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THE LEGISLATIVE COUNCIL OF CEYLON.

ADDRESS OF HIS EXCELLENCY SIR HENRY A. BLAKE, G.C.M.G., DECEMBER 12, 1905.

HONOURABLE MEMBERS OF THE LEGISLATIVE COUNCIL,

IN accordance with the desire expressed before my departure in September the usual observations on the general state of the Colony by the Officer Administering the Government have been deferred until my return. Allow me to assure you of the pleasure with which I find myself again among you, and before I proceed to speak as to the result of the past year's operations or my proposals for the immediate future I desire to offer my congratulations to the three gentlemen whose names appeared in the last lists of Birthday Honours upon the gratifying evidence that their services to the Crown and Colony have been appreciated by His Majesty the King.

From the lucid statement of the financial position of the Colony laid before you by the Lieutenant-Governor at the Opening Meeting of the Legislative Session you will have seen that the probable balance to be carried forward to next year's accounts will be some Rs. 3,700,000, to which it is estimated that a further surplus of Rs. 3,320,000 will be available at the end of 1906. Of the proposed appropriation of this sum of Rs. 7,000,000 the particulars have been given in the statement to which I have alluded, the nett result being that there will be an available surplus at the end of 1906 of Rs. 3,000,000, of which sum Rs. 1,500,000 will be appropriated to the construction of a Branch Railway to Negombo, a line that in my opinion will materially assist in the development of that attractive district and the country to the north.

On 1st January, 1904, the debt at current rate of exchange was Rs. 73,644,559 and on 1st January, 1905, Rs. 73,716,276, the increase being due to variation in rate of exchange. The charges on account of interest and Sinking Fund were on 1st January, 1905, Rs. 3,443,097, and of this amount Rs. 1,847,751 were on account of the portion of the debt incurred for Railway Extension. The surplus Railway Receipts after defraying this charge and the ordinary expenditure on account of maintenance and capital charges amounted to Rs. 2,002,800.

Of the Debt of Rs. 73,716,276, 40½ millions were on account of Railway Construction, 25¼ millions on account of Harbour, and the balance 8 millions for Waterworks and Irrigation.

The amount already borrowed for Harbour Works, 25¼ millions, has been fully expended. The expenditure on the New Harbour Account to 31st August last was Rs. 22,231,472, of which a little more than Rs. 20,000,000 was met from proceeds of Loan, while the balance was met from Cash Balances of the Colony pending the raising of the new Loan. The amount still required to complete the works definitely sanctioned is about Rs. 2,852,557. The appropriations on account of Harbour are thus Rs. 25,087,030, although the revised estimate in 1904 was Rs. 22,223,212. The excess is principally due to the following items:—Graving Dock Rs. 821,654, Dredging Rs. 401,565, Wet Dock Survey Rs. 31,000, Fishery Harbour Rs. 531,000, and Coaling Jetties Rs. 1,269,000. A saving of Rs. 193,000 was, however, effected on account of new Priestman's Grab, Tugs, &c., from the appropriations amounting to Rs. 22,223,212 in 1904.

Loans to Local Boards and other public bodies amounted to Rs. 1,245,327 on 1st September, 1905, of which Rs. 468,009 have been repaid, leaving a balance of Rs. 777,318.

On the 1st September, 1904, the total Cash Balance of Government amounted to Rs. 1,869,605; on 1st September, 1905, it was Rs. 3,230,218. This Cash Balance does not include the currency and note reserve and cash in the hands of Heads of Departments. Besides the Cash Balance, Government held on 1st September, 1905, Indian and other securities to the value of Rs. 4,696,206. The amount to the credit of the Widows' and Orphans' Pension Fund on 1st September, 1905, was Rs. 3,951,356. The total investments on account of Note Currency Reserve on 1st September, 1905, not included in the above total, amounted to Rs. 6,925,595.

The trade of the Colony continues to flourish. The imports and exports for the first three quarters of the year are valued at Rs. 80,792,000 and Rs. 88,487,000 respectively, as compared with Rs. 78,088,000 and Rs. 87,686,000 for the corresponding periods of 1904.

The total Customs revenue reached Rs. 7,470,000, showing an increase of Rs. 361,229. The increases for this period for the last three years have been Rs. 221,787, Rs. 274,756, and now Rs. 361,229, showing a steady and marked expansion, which is well maintained under the various heads of Customs revenue. The principal increases are under Grain, Spirits and Cordials, Cotton manufactures, and Sugar imported, and under Plumbago and Tea exported. The most striking feature in the returns is the import of cotton goods, which, in spite of high prices, show an increase in revenue of nearly 35 per cent. The only decrease of any importance is in the duty recovered on kerosine oil, the decrease being Rs. 62,485. The import of kerosine in 1904 was the largest on record, and the figures for 1905 are in advance of those for the corresponding period of 1903. The increase of duty under this head between 1901 and 1904 amounted to Rs. 1,066,600.

In the Supply Estimates for 1905 Rs. 3,712,011 were voted for Public Works: namely, Rs. 2,198,349 for Public Works Annually Recurrent and Rs. 1,513,662 for Public Works Extraordinary.

It is expected that the sums voted for the maintenance of public roads, canals, and public buildings will be fully expended this year. Respecting new buildings, roads, bridges, &c., the expenditure for the first nine months was Rs. 1,071,719.83, and it is calculated that a total sum of Rs. 1,900,000 will be disbursed during the year.

The expenditure out of loans, &c., was estimated at Rs. 300,000, and it is anticipated that Rs. 135,000 will be actually spent this year.

I will not weary you with the details of expenditure which are already before you in the Administration Reports, but you will observe that in the main the money has been expended upon hospitals, roads, and bridges, while the Estimates for Expenditure in 1906 include the construction of eighteen new roads and eleven bridges and improvement of existing roads and bridges to the amount of Rs. 1,185,476.

While the total of all crime in the Colony has shown a tendency to decrease, I regret to find that the record of the more serious crimes shows no such satisfactory results. There has been an increase in the number of murders in the Southern and North-Western as also in the Central and Sabaragamuwa Provinces. I hope that the reorganization of the Police Force, to which I referred last year, and which has received the sanction of the Secretary of State, will in the future exercise a preventive effect. The details of the reorganization have been laid before you. They involve a new system of appointment of the officers of the force, who will in future be members of the regular Cadet Civil Service; an increase of the pay of the lower grade constables, and increased care in the selection and training of recruits; the division of Provinces into police districts and sub-districts; and the clear definition of the duties of the Inspector-General, who is responsible for the training and efficiency of the force. I have obtained from the Indian Government the services of Mr. C. C. Longden, who has been specially selected for the office of Inspector-General, and I have every confidence that under his command the efficiency of the force will be increased. Already a considerable number of unsatisfactory men have been discharged, and no difficulty has been found in replacing them by men physically fit and whose good character has been vouched for by responsible persons. With men so selected and with strict supervision and discipline there is every reason to believe that the force will win for itself that respect and confidence without which a police force is worse than useless.

At the beginning of this year a Commission was appointed to report on important matters connected with the elementary education of the Island. In 1901 Sir West Ridgeway appointed a Committee of three of the most experienced members of the Civil Service to report on a scheme to relieve the general revenue of the Island of a part of the cost of education. The Committee recommended that elementary vernacular education should be made compulsory throughout the Island, and suggested a scheme for meeting the cost. In 1903 a Sub-Committee of the Income Taxation Commission was appointed to report to the Commission further on this subject and on the question of ways and means. The substance of their report was that the scheme suggested by the original Committee should be given a trial in a limited area. Before taking action even in tentative form suggested by the Sub-Committee, it was considered desirable that the views of the principal educational authorities in the Island should be taken. A Commission was then appointed on which both the Education Department and the Managers of Schools were adequately represented. Advantage was taken of this opportunity to consider more fully the question of vernacular education, and a representative of the planting community was added to the Commission. The report of the Commission, which is now before the public, agrees with that of the Commission of 1901 in recommending that elementary vernacular education be made compulsory, but differs from it in its proposals for giving effect to it. If these are adopted, important legislation will be necessary.

Steps are in the meantime being taken for further developing those facilities for elementary education which already exist; and, as there are many parts of the country the needs of which are not likely to be met except by the establishment of Government schools, additional provision is being made for schools of this class. Twenty new Government schools have been opened this year, and it is proposed to provide funds for opening fifty in 1906.

Much has been done during the year to improve and extend the work that is being carried out in connection with school gardens. An experienced Sub-Inspector of Schools has been attached to the staff of the Superintendent of School Gardens. Two courses of lectures to teachers have been given by the Principal of the Training College. The Ceylon Agricultural Society has rendered financial assistance towards the provision of implements and fences for the gardens and prizes for the best workers among the boys.

The questions that have been raised with regard to the future organization of higher education have not yet been finally settled. The Government has requested the University of London to grant extra concessions which seem necessary in order to render the London course of examination suited to the wants of Ceylon, and the reply of the University has not yet been received. In the meantime the University has allowed its Preliminary Scientific Examination of the Medical Course to be held in Ceylon in January, 1906.

The work of the Technical College was specially reported on by a Committee appointed in the middle of this year. The teaching afforded and the results obtained had been severely criticized. The Committee reported that while the technical and practical education given to persons desiring to enter the Public Works, Survey, and Irrigation Departments had been generally attended with success, they found that the average standard of technical and practical knowledge shown by the passed students of the College was not as high as was desirable. The Committee made certain recommendations with regard to the working of the College, which will be carried out. Progress was made with the new block of the Technical College and its equipment and lighting.

Of delays in the delivery of survey plans I have heard from time to time, and I realize how important it is that intending purchasers of land shall not be obstructed by undue delay. But the work of the Survey Department has been particularly heavy. In addition to the important work of the Land Settlement, the great demand for parcels of land for rubber cultivation has caused a considerable strain upon the resources of the Department, which has been strengthened by the temporary addition of 26 surveyors. I understand that arrangements have been made that will admit of the employment of private surveyors whose surveys may be accepted under certain conditions. This may to some extent relieve the pressure.

The main triangulation of the Island is now nearly completed. It is anticipated that the work will be closed in March, 1906.

The Agricultural Society, which was started in November, 1904, has now a membership of over 800, with forty Branch Societies. Through the co-operation of the local Societies and many active individual agriculturists experiments are being conducted all over the country. Experimental gardens have been started in many centres, and these, combined with the school gardens and the

ens promoted by them, serve as a connected series of demonstrations which the villagers or themselves, while they are also useful as showing what parts of the country are most the products tried.

The most remarkable development of any agricultural product during the year has been the of rubber cultivation, from which large profits have been derived. The Botanic Department is that there are now 40,000 acres planted. Valuable experiments are being conducted of tapping and preparing rubber, which should largely increase the present yield and reduced cost.

I rejoice that in this determination to improve the agricultural condition of the Island every of the community is working in hearty co-operation, and the Scientific Staff of Peradeniya is making no effort in guiding and assisting the widespread experiments. With the efforts of the Government and the agricultural teaching that I hope to see established in our schools, the time cannot be distant when the peasant cultivators will recognize the advisability of improvement upon the present system. It may then be necessary to consider the question of Co-operative Agricultural Credit Societies to assist in emergence from antiquated methods a people who are at present possessed of little accumulated capital. But the most serious obstacle to improvement in the position of the peasant cultivator is the custom of holding land in undivided shares, which prevents migration from congested districts and discourages all individual effort.

In the meantime experiments are being made in cotton growing in the North-Central Province and in sericulture near Peradeniya, while I propose that an expert in tobacco cultivation shall next year experiment with a view of improving the quality of our tobacco, of which a large quantity of inferior flavour is now grown in the Northern and parts of the North-Western Province. The success of these experiments cannot fail to add materially to the value of our exportable products.

The year was remarkable for the number of experiments made and the new fields opened to agriculturists for experiment by the improved means of communication of agricultural knowledge and the development of new planting industries.

Attempts were made to encourage experimental leases by calling for tenders for the lease of blocks of land for fifty years for experimental cultivation in rubber and cotton on easy terms, the minimum rent being 50 cents per acre per annum. When the advertisement first appeared the opening up of land in the Western and Sabaragamuwa Provinces for rubber cultivation had not proved to be so remunerative an investment as it afterwards appeared. Its success deprived applications for land in these Provinces of their speculative and experimental character. A large number of applications under the advertisement had to be rejected on this ground. A number of blocks, some of large extent, ranging up to one of 2,000 acres, are being leased in Uva, the North-Western, North-Central, and Southern Provinces. A complete return of these grants and leases will shortly be laid before you.

Three blocks of 1,000 acres each were offered on specially easy pioneer terms for the cultivation of coconuts in the North-Central Province without irrigation. One of the successful applicants has started operations. The other two have abandoned their proposals.

While it has been the object of Government to encourage the opening of land in the North-Central and North-Western Provinces, it was considered necessary to appoint a Commission to report on the question of soil denudation in the Kelani Valley and to advise how far more land could be opened without serious damage, such as the risk of silting up of flood outlets in other parts of the Island.

The Commission recommended the maintenance of the Kelani Valley reserve, the insistence on sufficient reservation adjoining streams and on hill summits, and the substitution of leases instead of sale outright in the case of land available in the Kelani Valley, so that the restriction necessary to secure areas against the ill-effects of denudation by the planting of shade trees and the adoption of scientific drainage may be imposed.

The only legal measure of importance specially introduced for the encouragement of any product was Ordinance No. 4 of 1905, which imposed an export duty not exceeding one cent per pound on cardamoms grown within the Colony, the object of the Ordinance being similar to that of the Tea Cess, viz., to create a fund to provide the means of finding new markets for the product.

The general health of the population is satisfactory. There have been outbreaks of malarial fever in the Western, North-Western, North-Central, and Sabaragamuwa Provinces; and in the

Southern Province smallpox occurred in epidemic form, the disease having been imported into India and encouraged in the earlier stages by concealment of the patients. Thanks to measures taken by the Medical Department, the epidemic was soon got under control. Regarding the recurring epidemics of malarial fever in some low-lying districts, I have directed preventive experiments shall be made by which means may be found to mitigate the severity of this serious disease among the native population.

On my visit to Jaffna complaints were made to me of the sanitary condition of the town. Hitherto the town of Jaffna, with a population of 40,000, has been in the position of having no local taxation for the purpose of carrying out sanitary or other improvements. It has therefore been decided that within the police limits of the town a Local Board shall be established by the action of which I hope that the general conditions will be improved. In my visits to various parts of the Island I have inspected a large number of Government hospitals and found them in a high state of efficiency that reflects credit upon the Medical Department.

The question of the disposal of sewage and the prevention of such an accumulation of it in Colombo lake as recently occurred is receiving the attention of the Municipal Council.

I hope that the Council will see its way to providing an efficient means of destroying the refuse of the town, as there are grave complaints of the present system.

The sewage pollution of Colombo lake has assumed grave proportions, and a proposal prepared by the Director of Public Works has been submitted involving the reclamation of a large portion of the lake, preserving communication by a system of canals and the opening of direct communication between the lake and the Harbour. The estimated expense of the scheme is, in round figures, Rs. 3,800,000. The matter will be carefully considered, but the extension of the main system of drainage so as to intercept the town sewage before it reaches the lake is an essential preliminary condition. I am glad to hear that the Municipal Council now propose to undertake this task.

The business of the Post and Telegraph Department continues to increase in every direction. The number of articles passing through the post now exceeds 24 millions annually, postal parcels exceed 400,000, and telegrams exceed 600,000. Over 450,000 money and postal orders are dealt with to a value exceeding 11½ million rupees. There are over 60,000 depositors in the Post Office Savings Bank, who make more than 50,000 deposits, exceeding one million rupees yearly, and have together a sum of Rs. 1,690,215 to their credit.

The attempt to introduce motor cars for conveyance of mails has, I regret to say, not yet been successful. The only tender received in response to advertisements issued in the United Kingdom as well as locally was considered prohibitive. While in England I endeavoured to procure four motor carriages for mails, but so far no manufacturer will undertake to deliver such cars before 1907, as the factories are working up to their fullest capacity. I have left instructions with the Crown Agents to procure, if possible, the chassis or motor power and framework for the cars, leaving the bodies to be supplied by the Railway Department here. I hope that the Crown Agents will succeed in procuring them. I personally inspected the motor busses used by the Great Western Railway and satisfied myself of their efficiency and controllability on gradients as steep as any to be encountered in Ceylon. An offer has, however, been made by a local company to run a motor service between Anuradhapura and Trincomalee, and I hope that this service will soon be established.

The contracts of the Imperial Government with the Peninsular & Oriental and the Orient Pacific Steamship Companies, by which regular weekly communication was maintained both with Europe and Australia, expired on the 31st January last. The P. & O. contract was renewed with an acceleration of the service by twenty-four hours, by which we should receive mails from Europe on Saturdays instead of Sundays, and Ceylon mails are delivered in London on Saturday mornings. The contract with the Orient Pacific passed from the Imperial to the Australian Government, but was not renewed until April, and the regular weekly communication between Ceylon and Europe was maintained in the interval by the use of the weekly P. & O. service *via* Bombay and Tuticorin, through the ready and willing assistance of the Indian Postal authorities.

A long-standing difference between the Home and Colonial Governments concerned as to the proper contribution to be paid by the latter towards the subsidy to the Peninsular and Oriental Company was settled by submitting the case to the arbitration of Lord Balfour of Burleigh. His award, which reached Ceylon in February last, resulted in this Colony having to pay £5,220 annually for services for which £4,797 had been paid tentatively during each of the seven years of the last contract, and an additional sum of £147 annually during the present contract of three years, this

Ceylon share of the additional amount paid to the Company for the acceleration by 7 hours.

From the 16th January last the system of issuing and cashing British postal orders at all post offices in Ceylon came into force, thus providing a simple and ready means of remitting small sums between Ceylon and many other countries within the British Empire besides the United Kingdom.

The increase in the telegraph traffic between Europe and India since the great reduction in rates from 4s. to 2s. 6d. per word in the year 1902 having enabled the Telegraph Companies to reach their former standard income, a further reduction of 6d. per word was resolved upon to come into force on the 1st August last. The rate from Ceylon is now 2s. 1d. per word, or just half the rate of 4s. 6d. per word of 4 years ago.

I regret to find on my return that the telephone system, so important for Colombo, has become deranged. A Committee has been appointed to inquire into the working of the system and the cause that has led to the temporary suspension of operations.

I understand that it is hoped to resume the telephone connections, with a few exceptions, by the 15th instant.

The system of the Forest Department has been revised, and the Department is now under the exclusive control of the Conservator of Forests, to which office Mr. T. J. Campbell of the Imperial Forest Service, India, was appointed in August, 1904. The result up to the present of the working of the Department in 1905 is a surplus of over Rs. 172,000. The reorganization of the Department and re-arrangement of the staff is now under consideration.

The last section of the Northern Extension was opened to Jaffna on the 1st August and through railway communication established between the North and South of the Island. There are now 561 miles of railway in operation. Already the Northern Line has begun to create a certain amount of traffic, but its ultimate success must depend upon the development of the great jungle plain of the Northern and North-Central Provinces, through which the line passes for nearly 200 miles. Now that the railway has been constructed, the time has arrived when a subsoil water survey becomes necessary. Should water be found at a moderate depth, the development of the country by cotton or other crops would be assured. I shall propose to employ a small surveying staff for this purpose.

The work on the new tunnels on the Kadugannawa Incline has progressed steadily under the supervision of Mr. Oliver, and the upper (shorter) tunnel is completed for traffic, whilst the lower tunnel (at Meangalla) should be finished next year. Since the departure of Mr. Oliver for England the supervision of this work has been taken over by the Railway Department. I learned with much regret that during the very severe weather experienced on the Pattipola-Bandarawela section of the line at the beginning of October, at the burst of the rains, an unfortunate accident occurred to the 7.30 A.M. train from Colombo to Bandarawela near the 148th mile on the 6th of October when, owing to the subsidence of a bank, the engine fell into the breach, causing the death of both the firemen and severe injuries to the engine driver. The latter, I am glad to hear, is well on the way to recovery. The presence of mind displayed by him and the guards on the train deserve our gratitude.

The precipitous nature of this section of the line and its exposure to treacherous landslips is a source of much anxiety, especially during the burst of the north-east monsoon. Special attention has been invariably paid to the section, and the advice both of Mr. Middlemiss of the Indian Survey Department and of Mr. Oliver was taken as to the places on the section which in their opinion required alteration or special observation. Their recommendations have received attention, and large sums have been in the past, and are still being, expended on numerous works for the greater security of the working on or travelling over this portion of the line.

A further important question which has been receiving the attention of Government is the diversion of the Seaside Line. A Commission was appointed in July, 1904, to consider the various suggestions that had been made, and their report is now awaited.

The Irrigation policy of the Government, both past and present, has been very fully recorded in the able report by Sir John Keane, my late Private Secretary, that has been laid before you. Fully as I appreciate the importance of irrigation, I am not prepared to recommend the expenditure of large

sums upon new works of magnitude until I see more anxiety displayed to occupy and cultivate the thousands of acres of irrigable land under great tanks now completed.

No estimates for additional large works have been sanctioned this year, with the exception of that for the improvements of Nuwarawewa, North-Central Province. This tank forms part of the larger Nachchaduwa scheme, with the completion of which some 20,000 acres of land will be rendered irrigable within ten miles of Anuradhapura and parallel to the line of the North-Central Railway.

Experience having shown that if the administration of existing works is to be properly carried out, the staff of Irrigation Engineers should be augmented, arrangements have been made to increase their number from 18 to 23. It is hoped that the additional Engineers required will be obtained by the commencement of 1907.

A Committee has been considering a draft Ordinance consolidating the Irrigation Ordinances which will be laid before you. It was decided in Executive Council at the beginning of the year that certain steps should be taken to abolish the Central Irrigation Board, which, it was realized, had outlived its usefulness since the formation of a separate Irrigation Department. It was felt that irrigation works should be carried out on similar lines to other public works and be provided for by votes in the Supply Bill, and not from an "Irrigation Fund."

The present policy of the Irrigation Department will be to concentrate its energies on the completion of works already started, and to increase the extent of land irrigated by better arrangements, for the distribution and control of the water available, while it will be the duty of the Revenue Officers to see that all land which is irrigable pays for the water it can receive.

There has been a large increase in the immigration of coolly labourers during the year, due in great measure to failure of crops and threatened famine in Southern India. The numbers passing through the Camp at Ragama for the first nine months was 117,305, against 58,574 for the whole year 1904. Doubtless with the increase of rubber cultivation a considerable addition to our labour force will be necessary, and it has been asserted that the re-opening of the Northern route from Mannar would so facilitate transit that a sufficient supply of labour would be attracted. I see no reason to alter the opinion arrived at after study of all the papers connected with this subject: that the re-opening of the Northern road for immigrant pedestrians would re-impose the calamitous conditions of days gone by, when entire villages were swept away by cholera introduced by the unfortunate coolies who fell by the wayside. Nor can I hold out any immediate hope that a branch railway will be constructed to Mannar, the only traffic upon which any reliance could be based under present conditions being the carriage of coolies. At the same time I recognize the force of the suggestion that facility of communication would increase the influx of labour, and I am fully alive to the importance of such a result. I have approached the Indian Government with a view of discussing afresh the proposal for the construction of a railway over Adam's Bridge, the inducement being the use of the magnificent harbour of Trincomalee and its connection by rail with Mannar, the importance of which to Southern India needs no proof. Should such a proposal be entertained and accepted by the Governments of India and Ceylon and by His Majesty's Government, the labour problem of the future might be profoundly affected.

Harbour Dues show a slight decrease (Rs. 1,810) as compared with 1904. The number of vessels visiting the port during the first nine months of 1905 has increased by 41 vessels as compared with the same period in 1904, but the tonnage has decreased by 60,539 tons. This is due to a larger number of vessels of small tonnage calling at the port and to the non-arrival of a single Japanese or Russian vessel, owing to the war between the two nations. The decrease in numbers and tonnage of sailing vessels continues.

The improvement of the Harbour of Colombo has been steadily pursued, and satisfactory progress has been made.

Six out of the eighteen new coaling jetties at Kochchikade were handed over by the Chief Resident Engineer, Harbour Works, on the 1st January of this year, and coaling operations were continued on them from 1st December to 23rd May, from which date until the 13th September practically no coal was landed at these grounds, and the shipping of coal was carried on under considerable difficulties and was at times impossible. The Commission which sat in August, 1904, had decided that either alternative coaling sites were desirable and necessary, or else some protection from the sea must be afforded to these jetties. The Commission recommended that the

in 2,050 feet in length, parallel to the shore and 400 feet off the jetty ends. Alternative proposals were made, and these, with the Consulting Engineers' report, were laid before a small committee of Experts who were appointed in England under the presidency of Admiral Sir G. Nares. Present were the retired Captain Donnan, late Master Attendant, and Captain Legge, the present Master Attendant, and other witnesses who were well acquainted with the conditions.

The recommendations of the Committee have now been received. They recommend adoption of the proposal of the Consulting Engineers, with an addition of 600 feet to the south of the sheltering part, estimating the cost at £95,000. An alternative scheme to prolong the straight part of the West Breakwater was highly approved; but the cost, which was estimated at about £400,000, was considered prohibitive. The report of the Committee was referred to the Harbour Board; and that Mr. Matthews, the eminent Engineer to whose genius we owe the present Breakwaters is personally examining into the question upon the spot, I have no doubt that the final solution will be satisfactory.

The new Fishery Harbour was largely used by fishing canoes, the number being only limited by the space available. It is anticipated that the whole of the proposed area for beaching craft will be ready for occupation by June next.

On the North-West Breakwater the lighthouse was erected and the light lit on 3rd April.

Work is now progressing on the North-East Breakwater.

The protecting arm of the Barge-repairing Basin was completed at the end of 1904, and there is now a completely protected water area of about two acres, on the sloping shores of which the lighters and launches, &c., can be conveniently drawn up and repaired.

In the Graving Dock the work to be done within the coffer dam is now finished.

The question of providing Harbour accommodation in time to meet the growing requirements of the Port has not been lost sight of. I have not yet had time to consider the alternative proposals received from Messrs. Coode, Son, & Matthews after my departure for England. The papers have, however, been submitted to the Harbour Board, who will now have an opportunity of hearing from Mr. Matthews his views upon the proposed Wet Dock, which is the alternative favoured by his firm.

The dredging of the Harbour to a uniform depth of 30 feet at low water has been practically completed, and proposals for further deepening are now under consideration.

A proposal made to connect the Colombo lake with the Harbour has been submitted by a Special Commission as a part of a larger scheme dealing with the lake to which I have already alluded.

The Pearl Fishery this year lasted from the 20th of February to the 21st of April. There were 48 working days on which oysters were brought into the camp.

The Government share of the oysters fished amounted to 49,378,616, which fetched Rs. 2,460,970. The nett revenue to Government from the fishery is estimated to be Rs. 2,303,864, which beats all known records, and is Rs. 1,445,898 more than the fishery of the previous year, which at the time constituted a record. To this total has still to be added the value of pearls recovered by Mr. Dixon's machine and sent to Bombay for sale.

The fishery was remarkable for the high prices fetched by the oysters, the number of buyers from all parts of India, and the size of the fishing fleet, which at the height of the fishery numbered 300 boats, being a hundred craft more than in previous years.

A proposal will be laid before you to lease the fishery for a period of twenty years to a Company for a rent of Rs. 310,000 per annum, it being a stipulation that a sum of not less than Rs. 50,000 be expended annually on the scientific development of the banks. In addition to the sum named to be expended upon the fishery the Company is to pay all the expense of the Government protection and supervision of the annual camp. It also purchases the ss. Violet and the oyster-washing machine erected by Mr. Dixon. Should you approve of this lease it will give to your finances for twenty years a definite annual sum sufficient to pay the interest and sinking fund on a loan of Rs. 7,750,000 without trenching upon the ordinary revenue, and thus enable a larger amount to be spent upon important public works that must be provided for out of revenue. I expect to receive the copy of the lease as agreed upon by next mail, and will take the earliest

In considering the acceptance of the lease it may be well to remember that while a fishery next year it is improbable that there will be any further fishery for some years unless expensive cultivation be initiated.

The third volume of Professor Herdman's work on the Ceylon Pearl Banks appeared the year. Whether the banks are still worked by the Government or by the Company Herdman's recommendations will be duly tested.

As regards the salt production of the year, I am glad to state that it affords a striking and able contrast to that of 1903, when there was an almost total failure in salt production and it was found necessary to import salt from India to meet the requirements of the Island. The output of salt during the past twelve months was as large as in the period of 1893 to 1895, during which was the largest outturn hitherto known. Fine weather—a factor so essential in the manufacture and collection of salt—prevailed throughout the salt harvest season and aided the efforts to still production initiated during 1904. Large supplies were produced in Puttalam, Hambantota, Trincomalee, and it has been found possible to stock with Ceylon salt the special Government stores established at Colombo, Galle, and Haputale in 1903 for the sale of Indian salt, the import of which has been discontinued. The stocks in the various stores are now plentiful, and I trust the continued prosperity of this fruitful source of revenue is now assured. Government stores have been opened in suitable centres, and every effort has been and is being made to enable consumers to obtain salt as cheaply as possible, and to prevent the widely fluctuating rates which have prevailed in different parts of the Island.

From the 1st January, 1906, it is proposed to change the peculiar system of sale which prevailed in the restricted districts, viz., those places in which the retail sale of salt is carried out entirely on license, with the purpose of safeguarding the Government monopoly where salt is easily collected and manufactured. It is believed that the restricted area system is a strong encouragement to fraud and smuggling, and it is proposed to abolish the system of allowances and drawbacks, to issue licenses freely in these areas, and to trust to competition between sellers and to the Government retail store to keep down the price to the retail purchasers.

It is also proposed to abolish the system of farming the monopoly of sale of salt in the Jaffna District, and to safeguard the interest of the small buyer by opening Government retail stores where necessary.

The general price now charged at all Government wholesale stores is Rs. 3.50 per cwt., and this rate will be continued for the present.

During the year 1905 the two officers of the Mineralogical Survey have mainly confined their attention to the Province of Sabaragamuwa. Thorianite has been found to occur sparingly in a number of localities in the Nawadun korale. The original deposits at Bambarabotuwa are being systematically investigated, while numerous prospectors are in the field. The value of the discovery of thorianite has been readily recognized, and exports of thorianite have this year for the first time appeared in the Customs returns. Microscopic grains of thorianite have been detected by the Survey in the sands of several rivers, a fact likely to be of importance, especially as the same sands contain a small amount of gold and sometimes of monazite.

Monazite has been detected in the Avisawella district, where it occurs in the beds of streams mixed with ilmenite. Gold is everywhere present in small quantities. Molybdenite has been rediscovered (in the Kegalla District), and cassiterite has been met with in two localities in the Ratnapura District.

It has been decided to continue the Survey (originally appointed for three years ending 7th March, 1906) to the end of 1906.

The Drainage Scheme has now passed through the phases of investigation, revision, and preliminary works into the region of permanent construction. Nearly nine lakhs of rupees have been accounted for, of which five lakhs were expended during the present year; 1,200 men are now being employed upon the works.

Considerable progress has been made with the important work of Land Settlement during the present year. Work has been carried on in the Southern, North-Western, Northern, Eastern, and North-Central Provinces and the Province of Uva.

In the Eastern Province a large area of forest land near Kantalai, about 180,000 acres in extent, has been visited and the preliminary arrangements made for the preparation of the requisite survey.

in this case to utilize the topographical plan as far as possible. The notices will be clear.

Areas dealt with in the Northern Province are the forests known as Vadukachchi, Iranaoachchi, Panikankulam, Mamadu, and Irambaikulam, and the extent brought under the Ordinance is over 97,000 acres.

In the North-Western Province 26,000 acres of forest land are being dealt with in the Puttalam District. In the Kurunegala District the settlement of the village of Panawitiya has been completed, and other important claims have been decided or are in course of settlement. The Surveyors Department is at present engaged in the preparation of the first large batch of plans of the Northern Province in the neighbourhood of Panawitiya, and arrangements have been made to carry out a systematic inspection and settlement of these villages in December.

Rapid advances have been made with the disposal of the surveyed villages of the North-Central Province, and it is expected that at the end of the year the whole of the area surveyed will be in course of settlement, with the exception of some 60,000 acres which will be taken up next year.

It will thus be necessary to undertake further block surveys in this Province in 1906, if the pace of settlement work is to be maintained.

In the Province of Uva all the villages for which block surveys have been issued, except six, have now been inspected and are in course of settlement. The heavy arrears, due to the delay on the part of the Survey Department in supplying sketches, have nearly all been overtaken, and the settlement work is now on a satisfactory footing.

In the Southern Province the remainder of the Morawak korale has been inspected, and when some test cases now pending in the District Court of Matara and relating to the villages formerly included in Sabaragamuwa have been disposed of, the settlement of this korale will soon be completed.

In the Hinidum pattu, where the villages dealt with are of the same description, progress has been slow, the villagers being unwilling to accept the terms of settlement offered until a judicial ruling has been obtained. In the Kandaboda pattu all the villages for which plans have been supplied will be inspected before the close of the year.

Progress in the Hambantota District has not been rapid, but as two important cases have recently been decided in favour of the Crown there is now a greater likelihood of amicable settlements being made.

The successful co-operation of the Survey and the Land Settlement Departments has greatly accelerated the work of both Departments.

For some years the block survey, which had been started before the establishment of the Land Settlement Department, was worked quite independently of settlement operations. But it has now been found that an additional value attaches to these surveys when they are followed up by a settlement of all disputes between the Crown and the subject.

Claimants have shown themselves very ready to abide by the decisions of the Settlement Officers. In the few cases where the claimants have refused the terms offered the courts have invariably upheld the award of the Settlement Officers.

The area brought under the operation of the Waste Lands Ordinance this year up to end of September was 194,000 acres, and the extent settled under the Ordinance was 54,000 acres. But irrespective of the Waste Lands Ordinance considerable extents have been settled by sale or by admission of private title, so that the total settled is about 89,000 acres.

Besides the 60,000 acres in the North-Central Province above referred to, there will be available for settlement purposes in 1906 the plans of the East and West Giruwa Pattus in the Hambantota District, covering an area of about 200,000 acres, an extent of about 60,000 acres in the Wellassa division of Uva, and over 50,000 acres in the North-Western Province, besides a considerable area of plans now being prepared for issue in the Head Office.

The staff of the Land Settlement Department has been increased by the appointment of an additional Assistant to the Settlement Officer.

The regulations regarding Land Sales have been revised, and the new rules are to come into operation at the beginning of next year. The principal amendment is the abolition of the separate fees for survey, stamp duty, preparation of deeds, and headmen's inspection, the recovery and

accounting of which in the past has been responsible for delays in many cases in the issue of grants.

The separate fees will in future be abolished, and the lowest upset price of Crown public sales will be Rs. 15, or £1 sterling, which was the equivalent of Rs. 10 when this was fixed as the minimum upset price. At the request of a deputation from the Planters' Association two further amendments have been made, and were published in the last *Gazette*.

The Volunteer Force has made satisfactory progress during the past year.

The proportion of efficient of all arms to total strength on 31st December, 1904, was greater than in any previous year since the Planters' Rifle Corps was formed.

Under the decentralization scheme which came into force early this year, and which provided for additional Staff Officers and Instructors, increased efficiency throughout the force is inevitable.

The Artillery Volunteers, as formerly, have the services of an Officer of the Royal Artillery Acting Adjutant.

The Light Infantry, with which the Medical Corps and Cadet Battalion are affiliated for administrative purposes, has its own Adjutant, and the combined Planters' Corps (Mounted Infantry and Rifles) also have an Adjutant from the Regular Forces.

During the present year a new company of Light Infantry has been raised at Moratuwa; and a detachment at Chilaw. Two small outlying detachments of Light Infantry have been disbanded. The strength of the force is practically the same as last year.

The obsolete 7-pounder muzzle-loading guns, which formed the armament of the Artillery Volunteers, have been withdrawn and replaced by three 15-pounder breech-loading guns, with which the corps made excellent practice during the last Camp of Instruction.

Major-General Slade, Inspector-General of Royal Garrison Artillery, inspected the Artillery Volunteers early in the year, and expressed himself as pleased with the practice he saw from the 6-inch guns at the Flagstaff Battery.

All ranks of the Infantry take a keen interest in musketry, and rifle shooting is encouraged in every possible way throughout the force.

The Annual Camp of Instruction was held for the third time at Diyatalawa, and lasted from 6th to 15th July. The attendance of Volunteers of all arms, viz., 1,531, was the largest on record.

The building in Prince street, Pettah, which has been used as Volunteer Headquarters for the last twenty-four years, was vacated in August, and the Volunteer offices moved into new airy quarters in the disused Slave Island jail.

In the Public Service there have been few changes during the past year. Mr. J. J. Thorburn, Principal Assistant Colonial Secretary, was appointed Senior Provincial Commissioner of Southern Nigeria at the commencement of this year.

The Hon. F. C. Moncreiff retired from the office of Puisne Justice on account of ill-health, and the vacancy on the Supreme Court Bench has been filled by the appointment of Mr. Alexander Wood Renton, Puisne Justice of Mauritius.

In the Scientific Branches of the Public Service Mr. L. Creasy, Provincial Engineer, Central Province, and Mr. H. Parker, Irrigation Assistant, retired after long service in the Colony.

Mr. J. B. Carruthers, Mycologist and Assistant Director at Peradeniya, was appointed Director of Agriculture in the Federated Malay States, and was succeeded by Mr. T. Petch.

Mr. C. C. Longden of the Madras Police was, with the consent of the Indian Government appointed Inspector-General of Police.

A new appointment of Accountant and Financial Assistant has been added to the staff of the General Treasury, and Mr. H. A. Martin, Financial Assistant, Public Works Department, was appointed to the post.

His Majesty has been pleased to confer the honour of a Knight Commandership of the Order of St. Michael and St. George on the Lieutenant-Governor and Colonial Secretary, Sir Alexander Ashmore, and a Companionship of this Order on Mr. G. M. Fowler, the Acting Auditor-General.

His Majesty has been also pleased to confer Knighthoods on the Principal Civil Medical Officer, Sir Allan Perry, and on Sir Stanley Bois, who has done such excellent service for the Colony.

L. Creasy on retirement and Mr. G. Grenier, Registrar of the Supreme Court, were admitted into the Imperial Service Order.

With much regret that I have to record the death of Mr. R. W. Ievers, C.M.G., in February 1904. Ievers was Government Agent of the Northern Province when he went on leave.

The principal changes in the Executive Council during the past year were caused by my absence when the Colony was administered by the Lieutenant-Governor. Mr. G. M. Fowler, C.M.G., Colonial Secretary, and Mr. Nicolle as Auditor-General in addition to his own duties as Auditor-General.

During the absence on leave of Mr. F. R. Ellis, C.M.G., Mr. Fowler has acted as Auditor-General and Brodhurst as Government Agent of the Western Province.

General Money, C.B., A.D.C., retired from the command of the troops in Ceylon in September 1903. Pending the arrival of his successor, Colonel Balfour, R.A., has been in command.

The salaries of the Public Service have been the subject of much consideration during the past year, the result of which was laid before you by the Lieutenant-Governor in his Financial Message. Together with the proposal to improve the pay of the Service steps are being taken to reorganize the different Departments and to provide proper accommodation for the increased staff which the progress of the Colony's business now requires. The most important change in departmental work will be the transfer of the accounting now done by the Audit to the Treasury from the beginning of next year. The increased accommodation required for the Secretariat and Treasury staff has made considerable progress.

One of the most important events of the year was the closing of the Naval Yard at Trincomalee, which was completed by 31st March.

It was decided that the Naval Dockyard should be reduced to a "cadre," which could be developed in time of war according to necessity. It has also been decided that Trincomalee shall be abandoned as a military station.

A large number of men were thrown out of employment, but work was found for many on useful road works in the district.

The Admiralty buildings at Trincomalee have been found in most cases too large for the immediate requirements of the Colonial Government. Houses have, however, been provided for the Assistant Conservator of Forests and the Irrigation Engineer. The stores formerly used for coal are now taken over as salt stores.

The B.I. ss. Secundra was wrecked on the Naddu rocks when leaving Galle Harbour on the night of the 9th December, 1904. Two officers and three of the crew were drowned. The vessel became a total wreck.

Attempts have been made to blow up the wreck as the weather permitted, and it is hoped that the work in this connection will be finally completed and the obstruction to the channel removed very shortly. It has been decided to appoint as Master Attendant at Galle an officer with previous nautical experience.

The news of the disastrous earthquake in India in the early part of the year was received with great regret in Ceylon. On the 5th June a meeting was held to open subscription lists for raising funds to relieve the sufferers. A sum of Rs. 9,357 was collected and forwarded to the Secretary to the Government of India to be remitted to the Indian Fund.

Now, Gentlemen, having addressed you upon the events of the past year, it is well to consider our requirements in the future. We have happily a satisfactory surplus upon which we propose to draw immediately, but it is not expedient in a Colony where any change in taxation is undesirable to leave our Treasury without a reserve upon which to draw in the event of unforeseen temporary shrinkage in our revenue. I shall propose that the necessary cost of railway extensions other than the Negombo Line for which I hope to receive the sanction of His Majesty's Government shall, as well as the additional expenditure upon Harbour Works, be defrayed entirely from Loan. I am very unwilling to impose any burden upon the finances of the Colony; but, having regard to the fact that every rupee hitherto borrowed by the Colony is an investment directly paying interest and sinking fund and a large sum over, I consider it unsound finance to check the development of the Colony and to deprive it of the moderate surpluses necessary for financial stability and for the pushing forward of important works urgently required, but not immediately remunerative, rather than borrow the sum

required for extension of our main lines of communication so as to facilitate that conjunct labour, and capital, the prevention of which is artificial sterilization.

The Loan requirements of the Colony already in sight were estimated by the Secretary in the Note on the Financial Position of the Colony laid before Council on the occasion of its opening at Rs. 13,700,000, of which Rs. 7,300,000 will be expended or pledged by the end of 1905.

By the Ordinance No. 1 of 1905 the Colony is empowered to borrow by way of Loan on Indian Stock of the face value of £1,000,000.

As already stated, the expenditure incurred to the end of 1905 will absorb all but Rs. 6,800,000. Against this balance the Colony has to provide in the first place for the continuance of the Harbour Works; then for the Loan to the Colombo Municipality for its Drainage Works, and it has also undertaken a charge for Irrigation of Rs. 1,800,000. This charge for Irrigation is, however, spread over the present rate of expenditure, over some six years, and in the estimate which it is proposed to form of the Colony's immediate liabilities for remunerative Public Works, such as ordinary chargeable to Loan, this sum may conveniently be put on one side. I anticipate no difficulty in finding from the ordinary resources of the Colony, should it be necessary to do so, an adequate annual sum for the completion and extension, when necessary, of all existing irrigation works.

I may add that in this connexion it seems scarcely necessary to reckon as a Colonial liability the Loan raised for the Municipality of Colombo. The Colony's exchequer is merely the conduit pipe through which the borrowed money passes. The Colombo Municipality is a perfectly solvent body, well able now, and never likely to be unable, to meet its liabilities. I set aside therefore from the statement of the charges on the Colony the Rs. 1,000,000 on this account incurred in 1905, and the Rs. 3,000,000 liability for the future. Nor, naturally, do I take into account any further expenditure on account of Drainage, contemplated or to be incurred by the Municipal Council, which is also to be borrowed through the Government. If it becomes a liability on one side, it becomes an asset, and a particularly good asset, on the other of the Colony's account. It should not be reckoned as a charge against Revenue. There should thus remain from the levies authorized by the Colony's borrowing powers Rs. 7,800,000 for expenditure on remunerative Public Works.

From this fund we shall have to provide a large sum for Harbour purposes. I am unable to say what sum until Mr. Matthews' examination clears up the matters under consideration. It will probably exceed the Rs. 2,500,000, the sum recorded by the Colonial Secretary's paper, the amount however being spread over some years. The next source of Loan expenditure will be the extension of the Railway to Ratnapura, on the Kelani Valley model. This is estimated to cost about Rs. 2,700,000. I hope that provision for this work out of Loan will not be refused, and I propose to make arrangements to proceed with it as soon as sanction is obtained.

I expect also to be permitted to proceed with the Negombo Line, estimated to cost in round figures Rs. 1,500,000, for which due provision has been made by reserving the funds in the Budget.

There remains the Passara Railway. After perusal of the papers, including the clear and able report of Messrs. Perman and Turner, I am confident that this line may be constructed to pay. I am not able at the present moment to announce to the Council that its construction has been sanctioned: time and consideration are required before that step can be taken; but I am prepared to authorize the continuance of the engineering survey to Passara, the next step on the journey towards construction.

I may add that I myself entertain no doubt that the line should substantially follow Mr. Ferrar's trace, and that there should be a station in Badulla town, and I shall direct that Mr. Oliver's suggestions as to an easier mode of entry into Badulla from the Dikwella side and the suggestion of Messrs. Perman and Turner as to approaching Passara by the Kendagala gap trace shall be the subjects of careful inquiry. It will be remembered that the cost of this railway is estimated at nearly Rs. 6,000,000, and for convenience of calculation I will take that figure.

I will sum up the Loan liabilities of the Colony: those actually accrued and those on account of remunerative Public Works, the construction of which is proceeding or is in sight:—

To the end of 1905, Rs. 6,359,805; or, omitting the Loan to Colombo Municipal Council, which is really a cross entry, Rs. 5,359,805.

For the Colombo Harbour, probably Rs. 8,700,000.

For the Ratnapura Railway, Rs. 2,700,000.

For the Passara Railway, if sanctioned, Rs. 6,000,000—

Municipal account there will have to be borrowed for the Mansergh scheme, certainly 00, and probably Rs. 6,500,000.

The total on both accounts, Colonial and Municipal, is Rs. 29,250,000, to raise which in rupees to the amount of £2,000,000 will be necessary.

At present we have Loan powers to raise £1,000,000, but have as yet raised nothing, having had to meet our temporary requirements by drafts on our balances, temporary Loans from the Crown and like expedients.

The expenditure of this £2,000,000 may be expected to extend over five or six years, and it is necessary to raise or take powers for more at present than the £1,000,000 provided by the balance of this year. I have, I think, made clear to the Secretary of State the necessity to provide remunerative works out of borrowed money. I am expecting authority to proceed with the Kapura and Negombo Lines at once, and I look upon the sanction of a railway to Passara as merely a matter of time.

The following Bills have been submitted to you at your opening meeting :—

An Ordinance to further amend the Law relating to General Regulation of Customs.

An Ordinance for the establishment and regulation of Vacations in the Supreme Court.

An Ordinance to amend "The Criminal Procedure Code, 1898."

An Ordinance to prevent the overcrowding of Vessels carrying Passengers from Ceylon to any Port or place in British India.

An Ordinance to provide for compulsory Vernacular Education in Municipal and Local Board Towns and in Towns under the operation of "The Small Towns Sanitary Ordinance, 1902."

An Ordinance for making provision for the Contingent Services for the Year 1906.

I have no doubt that those measures will receive from you the careful consideration that you have always shown in the exercise of the grave responsibility that you have accepted as Members of the Legislative Council.

H. A. BLAKE.

Queen's House, Colombo,
December 12, 1905.