact to be very careful that my estimate of revenue should be moderate, cautious, and practically certain of realisation. I have every confidence that it will be realised, and I shall be disappointed if it is not exceeded. But moderate as it is, that estimate of revenue shows a surplus over the estimated ordinary expenditure. And this estimate of ordinary expenditure, be it observed, is far larger than that of any previous year. As I stated in moving the first reading of the Bill, it provides for loss on exchange a sum of \$77,651 in excess of the provision made in the Supply Bill for 1892. It also includes an entirely new item of \$40,000 to meet charges in 1893 in connection with the proposed loan, a larger provision for pension by \$5,400, and a more liberal provision for Hospital expenses by \$7,623,—and yet the estimate of revenue, as compared with this unusually large estimate of ordinary expenditure, shews a surplus which there is every reason to hope may be more than realised. Really, sir, I can see here no ground for alarm and foreboding: rather I see reason for congratulation and satisfaction.”

Sub-paragraph (j) mentions the increase in the ordinary expenditure. I have dealt with that subject in the preceding sub-paragraph, and I have only to add my concurrence in the views expressed by the Colonial Secretary in the appended passage from his speech on the Loan Bill.

“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 honourable member, Mr. BELLIOS, 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 further 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 honourable 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.”

Sub-paragraph (k) refers to the fall in house rents. The Senior Unofficial Member in a proposal which he very recently made to the Government (and in which he was entirely supported by another Unofficial Member, Mr. WHITEHEAD)

that it should borrow the amount required to complete the Praya Reclamation and advance it to the Marine Lot Owners on their undertaking to repay their advances within twelve months of the completion of their respective sections, stated *inter alia* that the fall in the rents of houses was purely temporary and would soon rectify itself. But even, as it is, rents in Hongkong are in many cases extremely high. The Colonial Secretary informs me that he pays for a six-roomed house (dining-room, sitting-room and four bed-rooms) more than four times what he paid for a very commodious house in Colombo; and the rent demanded for this year for my residence at the Peak, a very insufficient and unsuitable house, is \$2,400.

The statement that "the annual valuations have hardly yet been altered" is perfectly true for the very sufficient reason that the value of house property has not generally depreciated as the Memorialists wish it to be believed. A valuation is made every year, and every house-holder has an appeal against the valuation. The mis-statement that "it was solely on the ground of the great increase in house rents in the Colony that Lord KNUTSFORD sanctioned the increased salaries," is of a character on which I prefer not to comment.

9. Paragraph 7 quotes a passage from my address to the Council on opening the Session, and adds that I recognised the need for retrenchment in every direction. I have only to observe that I did not recognise the need for retrenchment in every direction.

10. Paragraphs 8 and 9 profess to detail my views as to the directions in which economies may properly be effected and repeat the demand for the immediate reduction of certain salaries. The latter point I have already dealt with, and I need not go over the same ground again. As to the former, the paragraphs are misleading in so far as they seem to imply that I am of opinion that the civil service proper is generally overpaid. I have never expressed that opinion, and I do not hold it. On the contrary I am unable to see any sufficient reason for paying the Members of the Executive Council, for example, in Hongkong, where the cost of living is much higher than at Singapore or Colombo, lower rates of salary than those drawn by the corresponding Members of Council in the Straits Settlements and Ceylon. The only apparent exception is the Attorney-General, and it must be remembered that he is debarred from private practice in Hongkong. I may further state that it strikes me as anomalous, to say the least of it, that while steps are being taken in those Colonies to compensate the civil servants for their loss by the further depreciation of silver, the opportunity should be seized in Hongkong to move the reduction of official salaries, and the fall in silver urged as a reason for such reduction!

11. Paragraph 10 states that I have admitted in my address that the financial position is not entirely satisfactory and that the necessity for economy and retrenchment is imperative. I am of opinion that in the absence of a loan for the public works extraordinary the financial position is not satisfactory, that a loan for that purpose is absolutely and immediately necessary, and that when the loan has been raised the position will be satisfactory. I may add that the revenue prospects have materially improved in several directions since I prepared my address to the Council. I have already stated to Your Lordship what economies I consider may be judiciously effected in the ordinary expenditure.

12. Paragraph 11 is not a little curious and difficult to understand. It states that the Unofficial Members are the guardians of the public purse, and that it was in vindication of their rights and powers as such, as well as for the protection of the interests of the Colony that they were compelled, on account of the treatment they had received "on many financial questions," to move the immediate reduction of certain salaries. This is not the first occasion on which it has been contended that the Unofficial Members not only have in common with their Official colleagues, as Members of the Legislative Council, a responsibility in regard to the expenditure of public funds, but that they are in some special and peculiar sense the guardians of the public purse in contra-distinction to, or even, as it would seem, to the exclusion of the Official Members. The resolution moved by Mr. WHITEHEAD on the 7th December, 1891, stated that the Unofficial Members are "the lawfully constituted guardians of the public purse," and it based on this assumption a request for the appointment of a Retrenchment Committee "composed of Members exclusive of Government officials." The assumption that the Unofficial Members do not merely share a responsibility which devolves on the whole Council, but have an especial responsibility which is not equally borne by the Official Members, involves a strange misconception which I am quite unable to account for.

The only distinction that I am aware of in this respect between Official and Unofficial Members of Council is in the nature of a limitation of the rights of the latter, and precludes the Official Members from proposing any increase of expenditure without the previous authorisation of the Governor. Starting, however, from this misconception, the Memorialists state that they were compelled to move the reduction of certain official salaries "in vindication of their own rights and powers," as well as for the protection of the interests of the Colony. The admission that they were actuated by some other motive besides the very sufficient one of a regard for the interests of the Colony renders it highly probable that the other motive which they have admitted was the real and effective cause of their motion. They felt, as they say, that they must "vindicate their own rights and powers," and they were "compelled to take this step" by reason not only of "their position in the Council," but also of "their treatment on many financial questions." In other words, they moved the reduction of salaries not so much because such reduction was, in their opinion, right and necessary, as because the motion appeared to them a convenient method of asserting their "position," vindicating "their own rights and powers," and protesting against the treatment which they had previously met with "on many financial questions." The treatment to which they refer consists, as explained in the rest of the paragraph, of their being used when required, and disregarded when not required, of their being "too often ignored," and "given to understand that their votes and opinions are valueless." I have had the honour of administering several Governments, and I think I may safely claim to be free from any tendency to ignore Unofficial Members of Council or to regard their votes and opinions as valueless. At the same time it must sometimes happen that my duty prevents me from accepting the opinions of the Unofficial Members, and this was the case in regard to the motion for the reduction of salaries. I carefully examined the financial position and prospects of the Colony, and I arrived at the conclusion that the circumstances neither required nor justified the motion made by the Unofficial Members in Finance Committee, and I accordingly directed the Colonial Secretary to oppose the motion if it were brought forward in Council. I had the less hesitation in doing so because the representation of the financial position, on which the motion for reduction was based, was completely at variance with other representations that had only a short time before been made to me in another connection by the Senior Unofficial Member and endorsed by his colleague, Mr. WHITEHEAD. Your Lordship will most conveniently be placed in possession of the circumstances to which I allude by a perusal of the annexed passage from the speech of the Colonial Secretary on the second reading of the Loan Bill.

"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 honourable 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 lotholders on their undertaking to repay the advances within twelve months of the completion of their respective sections."

"Honourable 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 lotholders 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."

It is, to say the least of it, very embarrassing to be assured that the financial position justifies the Government in borrowing an enormous sum and lending it to a very small section of the community, that signs of "approaching recuperation are not wanting," and that the fall in the rents of houses is purely temporary and will soon rectify itself—and then very shortly after to be assured by the same authority that the financial position is so desperate that it is essential, especially in view of the fact that the rents of houses have fallen, to effect a (net) saving of some \$35,000 by the immediate reduction of certain salaries.

13. In paragraph 12 the Memorialists mention that they have frequently objected to the creation of new offices, but as they refrain from specifying those offices, I am not aware to what offices they refer. No new offices have been created since I assumed the administration of the Government. They also object to "the appointment of additional Cadets when there are Cadets still unprovided for;" they have already been informed that there is no intention of appointing any additional Cadets. And lastly, they object to "the appointment of new men to official posts in the Colony when there are officers in the Colony already qualified to fill the vacancies without work to do." The only "new men" appointed to offices in the Colony since I came here are the Colonial Secretary and the Superintendent of the Gaol. I am not responsible for either appointment. I am not aware of any "Officers in the Colony without work to do:" if it be meant that some existing offices might with advantage be amalgamated, I have already recommended such amalgamations to Your Lordship when opportunity may offer.

14. Paragraph 13 relates that the Unofficial Members have repeatedly asked for the appointment of a Retrenchment Committee. As it also draws attention to the "Hansard" reports of the debates on the several motions, I have only to observe that my reasons for not acceding to the only motion made in that behalf during my administration will be found in the report of the 9th May, 1892. The paragraph further gives the total cost of the establishments in each year since 1886. I enclose a * list shewing the details of the additions to establishments, and may here repeat that I have already submitted to Your Lordship my views as to the reductions that may be effected therein.

* Not printed.

15. Paragraph 14 admits that "there may possibly be some difference of opinion in the Colony on the question of official salaries." It would be more correct and explicit to state that the motion for the reduction of the salaries in question has found no support in the Colony outside the Council. It proceeds to state that "there is no division of opinion as to the necessity for a reduction in the cost of administration, and for economising generally by the amalgamation of certain offices." In this opinion, as Your Lordship is already aware, I concur. And finally, it asserts that there is a similar consensus of opinion as to the necessity "for a reformation in the constitution of the Legislative Council, and as to the uselessness in the Council as at present constituted of the presence of an Unofficial element which is habitually over-ruled by the Official vote." The question of the constitution of the Legislative Council is a very large question, and I do not propose at present to discuss it; but I gladly avail myself of this opportunity of testifying that I have, during the short time that I have been here, frequently derived advantage and benefit from the presence of the Unofficial element in the Council, and of expressing the hope that I may frequently derive similar advantage and benefit in the future.

16. Paragraph 15 asks Your Lordship's special reference "to the proceedings in the Council as reported in the *Hongkong Daily Press* of 8th and 22nd December ultimo and posted herewith." No copies have been received with the Memorial; and the issues of 8th and 22nd ultimo of the *Hongkong Daily Press* contain no report of any proceedings in Council, nor is any report of any proceedings in Council contained in the issue of December 22nd, 1891; in that of 8th December, 1891, there is a report of the proceedings (since published in "Hansard") in Council on the 7th of that month. If the papers which are said to have been posted to Your Lordship's address contain anything calling for comment by me, I shall be obliged if Your Lordship will be so good as to draw my attention thereto.

17. In paragraph 16 the Memorialists ask for the appointment of a Retrenchment Commission "consisting of the members of the community unconnected with Government, or at least of a majority of such persons." I see no reason to alter my conviction that the appointment of such a Commission is unnecessary and undesirable, and I am for many reasons, which it is needless here to detail, of opinion that if it were necessary to appoint a Commission, it should consist of persons unconnected with the Colony.

18. The concluding paragraph of the Memorial desires Your Lordship to reply "direct to the Unofficial Members or to their doyen." The reason given for this request is as remarkable as the request itself is unusual. It is stated that "We had occasion within the last year or two to address several letters to the Right Honourable the Secretary of State for the Colonies, and have received neither acknowledgment nor reply. It was only in answer to questions in Council that we learned that there had been any communication at all on the subject of our letters." Since I arrived in the Colony the Unofficial Members have addressed no letter, previous to the present Memorial, to the Secretary of State through me. In 1891 I find that they addressed three memorials to the Secretary of State, viz.: (1) on the subject of the Military Contribution—the Secretary of State's reply was duly laid on the table of the Council; (2) on the subject of the increases of Salaries—the Secretary of State's reply was duly sent to the Senior Unofficial Member, the late Mr. RYRIE; and (3) on the subject of the Sunday Cargo Bill—the Secretary of State's reply was duly sent to Mr. RYRIE. I am not in a position to say what Mr. RYRIE did with the replies.

19. Having now dealt *seriatim* with every allegation and contention contained in the Memorial, I may briefly state my conclusion on the whole matter. I consider that it has been conclusively shewn by the Colonial Secretary that while a certain number of persons have lost heavily by gambling in recent years, the community *taken as a whole* has progressed, and that it is bound to continue to progress; that the financial position of the Colony is satisfactory; that a loan for the public works extraordinary is immediately necessary, and that the fact of this necessity does not in any way controvert the soundness of the financial position; that no case whatever has been made out in support of the motion for the immediate reduction of certain salaries, and that it is to be regretted that the motion was made; that there is evidence in the Memorial, as well as elsewhere, that the reasons urged in the Finance Committee and the Council in support of the motion were not the sole or the mainly operative reasons for the motion being made; and lastly,

that the appointment of a Retrenchment Committee is neither necessary nor desirable I have therefore the honour respectfully to advise Your Lordship not to accede to the prayers of the Memorialists.

20. I have also to beg Your Lordship to pardon the inordinate length of this despatch. If more time had been available, I might have been able to curtail or compress it, but I was anxious not to lose a mail in forwarding the Memorial to Your Lordship, and although the Appropriation Ordinance was passed in Council on the 30th November, 1892, and the protest thereagainst presented as long ago as the 14th ultimo, it was only on last Monday afternoon that I received the Memorial.

I have the honour to be,

My Lord,
Your Lordship's most obedient,
humble servant,

WILLIAM ROBINSON,
Governor.

The Right Honourable

THE MARQUESS OF RIPON,
*Her Majesty's Principal Secretary of State
for the Colonies,*
&c., &c., &c.

Enclosure No. 1.

LEGISLATIVE COUNCIL CHAMBER,
HONGKONG, 12th January, 1893.

MY LORD MARQUIS,

1. We, the Unofficial Members of the Legislative Council of Hongkong, have the honour to hand you herewith enclosed copy of a protest, dated Hongkong the 13th day of December ultimo, laid by us on the table of the Council for record in the Minutes of Council, under the provisions of Rule No. 32 of the Standing Rules and Orders. This protest is the formal expression of our dissent from the decision of the Council in reading a third time and passing, by means of the official majority, the Appropriation Ordinance for 1893—(Ordinance No. 12 of 1892)—in the form in which it has been assented to by the Governor and forwarded to your Lordship.

2. We pray your Lordship to take this protest into consideration, and to give effect to it. We pray you further to advise her Most Gracious Majesty the QUEEN to refuse her Assent to that Ordinance.

(a) The main question debated in Council on the consideration of this Appropriation Bill, was whether the salaries of the principal Civil Servants of the Colony should or should not be reduced to the scale in force in the Colony in 1890, or whether provision should be made for their payment in 1893 at the rates authorized for 1891 and 1892.

(b) In the Finance Committee all the Unofficial Members (five) of Council voted unanimously for the reduction of the salaries, and carried Resolutions amending the Estimates for 1893 in that sense, and reducing the corresponding items in the Appropriation Bill. In Committee of Council, where the Official Members are always in a majority, these votes and items, as originally proposed, were restored by this Official majority, against the unanimous vote of the Unofficial Members; the Bill was thus reported in its original form and not as amended in Finance Committee, was read a third time, and passed. It has since been assented to by His Excellency the Governor, in the name and on behalf of the QUEEN, and published in the *Hongkong Government Gazette* of 3rd December ultimo.

3. The Unofficial Members submit, for your Lordship's consideration, that in Committee of Council on the Appropriation Bill for 1893, the votes of the Official Members—each of whom were directly and personally interested from a pecuniary point of view in the rejection of the Amendments proposed and supported unanimously by the Unofficial Members for reduction of salaries generally—should not have been

tendered or accepted; that their votes were illegal and void; that the Amendments proposed by the Unofficial Members should have been declared to have been carried, and should have been embodied in the Bill as reported from the Finance Committee. The Unofficial Members believe that on principle and by every rule of Parliamentary practice and procedure, the Official Members of Council were disqualified from voting on the occasion in question, and submit that the Bill should have been allowed to pass as amended by the Unofficial Members in Finance Committee of the Council.

4. The Unofficial Members of Council beg further to submit, for your Lordship's consideration, a short history of the increased salaries question, so that in dealing with it you may have before you not only the official view but also the popular aspects of it, and that you may be able to understand the connection which undoubtedly exists between this special question and the general financial condition of the Colony, and the repeated efforts unavailingly made for some time past by the Unofficial Members to get from the Colonial Government an independent examination into the steady and constant increase in the aggregate cost of the administration of the Government, which we regard as exceptionally heavy if not excessive.

(a) In 1888 and 1889 this Colony was undoubtedly, so far as appearances went, in a very prosperous condition, and there was no reason to anticipate any serious alteration in its financial position in the immediate future. We need not do more than refer your Lordship, in proof of this, to Sir Wm. DES VŒUX's exhaustive despatch of 31st October, 1889, to Lord KNOTSFORD, then Her Majesty's Principal Secretary of State for the Colonies.

(b) In that despatch our late Governor was able to refer to the great wealth of the Colony, to the increased market value of the shares in all registered Companies in Hongkong, to the enormous rise in the value of land, and to the certainty of a further increase therein, leading to a great enhancement of revenue from land sales, crown rents, and an increased volume of taxation, and to a vast commerce in a healthy state of progress, etc., etc.

(c) A proposal was made at that time and most cordially supported, not only by the then Unofficial Members of Council but by the community generally, to improve the pay of the Civil Servants, compensating them in some way for the then rise in the cost of living in the Colony generally, *but more especially in the item of house rent.* The value of land in the Colony at that time was indeed very great, and rents were higher than they had ever been before. Early in 1889 a Commission, composed entirely of Unofficial Members of Council (the Chairman only excepted), recommended a general advance in salaries all round. The then Secretary of State for the Colonies approved of the recommendations with various alterations and modifications and after prolonged consideration and discussion in despatches and in Council a revised scale was approved and introduced into the Estimates for 1891. But, during the two years that had elapsed since the first proposals were made, great changes had taken place in the financial condition of the Colony. In his speech in the Council, on 19th March, 1891, Sir G. W. DES VŒUX forcibly pointed out that the Colony was suffering largely from three causes which had hit Hongkong extremely hard—one was the restrictive legislation against Chinese in the Australasian Colonies and in America; another was the increased cultivation of the Poppy in China, which had diminished our Opium Imports; and the third was the decline in the export of Chinese Tea owing to the competition of India and Ceylon. Land had fallen greatly in value; we were largely over-built in the City of Victoria, at the Peak, Magazine Gap, and at Kowloon; house rents were going down considerably in almost all instances; immense sums of money had been lost through unprofitable trade in tobacco planting in British North Borneo, mining ventures in the Malay Peninsula and elsewhere, and a number of the new local enterprises had not yet yielded any return on capital invested, while many others were in course of liquidation; the unprecedentedly violent fluctuations in the gold value of silver had paralyzed and rendered Export and Import trade not only unprofitable but disastrously bad, resulting in heavy losses, and the Colony's revenue showed every symptom of a serious falling off, more particularly the revenue derivable from the Government's Opium Farm, which was at that period about one fourth of the Colony's total income. This state of affairs was aggravated by the Military Contribution to the Imperial Government from the Colony being increased from £20,000 to £40,000 per annum, or to nearly one sixth of our total annual revenue, on the ground that an increased Garrison was essential.

Under these circumstances, and while the proposed increase in salaries was under consideration of the Secretary of State for final approval, the Unofficial Members of Council by telegram and by letter entreated his Lordship in the then generally unsatisfactory condition of the Colony to withhold his sanction from the proposed increase, and allow the whole matter to stand over until it was seen whether the Colony could or would recover from its then state of financial and general depression. The payment of the enhanced rates of salary in the Colony was actually suspended for nearly six months pending the result of this appeal to the Secretary of State, and the Civil Servants were expressly warned by the Governor that if payment was made it would be only for the year, and that the whole question of salaries was open for reconsideration and revision in the next and following annual Estimates. Lord KNUTSFORD finally directed the payment for 1891 of the increased rates of salary, on the allegations that house rent for Europeans had increased from 100 to 150 per cent., and for Chinese 100 per cent. Distinct official caution was given to the officers concerned that it was not to be looked upon as a permanent increase, but as an increase that was open to reconsideration and reduction in the next or any following year, if there was no improvement in the financial condition of the Colony.

5. This being a brief history of the question of the increase in official salaries, can it be maintained, as it has been, that the Civil Servants have a vested interest in these increased salaries and that the Unofficial Members are guilty of a grossly inequitable attack on vested interests in moving now for the reduction of these salaries to their former level? We submit that it cannot be so maintained. The power to re-examine and re-adjust them if necessary was specially reserved, and the recipients were officially cautioned that they were not to look upon the increased salaries paid in 1891 as a permanent improvement.

6. Is there any justification now for the present endeavour to reduce the increased salaries to the 1890 level?

(a) The three causes, referred to by Sir G. W. DES VŒUX, viz., restrictive legislation against Chinese in Australasia and America; the increased cultivation of the Poppy in China, which diminishes our Opium Imports; and the decline in the Export of Chinese Tea, owing to the competition of India and Ceylon, are still causing the Colony to suffer more largely and more severely than before, and whether any improvement can be looked for in the immediate future is extremely doubtful.

(b) Land has not improved in value; it is lower now than it has been for a number of years; and Land Sales have fallen off. It is improbable that the value of Land will improve for some time to come, as we are already largely over-built generally throughout the Colony, and the Reclamation of new land, along the Praya central westwards from the sea, will be available for building purposes sooner or later.

(c) Is the general trade of the Colony either amongst Chinese or Europeans profitable or even satisfactory? Undoubtedly not. Here (as in many other places) it is bad, and has been for the last two years, probably worse than at any time in the Colony's history. There has been, unfortunately, continued general commercial and financial depression, apprehension, anxiety, and suspense; there is a general want of confidence, credit is seriously contracted, and several of the most respectable and oldest established of our mercantile houses have, under the strain of continuous heavy trade losses, collapsed, while the violent fluctuations in Exchange and the unprecedented decline in the gold value of silver have been the chief factor in bringing about the fall of the oldest Exchange Bank in the East, as well as largely contributing to the collapse of another Banking Institution whose Banking Assets recently were upwards of Ten and Three-quarters Millions of Pounds Sterling.

(d) The trade of the adjoining Province, Kwangtung (Canton), has not shewn any increase in the first nine months of 1892 as compared with the corresponding period of 1891; on the contrary, the Chinese Customs Revenue shews a decrease of almost ten per cent., or over Taels 415,000. The published Returns of the Chinese Imperial Maritime Customs give:—

Revenue for the first nine months of 1891,...Taels 4,244,994.24

Revenue for the first nine months of 1892,... ,, 3,829,906.57

The decrease for the first three quarters of 1892 as compared with the same period of 1891, at Canton being over 5 %, at Lappa (Macao) over 15 %, and at Chinese

Kowloon over 20 %. The Chinese Customs Revenue may safely be regarded as an index to the variations in trade, and even the decreased volume thereof, for the reasons before mentioned, has in many instances resulted unprofitably. Trade cannot improve while the gold value of silver continues shrouded in boundless uncertainty and violent fluctuations in Exchange are taking place.

(e) Returns may shew some increase in the tonnage of shipping frequenting the harbour, but it is notorious in the Colony that a number of the steamers calling here have not been paying their running expenses, while nearly all have suffered pecuniarily in sympathy with the exceedingly unsatisfactory state of shipping all over the world. Shipping is undoubtedly of the very first importance to the Colony, but the alleged increase of tonnage can in no measure be reasonably construed as shewing any increase of prosperity in trade here. Such a deduction is more or less fallacious. According to the Estimates the revenue from Light Dues is on the decrease. The figures are:—

In 1891,	\$89,656.69
Revised Estimate for 1892,	87,142.31
Estimate for 1893,	87,000.00

(f) The destination of nearly all the Rice and other Imports from the Northern Ports is Canton. The Steamers carrying these merely pass through our waters, but the inclusion of their tonnage in our Harbour Statistics has led and leads to erroneous deductions. A large number of the Ocean Steamers to and from Europe, America, &c., in like manner swell the official tonnage returns, but in reality may add little to our revenue, and many of them contribute nothing to the trade profits, the steamers having in many instances to call, even with little or nothing to land in, or take from the Colony. They have to call for the sole purpose of transhipment of Cargo and Branch Line requirements.

(g) The Colony's Revenue from Opium has not increased or even been maintained. The rent from the Opium Farm has fallen from \$389,900.00 in 1891, and \$519,000.00 estimated for 1892, to \$340,800.00 per annum for the next three years. The revenue from this source is of a most uncertain and precarious nature.

(h) The Revenue obtained from Subsidiary Coinage shows a large decrease. In 1890 it was \$90,217.87, in 1891 \$73,347.09; the revised Estimate for 1892 is only \$8,500.00, and the Estimate for 1893 is \$17,000.00.

(i) The Revenue of the Colony is not as productive and as elastic as when these augmentations in salaries were recommended. There was then a large surplus Revenue over Ordinary Expenditure. The surpluses were:—

In 1889,	\$519,107.57
In 1890,	541,638.27
In 1891,	157,229.25
Estimated surplus in Revenue in 1892,	115,216.00
Estimated possible surplus in Revenue in 1893, ...	6,785.00

(j) Ordinary Expenditure, in spite of all the efforts of the Unofficial Members, continues to increase annually, and, we think, out of proportion to the real needs of the Colony. The figures are as follows:—

In 1889,	\$1,459,167.16
In 1890,	1,470,221.00
In 1891,	1,868,073.26
The latest estimate for 1892 is.....	1,882,000.00
While the estimate for 1893 is.....	1,899,611.00

(k) House rents are lower now than they were in 1889-1890. The fall has been great; though the effect of this on the Revenue has not yet been felt. The annual valuations have hardly yet been altered. It was solely on the ground of the great increase in house rents in the Colony that Lord KNUTSFORD sanctioned the increased salaries. (See his Lordship's Despatch of 3rd April, 1891, more particularly para. 12.)

7. The Governor recognized plainly in his statement to the Council at the opening of the present Session the need of retrenchment in every direction, and said :—

“In the public service vested interests cannot be disregarded, and all retrenchments consequently must be more or less of a prospective nature. I have publicly stated that when opportunities arise I will take advantage of them, but time is required to effect all such reforms. The Civil Service is to a certain extent over-officered, and the salaries of the clerical service are capable of reduction as vacancies occur.”

8. In his despatches to your Lordship he tells us that he has recommended reductions of salaries, amalgamation of offices, abolition of appointments as opportunities offer, and has had to ask your sanction for a loan. He evidently agrees with us that the present rates of salary are high, for he has recommended and carried a very considerable reduction in the salary of the new Registrar of the Supreme Court, and he proposes to do the same with all offices as opportunities occur.

9. The Governor confesses that there is need of retrenchment and reform, that some of the salaries are too high and ought to be reduced, and that the official staff is too numerous. We are also decidedly of His Excellency's opinion and consider that the circumstances which appeared to justify the 1891 increase no longer exist; that an annual economy of \$35,000 or \$40,000 or more may be easily effected without delay and without hardship, and that as increases were granted and paid upon the express condition that they were open to early reconsideration there is no vested interest to be affected by their revision, and that there is nothing unjust or inequitable in our moving accordingly.

10. In his Excellency the Governor's address herein before referred to he admits that the state of affairs now, so far as finance is concerned, cannot be considered entirely satisfactory. We quite share in this view, and as to the future we keenly feel the imperative necessity for economy and retrenchment.

11. The Unofficial Members beg leave to point out to your Lordship that their position in the Council, and their treatment on many financial questions by the Government and by the Official Members of Council is such that they are compelled to take this step for the protection of the interests of the Colony, and in vindication of their own rights and powers as guardians of the public purse. If any increase of expenditure is proposed locally and it happens to meet with the approval of the Unofficial Members of Council they are consulted and their opinions are cited to your Lordship as justifying the expenditure. It is they who have voted for it. If they disapprove they are too often ignored and given to understand that their votes and opinions are valueless and that their presence in Council might well be dispensed with, and that it is for the Executive Government and for your Lordship to determine what is necessary and proper. If a demand is made on the public purse for any purpose disapproved of by the Government or not cordially supported, the responsibility of rejecting it is thrown on the Unofficial Members.

12. The Unofficial Members have recently objected and objected frequently to the creation of new offices, and the consequent increase in the public charges without their ever being consulted, or having even an opportunity of expressing an opinion on the matter. They are asked to vote the money needed when it is impossible to refuse it. They object to the appointment of additional Cadets when there are Cadets still unprovided for, and to the manufacture of posts to give them salaries when they become too old to be styled as Cadets. They object to the appointment of new men to official posts in the Colony when there are officers in the Colony already qualified to fill the vacancies without work to do.

13. The Unofficial Members have asked the Colonial Government on three different occasions since April last for a Commission to enquire into the whole question of public Expenditure. We refer your Lordship to the debates in Council on 10th April, 1891, 7th December, 1891, and 9th May, 1892, as reported in the Hongkong Hansards, 1890-91, and 1891-92.

The cost of the salaries and personal allowances alone has risen as follows :—

In 1887,.....	\$547,650
„ 1888,.....	\$552,875
„ 1889,.....	\$602,183
„ 1890,.....	\$655,233
„ 1891,.....	\$758,139 (estimated).

Estimated for 1892 about \$774,000, and possibly a still larger estimated amount for 1893, hence our motion for reduction to the 1890 basis, with the view to general retrenchment, and the strictest economy which we regard as absolutely necessary.

14. The Unofficial Members of Council beg to point out to your Lordship that although there may possibly be some difference of opinion in the Colony on the question of official salaries, there is no division of opinion as to the necessity for a reduction in the cost of administration, and for economising generally by the amalgamation of certain offices, as well as for a reformation in the constitution of the Legislative Council, and as to the uselessness in the Council as at present constituted of the presence of an unofficial element which is habitually overruled by the Official vote.

15. We further beg to ask your Lordship's special reference to the proceedings in the Council as reported in the *Hongkong Daily Press* of 8th and 22nd December ultimo, and posted herewith.

16. We ask that an independent Commission, *i.e.* one consisting of the Members of the Community unconnected with Government or at least of a majority of such persons, should be appointed with full power to investigate and report on the cost of the Administration.

17. We venture to hope that your Lordship will reply to this letter direct to the Unofficial Members or to their *doyen*. We had occasion within the last year or two to address several letters to the Right Honourable the Secretary of State for the Colonies and have received neither acknowledgment nor reply. It was only in answer to questions in Council that we learned that there had been any communication at all on the subject of our letters.

We have the honour to be,

My Lord,

Your Lordship's most obedient

humble Servants,

(Signed)	C. P. CHATER.
(„)	HO KAI.
(„)	T. H. WHITEHEAD.
(„)	E. R. BELLILIOS.
(„)	J. J. BELL-IRVING.

We, the undersigned Unofficial Members of the Legislative Council of Hongkong, both nominated and elected, desire to place on record our unanimous protest against the Appropriation Ordinance for 1893, entitled—

An Ordinance enacted by the Governor of Hongkong, with the advice and consent of the Legislative Council thereof, to apply a sum not exceeding Two millions Two hundred and Fifty-six thousand Three hundred and Seventy-five Dollars to the Public Service of the Year 1893.

numbered 12 of 1892 and published in the *Hongkong Government Gazette* of the 3rd instant as having been passed by this Honourable Council on the 30th day of November, 1892, and as having been assented to by His Excellency the Governor, in the name and on behalf of the Queen, on the 3rd day of December instant.

We protest against the inclusion in that Ordinance, contrary to the unanimous votes and opinions of all the Unofficial Members of the Council in the Finance Committee and in the Committee of the Council, of large sums for the salaries of the Civil Servants of the Colony in excess of the amounts voted and approved by all the Unofficial Members in the Finance Committee and reported to the Council, and far in excess of what, in our opinion, are necessary or the Colony can reasonably afford to pay.

We protest against the Colonial Secretary and the Official Members of Council voting in Committee of Council, and in Council on the third reading of the Bill, in support of votes for their own salaries in excess of the amounts approved by us in the Finance Committee as reported.

Members of Council are legally incapable of voting on questions in which they are directly pecuniarily interested. They are disqualified on principle and by the law of Parliament formally declared in a recent case in England, and we protest and declare that the votes of the Official Members of Council on the Appropriation Bill, so far as the question of official salaries was concerned, were null and void and of no effect.

We claim that the amendments proposed in Committee of Council for the reduction of official salaries to the scale in force in 1890 were duly carried by a majority of legal votes; that the votes recorded against the amendments were null and void and ought not to have been counted and that the Appropriation Bill ought to have been reported and passed with these amendments.

For the reasons above given we formally and unanimously protest against the so-called Appropriation Ordinance for 1893 as published, and declare it not to have been duly passed by this Honourable Council and not to be law.

Dated Hongkong, this 13th day of December, 1892.

(Signed) C. P. CHATER.
 („) HO KAI.
 („) T. H. WHITEHEAD.
 („) E. R. BELILIOS.

Enclosure No. 2.

THE BOMBAY YARN TRADE IN HONGKONG.

Mr. P. EDULJEE, in his annual report on the Bombay yarn trade in Hongkong, says:—

“The trade in Indian Grey Yarn continues to advance with rapid strides, and the year just past shows an exceptionally prosperous period both to dealers and importers with a substantial increase in volume and price. Total imports to China and Japan which amounted to 389,862 bales in 1891 show an increase of 54,012 bales in 1892 or nearly 14 per cent. In Hongkong alone receipts increased from 218,732 bales in 1891 to 247,569 bales in 1892 or over 13 per cent., whilst direct shipments to Shanghai and Japan advanced to 196,305 bales as against 171,130 bales in 1891 or nearly 15 per cent. Consumption has also kept pace with arrivals, and whereas Hongkong shows an increase of 57,660 bales or nearly 35 per cent. during the past year over that of the previous twelve months, sales in Shanghai have increased from 144,337 bales in 1891 to 184,386 bales in 1892 or nearly 28 per cent. and in Japan from 14,439 bales to 25,337 or over 75 per cent. During the first six months prices were very slow to move and showed a fluctuation of \$1 to \$2 per bale, but during the latter half of the year the market took a decidedly upward turn, and in spite of one or two ineffectual attempts to bear prices, values have steadily advanced, and during the year the appreciation may be estimated at \$15 in No. 6s. and 8s., \$13 in No. 10s. and 12s. and \$10 in No. 16s. and 20s., and although rates in India showed a corresponding advance, the margin on costs has been more or less considerable. In closing the last annual Report it was remarked that ‘since the introduction of the trade into China there has been no more disastrous period both to importers and native dealers than the year just past.’ Not only have supplies increased during the last twelve months, but consumption has increased from 161,504 to 219,164 bales, the country being in a better position to absorb more imports, having been happily free from droughts or floods during the period under review.”

“The Northern Ports, more especially the large neighbouring markets of Shanghai, have greatly contributed to our advancement, and indeed during the first half of the year were it not for the heavy exports to that port, and the large orders received therefrom we would not have been able to report so good a progress in our market. To give a vague idea of how the trade in Shanghai has expanded during the last four years it is only necessary to mention that whereas in 1889 only 55,401 bales were consumed in that market the consumption last year shows 184,386 bales or an increase of nearly 129,000 bales or over 230 per cent.”

“In November 1890, when the new system of clearance in 3 months was adopted by the principal Indian importers in Hongkong, fears were entertained in certain quarters as to the advisability of the movement, and all sorts of evils to the trade were prognosticated. The system has had now a fair trial of over two years, and not only have the croakings of the pessimists not been verified but the market has assumed a healthier aspect and every fictitious element which led to inflated sales and spurious prices in the past have been eliminated from the trade. During the last twelve months the productions of two new mills have been introduced into our markets, namely, the *Coimbatore* (in Madras) and *Raja Nagar* (in Amehabad). Three new mills are in course of erection in Bombay island, namely, the Bomanjee Petit Mills, The Hope Mills, and Jacob Sassoon Mills, one in Calcutta and four others in as many commercial centres of India, making a total of eight new mills, whose production we may see imported into our markets during the ensuing year. The trade with Japan has last year unexpectedly taken an upward turn, as is evidenced by the increased consumption of nearly 11,000 bales over that of 1891. The scarcity of Raw Cotton has been the principal factor at work in the altered circumstances of the trade. This improvement, however, may not be taken as a criterion, as, given another prosperous year and cheap long-stapled raw material, the Japanese bid fair to drive the foreign article from the country at no distant date. Already there is a talk of a contemplated addition of one hundred thousand spindles to the productive powers of local Mills. This would mean an increase of about 175 bales a day or close upon five thousand bales per month to the local out-put. At the close of 1889 the number of Mills throughout Japan was 34, running an aggregate of 268,988 spindles, increasing to 37 mills in 1890 capable of running 382,976 spindles. It is estimated, however, that only 270,000 spindles on an average were employed during the year producing only 110,000 bales of 400 lbs. In 1891 the number of Mills was reduced to 36, and at the close of the first half of last year they stood at 35 with 324,800 spindles producing 102,500 bales as against 110,000 bales in the whole of 1890 and 110,625 bales in 1891. Whilst this is being written, telegraphic news has been received from Japan of the total destruction by fire of two Mills in Osaka containing 30,000 spindles. The great drawback to the local industry in Japan is the unsuitability of the Home-grown Cotton for spinning either alone or after mixing with other staple on account of its harshness and shortness, and the cost to which the Mills are put in supplying themselves from foreign markets. Notwithstanding these drawbacks the country is advancing with steady progress both in the volume and quality of the manufacture suited to its requirements, and in the course of a few years Japan will not only offer an exceedingly poor outlet for Indian yarns, but be a no mean competitor with Bombay Mill-owners in China markets. In lieu of the manufactured article, however, Japan is now a large buyer in India of Raw Cotton, and the pace at which the trade is advancing since its commencement some two years ago gives promise of a no inconsiderable expansion in the near future.”

Secretary of State to Governor.

HONGKONG.

No. 71.

DOWNING STREET,

21 April, 1893.

SIR,

I have the honour to acknowledge the receipt of your despatch No. 12 of the 17th January last, forwarding a Memorial from the Unofficial Members of the Legislative Council in support of their Protest of the 13th of December, and praying that Her Majesty should be advised to refuse her assent to the Appropriation Ordinance (No. 12 of 1892), and that a Commission should be appointed to investigate and report upon the cost of the local administration.

2. I have already, in my despatch No. 25 of 15th February, dealt with the Protest itself, and in my despatch No. 24 of the 14th February, I informed you that Her Majesty would not be advised to disallow the Ordinance, and that I was satisfied that no sufficient reason had been shown for reducing the salaries of any of the existing officers of the service.

3. I have now again carefully considered the position as presented by the Unofficial Members in their "Memorial," and will proceed to explain the reasons which confirm me in the view that my decision was the right one. I fully admit that the reduction of salaries of Civil servants is a measure which may be taken under stress of financial necessity, but I do not see that the condition of the finances of Hongkong justifies such an exceptional step. The Revenue has steadily improved every year for the last nine years, rising from \$1,193,000 in 1884 to a sum (omitting exceptional windfalls) of about \$2,100,000 in 1892, a rise of 76 %. It is true that the Expenditure has largely increased in the same period, a result, I may observe, due more to the addition to "Services exclusive of Establishments" than to the growth of Establishments which have only increased by 37 % against a rise of 76 % in Revenue. But I see nothing in the existing financial position which can not be remedied by ordinary measures of prudence and retrenchment not involving hardship to existing holders of office.

4. Before discussing the question of retrenchment it may be well to make clear what has been the attitude taken up on the salary question by successive Secretaries of State, and by the Unofficial Members of the Legislative Council respectively.

5. In 1883 a Memorial was received from a number of Civil servants, applying for a general increase of pay; the answer of the Earl of Derby was a decisive refusal to accede to the application, (as will be seen by reference to the correspondence noted in the margin). For the next five years the question appears to have remained in abeyance.

Gov. No. 68 19.3.83.
S. of S. No. 93 12.5.83.

6. The question, however, was raised afresh in connection with the Estimates for 1889, and the proposals then put forward were supported by the Unofficial Members, or at all events by some of them, who expressed an opinion in favour of an increase amounting to 20 or 25 % all round. In dealing with this phase of the question, my Predecessor refrained from committing himself to any approval of such general increase, confining himself in the first instance to a suggestion that a Committee composed of Officials and Unofficial Members should be appointed to investigate and to report upon the general cost of living under specified heads of expenditure, in the years 1874, 1879, 1884, and 1889 respectively.

7. The suggested Committee, with the exception of its President, was composed wholly of Unofficial Members; and in its report it was unanimous in expressing the opinion that there had been a rise not only in house rent, but also in the cost of living generally since 1874, and in recommending that the salaries of the higher officers should be restored to their sterling value, taking the dollar at what was its exchange value in 1875. This recommendation, had it been adopted, would have had the effect of immediately increasing salaries by 35 per cent. in dollars, an increase that would by now, owing to the further fall in the sterling value of the dollar, have even exceeded 35 per cent. The claims of the Civil service being thus vouched and recommended by the Unofficial Members of Council, who may be regarded as in some degree special guardians of the public purse, and there being, moreover, a quantity of evidence, tending to prove that the views of those on the spot were based on fact, Lord Knutsford could not well have taken any other course than that of accepting in principle what was being urged upon him. But he declined to go so far as to sanction the somewhat hazardous proposal of fixing the salaries in sterling, and adopted what has proved the more cautious alternative of a fixed addition in dollars not exceeding 35 per cent. to the salaries as they stood in 1875. His Lordship's views were embodied in great detail in his despatch No. 110 of the 19th of June 1890, and the conditions and exceptions therein laid down were, I would point out, almost entirely in the direction of restricting the operation of what the local Government proposed, and afford strong evidence of a desire to protect the public purse.

8. The despatch of the 19th of June, together with the revised scheme of salaries which it authorized, came before the Legislature in connection with the Estimates for 1891, at a time when, I may observe, the members were fully aware of the demand made by the Imperial Government for a larger Military Contribution, but notwithstanding this knowledge the Council voted the increases; and these were in due course, but subject to certain criticisms and exceptions, sanctioned by the Secretary of State in his despatch No. 71 of 3rd April 1891. Shortly after that despatch was posted, he was made aware by a telegram from the Unofficial Members that they had altered their views on the question, but when the reasons on which that change of opinion was based came to be examined by him, they did not appear to him to justify a reversal of a decision which had been arrived at largely in deference to the views put forward by Unofficial Members.

9. This decision may be taken to have been for a time at least accepted, but the Unofficial Members seek to re-open the question on grounds with which I shall briefly deal. I cannot admit the accuracy of the view that my Predecessor agreed to the increase of salaries simply on the ground of the increase in house rent. In his despatch of 19th June 1890, he intimated that his decision was based on the increased cost of living generally; and the 12th paragraph of his later despatch, dated 3rd April 1891, so far from bearing the construction put upon it by the Unofficial Members rather shews that his Lordship thought the increases permissible, notwithstanding a certain amount of doubt on his part as to the alleged grievance about house rent. There is not sufficient information before me to enable me to form a final and unhesitating opinion as to whether at the present time rents have fallen or not in comparison with 1889, but however this may be, I would point out that it is not the crucial question. What the Unofficial Members ought to have shown in order to establish their point, is that the rents of 1892 are as low as those of 1875, which was notoriously a period of depression in the real-property market.

10. Certain observations made by Sir W. DES VŒUX shortly before quitting the Colony in 1891, as to the power of the Legislative Council to revise and reduce salaries in future from year to year, appear to be relied on in the Memorial. Their application appears not free from ambiguity, but, whatever may have been their scope and intention, they were not adopted by my Predecessor, and are not binding on Her Majesty's Government. To act on them—or rather on the interpretations assigned to them—would be to treat the remuneration of Civil servants on a principle which appears to me objectionable. It would be saying in effect that salaries may be made to rise and fall with the rise and fall in the prosperity of the Colony and even with the rise and fall of share values in the local money market.

11. Even if it could be shown that the Civil servants have been more fortunate than the facts as to house rent and other items in the cost of living would have justified, it must be remembered that owing to my Predecessor's refusal to fix the salaries on a sterling basis the Civil servants are, through the fall in exchange, now losing some of the advantage which it was thought at the time and on the spot, that the settlement would give them. I am prepared indeed to admit that they were treated with liberality, and the settlement of 1890–1 should (unless in the case of some change at present totally unforeseen) be deemed to exclude the consideration of any further claims which may be advanced on the ground of increased cost of living, fall of exchange, or other similar causes.

12. But whilst I am thus unable to meet the views of the Unofficial Members as to existing holders of office, I may observe that my attention has for some time been directed to less questionable methods of Retrenchment. In my despatch of 24th October last I expressed myself in favour of abolishing certain of the higher appointments; and in my despatch No. 270 of 28th November last I approved certain considerable prospective decreases in the Clerical Establishment.

13. I have further come to the conclusion that, notwithstanding what has already been decided in the direction of economy, additional advantage would be derived from instituting a comprehensive enquiry affecting all Departments in the Service, so that the facts and the possibilities of reduction in the future may be placed on record, and thus no opportunity of effecting retrenchment allowed to slip by.

14. I desire therefore that you will appoint a Committee for this purpose, over which the Colonial Secretary or the Chief Justice might preside, with one or two other Government officers and certain Unofficial Members of the Council as colleagues; it being clearly understood that the reference to the Committee does not extend to the question of reducing the salaries of existing officers.

15. You will be good enough to communicate this despatch to the Unofficial Members by sending a copy to the Senior among them and by laying it on the table of the Council together with my two despatches referred to in a previous paragraph (No. 12).

I have the honour to be,
Sir

Your most obedient, humble servant,

RIPON.

Governor

SIR WILLIAM ROBINSON, K.C.M.G.,

sc.

sc.

sc.