

# REPORT ON THE FINANCES OF THE COLONY

BY THE

*Colonial Secretary and Auditor General.*

*Presented to the Legislative Council by Command of  
His Excellency the Governor.*

The balance of the assets of the Colony on the 1st January, 1884, was \$1,067,200. The Revenue of the year according to a revised Estimate made in September last will probably not exceed \$1,151,000.

2. On ascertaining that the Revenue would fall short of the original Estimate every reduction that was possible was at once effected in the Expenditure, but works commenced, or for which the Government was pledged by its acceptance of contracts, could of course not be abandoned. The ordinary Expenditure of the present year is now estimated at \$1,183,600.

3. In the Estimates of the present year a further sum of \$272,000 was provided to be defrayed out of balances of which \$100,000 were on account of the Tytam Water Works, and \$172,000 for extraordinary Sanitary Works recommended in Mr. CHADWICK'S report.

4. The Expenditure on the Tytam Water Works during the year will probably be \$150,000, the increase being attributable to the large consignments of cement, requisitioned from the Crown Agents; to the purchase of heavier boring machinery for expediting the construction of the tunnel, which machinery has arrived and is now being transported to the spot; and to the great excess of unforeseen work in carrying down the foundations of the Reservoir dam to a solid bottom on the rock.

5. The extraordinary works will, it is estimated, cost this year \$177,180, or \$5,180 in excess of the Estimate. The Surveyor General has effected reductions on the original Estimate to the extent of \$20,000. But the damages caused by the Typhoon last September entailed an unforeseen and unavoidable expenditure of \$19,180. This, together with some other works, the execution of which has been sanctioned by the Council, accounts for the excess over Estimates.

6. The Secretary of State for the Colonies has moreover recently authorized the immediate construction of certain Military defence works, the urgent necessity of which has been repeatedly represented, and is generally recognized. The cost of these works and of their armaments is estimated at £93,125, but the Colony will be asked to contribute only the cost of construction of the works estimated at about £56,000 say at 3/8d., \$305,454, of which about \$59,000 will probably be expended before the end of this year.

7. The position of the Colony at the commencement of next year, as far as can be foreseen, will therefore be as follows:—

Balance of assets 1st January, 1884, .....	\$1,067,200	
Probable Revenue of 1884, .....	1,151,000	
		————— \$2,218,200
Probable ordinary Expenditure, .....	\$1,183,600	
Extraordinary Tytam Water Works, .....	150,000	
Sanitary and others, .....	177,180	
Fortifications, .....	50,000	
		————— \$1,560,780
		————— \$ 657,420

The year 1885 will therefore probably be commenced with a balance of assets of \$657,420.

8. The Revenue of 1885 has been estimated at \$1,212,188, but as the Estimates were framed early in the present year before the expiration of the first six months, the collections of that period could not be taken, as is usually done, as a basis for the calculations. It will now in my opinion be necessary to reduce these Estimates to \$1,135,000, and a corresponding reduction must necessarily be made in the Estimates of Expenditure.

9. It becomes necessary therefore to review carefully the undertakings to which the Colony is already pledged before any further extraordinary expenditure is sanctioned, as the Revenue of the Colony cannot be said to be elastic, and in my opinion is more likely to decrease than to increase. Money can, it is true, be brought into the Treasury by the occasional sale of land, but this source cannot be looked upon as inexhaustible and is, properly speaking, not Revenue. The extent of land that is of any value is limited, and it is inexpedient to put too much in the market at one time. I see no item of Taxation that can be increased so as to produce results of any importance, although the amount of taxation in this Colony is far from high. Taking the whole of the Revenue of 1884 it would be at the rate of \$7.00 per head of the population, but this includes duty on Opium boiled for exportation, as well as interest, reimbursements, &c., which can hardly be properly looked on as local taxation. A scheme was proposed by Sir JOHN POPE HENNESSY of establishing a Spirit Farm, and an Ordinance was laid before the Council in 1879 for this purpose. The Revenue anticipated from this source was \$70,000, but the scheme was abandoned by the Governor.

10. The works on which the Colony is actually engaged and which therefore must be completed, and the amounts which will have to be expended on their completion, are as follows:—

Tytam Water Works, .....	\$ 500,000
New Central School or Victoria College, .....	90,000
Military Defences, .....	255,000
New Central Market, the land for which has been partly resumed, .....	150,000
Drainage and Sanitary works in the Chinese part of the City and Villages, .....	550,000
	————— \$1,545,000

The construction of the following works has also been approved by the Secretary of State:—

Five New Schools, .....	\$ 25,000
Repairs and Extensions of Police Barracks, for some years past reported to be necessary on Sanitary Grounds,.....	135,000
Other Sanitary works recommended by Mr. CHADWICK in connection with main drainage and the proper sewerage of all private tenements,	1,000,000
And it has also been decided that a new gaol is necessary, the cost of which is estimated at about, .....	400,000

11. Now to meet these important works we have a probable balance of assets of \$657,420 and it is proposed to raise a loan of *say* \$1,000,000. I do not think that in the present state of the Finances of the Colony a loan for a larger amount can be undertaken, as this will necessitate an annual provision of a sum of at least \$70,000 reckoning the interest on the loan at 4 per cent. and a sinking fund of 3 per cent. If the Government of the Colony pledges itself to a larger loan, it may find difficulty in meeting its engagements, and be only able to do so by the sacrifice of all ordinary expenditure on Public Works and Roads for several years.

12. It is clear therefore that this Government ought not at present to undertake any new works, the execution of which could be conveniently deferred to some future date. The Government should reserve its sanction strictly to new works, the immediate completion of which is an absolute necessity, such, for instance, as the Quarantine Station on Stone Cutters' Island estimated to cost \$10,000. By undertaking at the same time too many works on a large scale, it may find itself compelled to have to determine, in the course of a year or two, which of such works shall be proceeded with, and which shall be postponed, until a more flourishing state of finances permits of their being completed.

Audit Office, Hongkong, 10th November, 1884.

(Signed) W. H. MARSH.