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LEGISLATIVE COUNCIL, CEYLON.

ADDRESS OF HIS EXCELLENCY THE RIGHT HON. SIR J. WEST RIDGEWAY, K.C.B., K.C.S.I.,
ON OPENING THE SESSION OF THE LEGISLATIVE COUNCIL, NOVEMBER 7, 1898.

GENTLEMEN OF THE LEGISLATIVE COUNCIL,

FOR the third time I am able at the beginning of a new Session to meet you with very satisfactory assurances as to the increasing prosperity of this Colony.

I proceed, according to my practice, to review the financial and administrative history of the Colony during the twelve months which have elapsed since I opened the Legislative Session of 1897-98, and although I will try to perform my task with as much conciseness as is consistent with preciseness, I fear that I shall make a considerable demand on your attention. I can only hope that you will find compensation for the tax thus imposed on your time and patience in the information on various subjects—information which should be of use and interest to you as legislators—which I hope to present to you in a compendious form.

REVENUE AND EXPENDITURE OF 1897.

Last year I expressed the hope that the revenue of 1897 might exceed the record revenue of 1896 by one and a half million rupees, and I now congratulate you on the fact that this hope has been more than realized. Our estimated revenue for 1897 was Rs. 21,913,000 and our actual revenue amounted to Rs. 24,006,522, being an increase over our estimate of Rs. 2,093,522 and an increase over the actual revenue of 1896 of Rs. 2,031,946. The annual average increase of revenue during the last four years has been one and a half million, and I have reason to hope that this rate of increase will be maintained during the present year.

The increase during 1897 occurred in every branch of the revenue with the exception of Sale of Government Property, and for this solitary exception the Forest Department is responsible. The principal increase has been under the head Customs, which produced Rs. 727,815 more than in 1896, chiefly under the head of grain, cotton goods, and kerosine oil. There has also been a substantial increase under the heads of Excise, Salt, Railways, Fees of Court, and Post Office—that is to say, in all those branches of the revenue which are a safe index of the prosperity of the masses; and I may parenthetically remark that the revenue continues to increase under the same heads during 1898. To quote the words of the report on the Blue Book of 1897: "This satisfactory increase was in no way due to increased taxation or to any unexpected windfall, but to the general prosperity of the Island, the people of which during the year under review imported more goods, especially cotton goods, travelled more, bought more Crown land, eat and drank more, wrote more letters and telegrams, and generally flourished more."

The expenditure for 1897 was Rs. 21,634,379, or Rs. 396,510 more than that of 1896, but Rs. 437,171 less than our estimated expenditure. The principal heads under which the expenditure of 1897 exceeded that of 1896 were Public Works, Pensions, Port and Marine Department, Military Expenditure, Survey, Police, Education, and Miscellaneous; and the heads under which our estimates of expenditure for 1897 proved to be excessive were, Charges on account of the Public Debt, Exchange, Public Works Extraordinary, Post Office, Railways, and Forests. There was also a supplementary expenditure of Rs. 1,206,000, of which the principal items were Railway Department Rs. 300,000, Public Works Extraordinary Rs. 320,000, Jubilee Expenses Rs. 100,000, Military Expenditure Rs. 67,000.

Thus, between the increase of revenue and the shortcoming in expenditure our surplus for 1897 amounted to no less than Rs. 2,372,144. Yet, as I pointed out to you in my Address of last year,
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1897 was a chequered year. Famine and other troubles distracted India, and their shadow fell upon us. Exchange was high, the price of tea low, rice was dear, and the money market abnormally tight. Our staple industry in particular was depressed, and yet as you see the prosperity of the masses was little affected and our revenue continued to expand.

Nevertheless, in framing our Estimates for the current year I did not feel justified, in the face of the gloomy views which then prevailed regarding our prospects, in reckoning upon a revenue altogether equal to the anticipated revenue of 1897, and accordingly I estimated for a revenue of Rs. 23,411,000, or about Rs. 600,000 less than what proved to be our actual revenue for 1897. The expenditure was estimated at Rs. 23,443,000. The estimate of revenue will, I believe, be largely exceeded. Already the first nine months of the year show an increase of nearly a million rupees over the estimated revenue for that period. Customs show an increase of Rs. 392,258, Port and Harbour Dues of Rs. 98,934, Fees of Court Rs. 70,000, Railways Rs. 117,000, Land Sales Rs. 176,898, Post Office Rs. 80,000. The increase in Land Sales is large and indicates that enterprise, in spite of the depression in tea, is not checked. In 1897 the amount of land sold was large, 18,000 acres, at an aggregate price of Rs. 538,000. Of the 18,000 acres sold, 3,000 acres were bought by Europeans and 15,000 acres by natives. During the first nine months of 1898, 15,930 acres were sold for Rs. 582,613. Of these, no less than 6,000 were bought by Europeans, and 10,000 by natives—2,000 acres being sold to Europeans in the Eastern Province for cocoanut cultivation, and 2,368 acres in Uva presumably for tea.

The expenditure up to October 1 includes a supplementary expenditure of Rs. 761,766, of which amount Rs. 108,000 were re-votes and Rs. 330,000 were expended on public works which have been undertaken in place of other works provided for in the Estimates, and which proved not to be so urgently required. Rs. 45,000 were expended on precautions against the plague, and Rs. 57,000 on the Railway. These items account for Rs. 540,000 of the Rs. 761,766 which have been thus expended.

This expenditure, which is considerably less than that of previous years, has already received your sanction. During this year I have from time to time sought your approval for the necessary supplementary expenditure, if possible before it was incurred, and in cases where it was necessary to anticipate your approval as soon afterwards as possible. This is a more constitutional course than that hitherto followed, and has caused no inconvenience administratively.

I think, Gentlemen, that making allowance for increased revenue, unexpended votes, and the usual automatic savings, we may safely anticipate a surplus of from one and a half million to two million rupees at the end of the present year.

ESTIMATES FOR 1899.

The revenue and expenditure for 1899 are estimated at Rs. 24,965,500 and Rs. 24,931,693, respectively. The details will be fully explained to you on an early occasion.

DEBT.

Next, Gentlemen, as to our Debt. On 1st January it amounted, at the current rate of exchange, to Rs. 56,323,882, or about two millions less than on 1st January, 1897. This reduction has been mainly due to the rise in exchange. In other words, our debt represents the revenue of about two and a quarter years—by no means an excessive charge when you consider the magnificent property in the shape of Railways and Harbour Works which it has purchased for us. At the same rate of exchange the charges on account of this debt, for interest and sinking fund, were in 1897 Rs. 2,844,379. Of this amount, Rs. 1,609,147 were on account of charges for that portion of our debt which has been incurred for Railway Extension. Not only were these charges defrayed from your Railway receipts, but there remained, after paying all working expenses, a surplus of no less than Rs. 2,608,364, which was credited to the General Revenue. This more than represents the sum which the Secretary of State has directed us to contribute from the General Revenue to the construction of the Northern Railway; and as the justice of this decision has been questioned, I now invite your attention to the fact that the Secretary of State acted in accordance with the resolution of the Committee appointed in 1891 to consider the classification of railway rates. This resolution, signed by Messrs. Kelly and Talbot on behalf of the Planting interests, recorded the opinion that the surplus profit of the railway, after setting aside two per cent. as insurance, should be devoted to Railway Extension. Mr. Christie did not sign this resolution for the reason contained in a letter of 24th April, 1891, namely, because he did not consider it unfair to credit the surplus to revenue. The justice of Mr. Chamberlain's decision is disputed by two parties: those—a small minority—who have always opposed the construction of the railway and who would now refuse the necessary supplies—a consistent if belated policy; and those who have throughout advocated and promoted the construction. I would remind the latter, as I have repeatedly reminded the Council, that the railways, the extension of which you have sanctioned, must be paid for, and if the two and a half millions are not found out of cash balances it must be raised by loan. It is not sound finance to borrow and pay interest for money when you have the required amount lying idle in the hands of your banker.

The insular debt, as I have stated, amounts to Rs. 56,323,882, of which nearly 33 millions are on account of Railway construction, 18 millions on account of Harbour construction, and the balance Rs. 5,300,000 for Waterworks and Irrigation.

COLOMBO HARBOUR WORKS.

Of the amount (Rs. 18,000,000) borrowed for Harbour Extension, Rs. 7,192,180 had been expended on 30th June last on the new Harbour Works. The amount which will be required to complete these works is Rs. 10,564,681. Accordingly, the total appropriation on this account up to 30th June last was Rs. 17,756,861, instead of Rs. 8,648,000 as originally estimated, and instead of Rs. 16,211,729, the revised estimate of last year. In my last Address I explained to you that the difference between Messrs. Coode, Son, & Mathews' original estimate of Rs. 8,648,000 and last year's estimate of Rs. 16,211,729 was mainly due to your having undertaken new and costly works which had not been anticipated; and I have now to account in the same way for the excess of my present estimate (Rs. 17,756,861) over the revised estimate (Rs. 16,211,729) of last year. The excess is due to new works which you have sanctioned during the last twelve months. The principal of these are :—

	Rs.
Patent Slip	541,538
Warehouse accommodation	400,000
New Passenger Jetty	150,000
Increase of estimate for Graving Dock	147,692

Dredging in 1898 cost Rs. 428,106. The Harbour revenue and expenditure for 1897 were respectively Rs. 1,184,921 and Rs. 1,188,860, against Rs. 1,114,998 and Rs. 1,135,995 in 1896. The estimated revenue for the current year is Rs. 1,175,520 and the estimated expenditure Rs. 1,223,230. I am happy to say that the actual revenue for the first nine months of the year has exceeded the estimate for that period by a sum of Rs. 98,000. The tonnage of the ships entering the harbour has considerably increased this year. The charges for interest and sinking fund for 1897 aggregated Rs. 961,595, and for 1898 Rs. 1,013,256. About ten and a half millions will be required to finish the work, supposing that no new expenditure crops up. Of this we have in hand Rs. 4,152,868, the balance of the loans of 1892 and 1893, and accordingly about 6½ millions will be required. This it will be necessary to raise by loan unless we can find it, or some part of it, out of surplus revenue. The debt charges, which as I have said are Rs. 1,103,236 this year, will then rise to Rs. 1,338,000. On the other hand, we may fairly hope that the steady annual increase of 6 to 7 per cent.—not 10 per cent. as was anticipated when the extensions were sanctioned—will be maintained.

I should remind you that on 30th June last I estimated the additional amount which would have to be raised by loan at 5 millions, and not 6½ millions as now stated; the difference, as I have already explained, is due to the new works which you have since sanctioned.

The loans to Local Boards amount to Rs. 614,045, of which Rs. 74,519 have been repaid, leaving a balance outstanding of Rs. 539,535. The Local Boards continue to pay their instalments promptly and punctually.

PRESENT FINANCIAL POSITION.

On 1st August, 1897, the total cash balances of Government amounted to Rs. 4,340,522, and on 1st August last to Rs. 4,904,913. These totals include actual cash in the Treasury, in the hands of the Government Agents, and of the Crown Agents, but do not include cash held on account of the Currency Note Reserve Fund.

Besides these cash balances the Government held on 1st August, 1898, Indian and other securities to the value of Rs. 8,257,140 against Rs. 7,939,980 on 1st August, 1897. These investments, as I have before remarked, may be regarded, speaking generally, as the balance of the loans of 1892 and 1893, the unexpended surplus revenue of past years, and certain moneys held in trust by Government, of which the principal is the amount standing to the credit of the Widows' and Orphans' Fund, namely Rs. 1,980,721. There is also invested (but not included in this total) on account of the Note Currency Reserve Fund a sum of Rs. 5,613,922.

Such, Gentlemen, is our financial position, and I think that you will agree that it is eminently sound and satisfactory. Last year I expressed the hope that the revenue of 1897 might show an increase of one and a half million over the revenue of 1896. That hope, as I have explained, has been more than realized. The revenue of 1897 exceeded that of 1896 by over two million rupees, and I shall be much disappointed if the revenue for 1898 does not show an increase of nearly one and a half million over the revenue of 1897.

But expenditure has also increased, and unless we suddenly halt in the path of progress it must continue to increase. What is the nature of that increased expenditure? It is mainly due to Public Works. There has of course been an increase under other heads—for instance, under the

heads Survey, Education, and Hospitals—but the bulk of the increased expenditure, as I have said, has been on Public Works. Take, for instance, the actual revenue for 1896 (my first year of office) and the estimated revenue for this year: the increase is Rs. 1,437,000. On the other hand, the allotment for Public Works in 1898 exceeded that of 1896 by Rs. 1,343,000. Any loss of revenue must, therefore, be met by a curtailment of your expenditure on Public Works, and this is a consideration which you should carefully bear in mind.

But is a loss of revenue likely to occur? It can only occur in two ways: first, by a check to our prosperity from causes beyond our control; secondly, by our voluntarily surrendering some source of revenue: that is to say, by our own act.

Is the first contingency probable? Is there likely to be a check to our prosperity from causes beyond our control? This, Gentlemen, is a difficult and delicate question, but its consideration should not be shirked for that reason. All fair and thoughtful observers admit that our prosperity is the creation of the Planting industries, and that it is still mainly, though not entirely, dependent on the tea industry. During the last year or two there has been a depression in that great industry, and responsible men among us have unmistakably suggested, if they have not positively asserted, that tea can no longer be profitably cultivated in several districts of the Colony, and that before the end of the year many estates will be abandoned and the capital expended upon them sacrificed.

The echo of this sombre prediction has penetrated to England, and many persons there have hastily jumped to the conclusion that the days of our great industry, and therefore of our prosperity, are numbered.

It is not for me, speaking on this occasion and in this place, to criticise the policy or wisdom of public utterances of this description, but it is my duty to suggest consideration of the question whether these prophecies are likely to be realized, and, if so, to what extent our revenue will be affected, and what precautions should be taken. My own opinion throughout this agitation has been that the fears which I have heard expressed on all sides of me are exaggerated, and that although there has been, and may continue to be, depression through the rise of exchange, falling prices, and (if I may suggest it) the reaction which inevitably follows undue inflation—and consequently loss in individual cases—yet this great industry is on the whole perfectly sound and stable, and in the absence of a visitation of God, against which the efforts of man might avail nothing, the tea industry of Ceylon will and must continue to hold its own against other tea-producing countries, even although the high profits which have been hitherto realized may to a certain extent be curtailed, and consequently the value of shares may fall. But is there a probability of a further fall in profits? Exchange, whatever the solution of the vexed question now under consideration may be, is not likely to rise much higher than it is at present, and, on the other hand, it will probably be comparatively fixed and stable, and free from those fluctuations which have been the chief obstacle to the investment in silver countries of European capital. There is a point below which prices cannot fall, and that point appears to have been reached. Prices are, I understand, now recovering, and, although the amount of tea exported from Ceylon and India in the present year is considerably larger than in 1897, the prices have during the current year been on an average substantially higher than in 1897. The exportation of tea to the United Kingdom has been somewhat reduced, but compensation has been sought and found in the new markets in other parts of the world discovered by the enterprise and energy which have always characterized the planters of Ceylon.

In a despatch to the Secretary of State dated the 4th February, 1898, which was duly presented to you, I stated my reasons for believing that any depression which was likely to prevail would not seriously affect our revenue, and so far my views have been justified by the event, for in spite of the depression our revenue has continued to expand with the rapidity of the most prosperous years. In short, Gentlemen, I never have believed, and I do not now believe, in the ruin of our staple industry through economic causes, and I never have anticipated, and do not now anticipate, any serious falling off in our revenue by reason of a depression, temporary or permanent, in the rate of profits, even although a fall in profits may unfortunately throw out of cultivation some estates which have always had a precarious footing on the margin of profitable cultivation.

Gentlemen, this is no mere academic question which I am discussing. If it were so, I should leave it severely alone and pass on to less controversial subjects. No; it is a hard, practical question—a vital question—on the answer to which must depend our future policy. If the gloomy fears and forebodings to which I have referred are likely to be realized, we should shape our policy accordingly, and it will then be a serious question for your consideration whether in such circumstances we should continue to expend every penny of our existing revenues and also incur large liabilities in order to develop the resources of the Colony, especially by the extension of roads and railways. Personally I should still favour that policy, for, as I have often stated to you, I believe that the best precaution which can be taken against the catastrophe with which we have been threatened is the development of our resources and the opening out of neglected districts with the view of encouraging other industries.

But, notwithstanding that this is my conviction, I cannot deny that there is another side to the question, which is worthy of serious consideration, and if this Council or the majority of this Council are strongly inclined to the view that the condition of the staple industry is really precarious, and that in these circumstances the wise policy would be to husband our resources by curtailing our expenditure—even our reproductive expenditure—I should hesitate—much as I should differ from those views—to press a progressive policy upon you.

But I am not one of those who consider our prosperity to be entirely dependent on the tea industry. Coffee, and then tea, was once practically our only industry, and tea is still our staple industry. Any disaster to tea must entail great loss and privation on the Colony, but not ruin—not even the partial ruin which temporarily followed the fall of the coffee industry. The Colony is far more wealthy than it was twenty years ago, and its wealth is much more widely diffused. The country is more developed, new industries have sprung up; all branches of our revenue—our savings banks, the railway traffic, the consumption of luxuries and the adoption of higher standards of living by the masses, the purchase of land by natives—are certain indications of increased and diffused wealth and prosperity.

The Condition of Trade.

Let us for a moment pause to compare the state of the Island in 1897 with its condition in 1877. I select 1877 because it was the halcyon year of coffee, when that industry touched the highest point of its career—the trade of 1877 exceeding the trade of 1876 by 160 lacs, and that of 1878 by 230 lacs. On the other hand, 1897 was not a year of more than average prosperity for tea, supply apparently having overtaken demand, being depressed, and exchange causing great stringency in the money market. The total trade of 1897 was of the value of 1,831 lacs against 1,234 lacs in 1877, an increase of 32 per cent. The imports in 1897 were valued at 980 lacs against 627 lacs in 1877, an increase of 56 per cent.; while the exports were respectively 850 and 611 lacs, an increase of 30 per cent.

Of the 611 lacs of exports in 1877 coffee represented 500 lacs, or 81 per cent., while of the 850 lacs of exports in 1897 tea represented 470 lacs, or only 56 per cent. This shows, that, fortunately for the prosperity of the Colony, important as tea is, it has not the extraordinary preponderance of the coffee industry of twenty years ago.

In 1877 Ceylon might indeed have been described as a country dependent on one industry, for while coffee formed 81 per cent. of her export trade, no other of her products amounted to 4 per cent., the produce of the cocoanut palm being just under that figure. In 1897 our largest industry forms but little over half of our total trade, while the cocoanut palm produce has advanced from 3.9 per cent. to 15½ per cent., and may be now classed as a great industry which is yearly increasing in importance; plumbago, too, and citronella have increased their relative importance by more than threefold, cinnamon by two-and-a-half-fold, and arecanuts by 50 per cent.

Two fresh introductions have taken place since 1877, cacao and cardamoms.

Cacao from *nil* in 1877 rose to 51,101 tons in 1897, valued at 13 lacs, or 1½ per cent. of the total.

Cardamoms, from one-fifth of a lac in 1877, have risen to 10 lacs, equivalent to a little over 1 per cent. of our total. Cardamoms, I may here remark, have been a particularly remunerative crop this year, and the inevitable result—extension of cultivation—is now taking place. The market for this product is small.

Cinnamon, the mainstay of the Dutch revenue, which fell on such evil times that in 1877 the export was valued at but 7½ lacs, or about 1 per cent. of the total, recovered in 1897 to 22 lacs, equal to 2½ per cent.

Of all these our most promising industry—of course after tea—is the produce of the cocoanut palm. The value of its exports in 1897 was 130 lacs, against 470 lacs the value of tea exported, and it is calculated that the value of the local consumption is 20 millions of rupees. The acreage under tea cultivation is about 370,000 acres and the acreage under cocoanut palm cultivation is estimated from 700,000 to 800,000 acres. Under this head are included two new items, “desiccated cocoanuts” (a product not known twenty years ago) and poonac. These have developed a foreign trade of 21½ lacs and 8 lacs respectively. The desiccated nut trade of to-day is alone within appreciable distance of equalling the total value of the trade in the cocoanut palm products of twenty years ago. Those who require further information will find it in that useful work, Ferguson’s “Ceylon Handbook,” the contents of which should be mastered and digested by any one who desires to be acquainted with the economy of this Colony.

That the cultivation of the cocoanut palm is rapidly increasing is a matter of congratulation, but should not be the cause of surprise. There is no cultivation so simple, so cheap, and of which the returns are so certain. There is plenty of suitable land available, especially in the North-Western and Eastern Provinces, which can be purchased at very low rates, and there is no labour difficulty. Indeed, if there is room for surprise, it should be surprise that European capital has been so coy, so slow to grasp the opportunity. I have little doubt that as our communications extend and improve this great industry will make a still more rapid advance.

Then, as regards shipping and the tonnage of vessels calling at Galle and Colombo. The total of vessels outwards and inwards has increased by 900 vessels and 4,412,000 tons, the number of vessels calling at Colombo in 1897 being 4,445 against 3,170 in 1877, and the tonnage being 5,980,000 in 1897 against 1,145,000 in 1877. For this large increase tea is in no way responsible, for the tonnage of tea exported in 1897 is something less than the tonnage of coffee exported in 1877. At Galle the vessels which called in 1877 were 833, with a tonnage of 1,061,000, against 458 vessels in 1897 with a tonnage of 638,000 tons. The revenue of the ports of the Island was in 1897 Rs. 903,000 against Rs. 96,000 in 1877. Of this revenue, Rs. 870,000 were collected in Colombo.

I think, Gentlemen, that these figures show that we are a much more wealthy community in 1897 than we were in the best days of coffee, that our position is far sounder, that our wealth is more widely diffused, and that we are no longer entirely dependent on a single-product industry.

The second way in which our revenue might suffer would be our voluntarily sacrificing some valuable source of revenue. A large surplus has its inevitable drawbacks and disadvantages for the Finance Minister. In my first Address I expressed a hope that the era of deficits was at an end, and we might be able to show a surplus in future years; but I added, "a moderate surplus—not sufficient to excite cupidity or invite extravagance." Consequently when the colleagues who specially assist me in financial matters showed me a surplus of about two and a half millions for 1897, I received the news with mingled feelings, for I realized that the threatened crisis had arrived and that the storm was about to burst.

Nor was I mistaken. When the surplus was announced an impetuous, almost turbulent, flood of claims poured in upon the Treasury. The cry for remission of taxation arose in all quarters, loud and long. Almost every tax was denounced as unjust. The duty on rice, on kerosine oil, the salt tax, the road tax, railway rates,—all were to be swept away if every one was to be satisfied. Almost alone the duty on cotton goods was unassailed; but, Gentlemen, if the question of reduction of taxation take a practical shape, the voice of Manchester, which has by no means been silent of late on this subject, will be heard loudly and energetically—and probably not in vain. Remember that cotton cloth is perhaps the one imported article with which the poorer native cannot dispense in this country, where Nature is so liberal and can supply all his other wants.

Fortunately or unfortunately, I am not obliged to decide between all these conflicting claims. I am not in a position to remit taxation or to sacrifice any material source of revenue. If the future were assured, instead of being precarious, as some of those who now advocate remission of taxation have so emphatically, and as I think erroneously, asserted—if the Colony had reached so high a degree of development that there were no occasion to add large sums almost yearly to its debt in order to develop its resources—I should be inclined to agree that a remission, or at any rate a re-adjustment, of taxation might be favourably considered. But we have not arrived at that happy position. Although I do not share the pessimistic views to which I have referred, yet I am not so presumptuous as to treat them with levity or indifference. Although I do not believe that those gloomy prophecies will be fulfilled, or, if certain to be fulfilled, that we should be justified in abandoning or even in interrupting the development of our resources, yet I do not feel justified in the face of these warnings in permanently alienating or abandoning any substantial source of revenue. The present clouds must pass away—we must turn the corner—before we can hope to see the promised land of reduced taxation.

There is another standpoint. When I assumed the Government of this Colony you stood at the parting of the ways. It was then open to you to halt and mark time, or to continue to advance. If the opinion of this Council, and especially of its Unofficial Members, had been hostile to, say, the extension of Railways—if, as I stated at the time in reply to the Planting Member, progress did not commend itself to the Unofficial Members of this Council—I certainly should not have pressed, and the Secretary of State would probably not have sanctioned, the adoption of a policy which entailed a large expenditure on Public Works and a considerable addition to our insular debt. You were fairly warned that the choice lay between a progressive policy and the reduction of taxation. You made your choice. You unanimously decided in favour of a progressive policy, and therefore you cannot now consistently demand, as many are urging you to demand, a remission of the taxation which is to pay for the policy which you adopted and enforced.

And consider, Gentlemen, how long you have enjoyed a surplus. Two or three years only. Before that deficits were the rule. Is there any one here who will guarantee that the chapter of deficits is finally closed? Thanks to the Railway, there was a surplus in 1897 of Rs. 2,324,000; but in the same year you added one and a half million to your Harbour Extension debt, and adopted a Railway Extension programme which will cost you from seven and a half to eight and a half millions. No, Gentlemen, I repeat that, in view of the depression which prevails in our staple industry, and the gloomy predictions of responsible men among you, it would not be wise or statesmanlike permanently to sacrifice any substantial source of revenue unless the deficit thus created can be made good by some other means, for you will realize that it would be very difficult, if not impossible, to

re-impose, especially in days of trouble, taxes which had been once surrendered. Supposing, Gentlemen, I were to abolish, or even largely to reduce, the import duty on rice, a duty which contributes between two and three millions to our revenue, and that on the heels of this concession there followed the much threatened misfortunes, how unenviable would be my position when I came here in sackcloth and ashes, confessed my mistake, and proposed new taxation—perhaps an income tax, death duties, or increased Customs duties—not a land tax, as is often suggested, for a land tax is scarcely practicable until the cadastral survey is well advanced.

It is not as if our taxation oppressed any industry or any section of the population. It is not heavy. On the contrary, it is indisputably light. Let me try to make you realize how light.

Putting aside the ordinary Customs Duties and the payments for services rendered, such as Railways, Post Office, Telegraph, &c., there are three taxes which are compulsory on certain classes in this Colony.

First, the Salt Tax, which is practically paid by all. It is a sound tax, levied without hardship or inconvenience; it can easily be increased in time of trouble; it is little felt by the consumer. This tax amounts to 62 cents per annum per head, much less than the similar tax levied in India. There is next the Road Tax. It is a tax paid by every adult able-bodied male between the ages of 18 and 55, European or Native. Every such person is liable to work for six days in the year in the formation or improvement of the roads in the vicinity of his home, unless he can claim exemption, which is granted in all reasonable cases. He can commute this obligation by a payment of not more than Re. 1.50 if he resides in the country, and Rs. 2 if he resides in a town. Estate coolies are exempt, an exemption which appears to be generally overlooked in the discussions regarding taxation. As an elementary tax, common to the whole community, I cannot imagine a more just or suitable tax. It would be an ideal tax, in my opinion, if its collection could be guaranteed to be free from opportunities of extortion or oppression. This tax practically falls upon one in every five of the population; that is to say, upon an adult able-bodied male in every family, if there is such a person, between the ages of 18 and 55.

The third tax is paid by all who consume imported rice. The total imports of rice are 8,723,000 bushels, and of paddy 1,017,000 bushels. Assuming half the paddy to be converted into rice, we obtain a total of nearly nine million bushels of imported rice. Making allowance for women and children, the proportion of whom can be found in the Census returns, and their smaller consumption, the total consumption averages $5\frac{1}{2}$ bushels per head. Dividing the 9,000,000 bushels by the consumption per head, you will find that the rice imported is sufficient to maintain 1,632,000 consumers. Of these, the estate coolies number 350,000, or less than 25 per cent.; the urban population 390,000. Allowing for the preponderance of males on a tea estate, the average consumption, including of course women and children, many of whom by the way earn money, may be taken as $6\frac{1}{2}$ bushels per head. The estate coolies thus account for 25 per cent. of the total consumption, and no more. The urban population, as ordinary consumers at $5\frac{1}{2}$ bushels, take 24 per cent. of the total, and the balance is consumed by the rural consumers, who, if each consumes $5\frac{1}{2}$ bushels per head, would number 841,454. They are in fact a much larger number, as many merely use Indian rice to supplement their ordinary food, the produce of palms, palmirahs, chenas, or gardens. I cannot go into the details now—but I am ready to communicate the figures and calculations to any Honourable Member—which satisfy me that the number of rural consumers may be estimated at 1,600,000.

To sum up. The average tax for imported rice will be for the estate cooly Rs. 2.42 per head, for the urban inhabitant Re. 1.59 per head, and for the rural inhabitant 80 cents per head. The estate coolies pay 25 per cent., or say Rs. 700,000, half of which sum would be the amount of road tax which they would have to pay if they were not exempted.

Now, what is the total compulsory taxation paid by each of these classes? The urban inhabitant, a male adult consuming his nine bushels of rice yearly, pays Rs. 2 road tax, Rs. 2.61 for his rice, and 62 cents for his salt; total, Rs. 5.23. If he is head of a family of five, he would pay Rs. 9.99. A rural inhabitant would pay Re. 1.50 road tax and 62 cents for salt; total, Rs. 2.12; or if he is the head of a family of five, Rs. 2.53. If he does not commute his road tax, he pays the salt duty only. If, on the other hand, he consumes imported rice, he will pay 80 cents per head in addition. The estate cooly, also a male adult consuming nine bushels yearly, pays Rs. 2.61 for his rice and 62 cents for his salt; total, Rs. 3.13. If the head of a family of five, he will pay Rs. 7.99.

If these people choose to indulge, as I hope they will, in imported comforts—if they use European goods, cotton goods for instance, and foreign sugar, and burn kerosine oil—they will pay more: the urban and rural inhabitant Rs. 2.42, and the estate cooly Re. 1.52 in addition. And if the male adult drinks arrack or spirits, he will pay in addition Rs. 3, or 19 cents per head, as the case may be.

I do not think that this taxation can be considered excessive. In fairness to posterity which will have to pay the debt which we are piling up, and in justice to the permanent interests of the Island which a floating fugitive community is apt to overlook, it ought not to be lighter than or perhaps as light as it is.

Remember, Gentlemen, I am merely dealing with the amount of taxation, not with its nature or incidence. I say that the taxation is as light as, if not lighter than it ought to be, and that if any of the three taxes to which I have referred are remitted, they should be replaced by others. I do not say—I am far from saying—that your system of taxation is economically or politically ideal, and that its nature and incidence cannot be improved; but this is a question which requires the most careful deliberation, and I quite agree that it might with great advantage be discussed and considered. What I do maintain is, whatever the faults and defects of our system of taxation, it is not oppressive, it need affect no one harshly, and its amount, far from being excessive, is light and ought not to be reduced. But whether poverty might not be relieved and wealth take a larger share of this taxation, light as it is, is a question which is worthy of consideration. To sum up: I contend that if any substantial source of revenue is abolished, it should be replaced by some other tax yielding the equivalent or nearly the equivalent amount.

My remarks, Gentlemen, do not refer to minor alterations or modifications of our taxation, if those alterations and modifications would materially benefit the public, or a section of the public, or some important interest, at a comparatively small sacrifice of revenue. Such, for instance, are the modifications which the Committee which lately reported on our *ad valorem* Import Duties have recommended. These I am ready to adopt if they meet with your approval, and if you do not prefer to reduce the duty on kerosine oil. With Railway rates I will deal later on.

Nor do my remarks refer to a surplus which has been already acquired and is still unappropriated. A considerable portion of the surplus of last year and this year will, under the orders of the Secretary of State, be devoted to Railway Extension, but whether the balance of that surplus or the surplus which we may hope to realize next year and in succeeding years should be assigned to the same purpose—say the Uda Pussellawa Railway—or to meeting our increased expenditure on Harbour Works, which, as I have pointed out, will otherwise necessitate our raising a further loan of at least six and a half millions, or to some other purpose, is a fair subject for consideration by this Council.

This closes my remarks, Gentlemen, on the financial situation, and I now proceed to deal with other questions.

In my first Address to you in 1896 I sketched the programme which I proposed to realize during my term of office, if that lasted the usual period. I think that the most convenient course will be for me to take up each item of that programme, and review the progress which has been so far made in this my third year of office. The various items were the extension of roads and railways; the re-organization of the Civil Service; and of the Survey Department, with the view to its undertaking a topographical and cadastral survey of the Island; the re-organization of your Forest Department; the re-organization of the Technical College in order to make it, among other things, the training ground for the so-called Scientific Departments; the improvement of the method of raising your arrack revenue with the view, not only of increasing your revenue, but lessening the temptation to drink; the extension of irrigation; and a vigorous attempt to deal with the lamentable condition of the Colony as regards violent crime, especially the use of the knife. Lastly, although I explained to you that my chief care would be Administration, not Legislation, I indicated various amendments of the law which would be required, and which I may here remark have all since been enacted.

PUBLIC WORKS.

Roads and Bridges.

The expenditure during the last two years on Public Works has, I believe, been unprecedented. In 1897, the first year for which I was altogether responsible—financially—the provision for Public Works was nearly three and a half million rupees, and for the current year the provision was over four millions. The provision for 1896 was Rs. 2,827,000.

The allotment for Public Works Extraordinary in the current year is Rs. 1,875,000, of which it is estimated that Rs. 1,310,000 will be expended. In addition, other works for which provision was not made in the Estimates, to the amount of Rs. 205,000, have been undertaken, also works chargeable to loan at a cost of Rs. 714,000. Accordingly it is anticipated that during 1898 the Public Works Department will expend Rs. 2,229,000 on Public Works Extraordinary. I doubt if there is any precedent for so large an expenditure. The provision made for new roads was Rs. 364,550, and it is expected that the expenditure will be Rs. 330,896, leaving a balance of Rs. 33,654. Although the commencement of some of the grant-in-aid roads was postponed, owing to the delay in the payment of the contribution due from the owners of the different estates, substantial progress will be made with all the roads for which provision was made, with the one exception of the Bandarawela-Ampitiyakanda road, regarding which the planters differed as to the trace. In its place the *to Dandya factory* has been undertaken. You voted a large

sum this year for maintenance—namely, Rs. 1,147,262, that is to say, more than Rs. 200,000 in excess of the provision for last year. This will be nearly all expended, and it will be necessary for you to vote a still larger sum this year, if our roads, which have been starved of late years, are to be brought into proper order.

The provision for new bridges was Rs. 291,105, and it is expected that Rs. 252,186 will be expended.

In addition, the Public Works Department have undertaken other works chargeable to loan, viz., the duplication of ten miles of the Labugama to Colombo water main at an estimated cost of Rs. 1,000,000, the erection of the new Custom warehouse, the new passenger jetty, and other works.

It is evident that the operations of this Department have never been directed with more vigour and efficiency than during the years 1897-98.

RAILWAY EXTENSION.

And now, Gentlemen, as to Railway Extension, regarding which we have heard so much of late. In my first Address, in October, 1896, I indicated to you the railways which I should like to see constructed or commenced during my term of office. These were the Northern Railway and the Kelani Valley and Uda Pussellawa Railways, the two latter as light railways on the 2 ft. 6 in. gauge. As you know, the construction of the Northern Railway, commencing with the section between Kurunegala and Anuradhapura, and the Kelani Valley Railway have been sanctioned by the Secretary of State. A Chief Resident Engineer has been appointed in the person of Mr. Mackintosh, and work on both railways will soon commence.

The main Northern Railway, the railway which will eventually connect us with India, will run *viâ* Madawachchi to Mannar. There will also be the railway from Madawachchi to Jaffna, which I recommended should be on the 2 ft. 6 in. gauge. The Secretary of State has however directed that, like the main Northern Railway, it should be a light railway on the broad gauge. The trace chosen by Mr. Waring for the Madawachchi-Jaffna Railway was for reasons of economy as straight and direct as possible, but on the representation of the Government Agent, Northern Province, and of a Commission which I appointed to examine the question, I considered it desirable to adopt deviations which would bring the railway through the centres of traffic. A fresh survey was consequently necessary, and this was conducted by Mr. Cantrell and has just been completed. The cost of a light broad gauge railway on the new trace will be about three million rupees, but even at this increased cost the railway I believe will still pay *ab initio*.

The Secretary of State has suspended for the present his sanction to the proposed Uda Pussellawa Railway, but I have hopes that, if you think fit to appropriate to the construction of this railway some of the surplus of this or succeeding years, Mr. Chamberlain might be induced to reconsider his decision. The total cost of the sanctioned Railway extensions will be $7\frac{1}{2}$ to $8\frac{1}{2}$ million rupees; of this amount, $2\frac{1}{2}$ million have been found out of surplus revenue and the balance will be raised by loan. We believe that after paying all charges the new railways will yield a substantial profit *ab initio*.

I congratulate you, Gentlemen, on the prospect of Railway Extension in this Colony. Especially do I congratulate you on the commencement of the railway which is eventually to connect Galle and Colombo with Bombay, Madras, and Calcutta. I should have been much disappointed if, when the Government of India were pushing on the railway to Paumben, we had remained idle and taken no steps towards establishing that connection, which is so necessary in the interests of both countries. The extension of the railway towards India is very desirable for strategical and commercial reasons, and is the only satisfactory solution of the Labour Question, wherein lurks, in my opinion, the chief danger to our tea industry. And it is preposterous that in these days of progress, when railways are being constructed through wild and almost unexplored districts in Africa and other parts of the world, the prosperous Peninsula of Jaffna should be cut off from the rest of this rich Colony, and means should not be given to its overcrowded population of spreading into and opening out the once fertile lands of the Vanni. But if arguments cogent and convincing in favour of this railway are required, let me refer you to the very able document dated 25th September, 1889, signed by the late Mr. A. M. Ferguson as Chairman of a very representative meeting, which I submitted to the Secretary of State with my despatches of 6th May, 1897, in support of my proposals for the construction of a Northern Railway *viâ* Kurunegala and Anuradhapura.

The choice of the broad gauge for the railway is in accordance with the decision of the Secretary of State that our main railways should be on the existing gauge. This I think is a wise decision in the case of a railway which is to connect us with India. It will be many years before this Colony will be in a position, even with the assistance of India, to spend thirty million rupees in bridging the straits between Ceylon and India, and till then there must be a gap and break

of gauge, so to speak, at Mannar. It would be very undesirable to have a second break of gauge at Madawachchi, Kurunegala, or even at Anuradhapura. Moreover, the possibilities of this railway cannot be foreseen, and it may transpire that only a broad gauge can carry the traffic which will be created when India and Ceylon are connected. It will then be for India to extend its broad gauge system to Paumben, and not for us to change our broad gauge into narrow gauge.

Equally a cause of congratulation is the settlement of the long-fought question of narrow gauge. The Secretary of State, with your assent, arrived at a decision that in future all extensions of the main line should be on the existing gauge, and that feeder and isolated lines, in districts where the traffic or the early prospect of traffic is insufficient to justify the construction of a broad gauge railway, should be constructed on a narrow gauge in the most economical way possible. It was then necessary to select a gauge for our narrow gauge lines, and the Northern Railway Commission after careful consideration selected the 2 ft. 6 in. gauge, and recommended that the Northern Railway from Anuradhapura to Kankasanturai, a distance of 126 miles, should be constructed on that gauge. The Commission which I appointed to report on the question of Light Railways in the Hill Districts also proposed that the 2 ft. 6 in. gauge should be adopted, not only for the railway from Nanu-oya to Kandapola, but for all hill railways.

They recorded the following opinion as to gauge :—"The Commissioners' decision on this point unhesitatingly is that the gauge to be adopted should be that of 2 ft. 6 in., which affords great advantages over the narrower gauge in the matter of locomotive construction. It is true that in some cases at all events a 2 ft. gauge would be more economical and more easily suited to the sharp curves, but as the Kelani Valley line (if constructed) would be a 2 ft. 6 in. gauge (and probably a large section of the Northern Railway), there can be no doubt that the general economy and convenience of adhering to one gauge for all the branch lines would far outweigh the saving which might be effected in some cases by adopting a narrower gauge." No wider gauge, Gentlemen, than 2 ft. 6 in. is possible in many districts; in the hill districts no other railway could be constructed except at a prohibitive cost, and nowhere in the Island could your roads be utilised for a railway of a wider gauge. If, therefore, the 2 ft. or 2 ft. 6 in. gauge were discarded in favour of a wider gauge, there would be an end to railway extension in the hill districts, and an end to those road tramways for which there has been so loud a cry.

Regarding this, there is no doubt. The Consulting Engineers have admitted that the adoption of any other gauge for the Uda Pussellawa Railway would necessitate easier curves involving considerable extra cost; and they add, "as the capabilities of this gauge are such as would enable a considerable increase in the present anticipated traffic, they recommend its adoption." Accordingly I am justified in saying that the 2 ft. 6 in. gauge was deliberately chosen by the Colony as the gauge of its narrow gauge railways on the recommendation of two representative Commissions, endorsed by the Consulting Engineers. I do not remember that at the time a voice was raised in dissent, and since then the choice has been fully justified by the information we have acquired regarding the Barsi and Morvi Railways, and by the fact that the Government of India has practically decided to construct its Frontier Railways on the 2 ft. or 2 ft. 6 in. gauge.

I do not say, Gentlemen, that this is a Procrustean rule which cannot be relaxed. There may arise the question of a railway for which neither the broad gauge nor the 2 ft. 6 in. gauge is the best, and in that case, inconvenient although it may be to have three gauges in the Colony, I would not hesitate, if the reasons were sufficiently cogent, to recommend you to adopt the metre gauge. All I contend is, the 2 ft. 6 in. should be the gauge for our feeder lines unless exceptional reasons for adopting a metre gauge are shown.

The question was fairly raised as regards the Kelani Valley Railway, but the *onus probandi* fell upon those who mooted it, and it behoved them to show that the Kelani Valley Railway should be an exception to the rule which we had deliberately adopted. It was for the advocates of the metre gauge to show that a 2 ft. 6 in. gauge railway could not carry the traffic which would probably, or even possibly, be handled on the Kelani Valley Railway. In this task they failed—in the opinion of this Council they failed—for it was proved that a 2 ft. 6 in. gauge railway, with only two trains each way daily, would carry three times the traffic, and that if the number of trains were increased to six each way daily it could carry eight times the traffic that we anticipate for the Kelani Valley Railway. Moreover, the case of this railway is peculiar, for it is comparatively easy to foretell the limits of its development. It cannot be indefinitely prolonged; it cannot be extended much, if at all, beyond Ratnapura or Rakwana, for it would then compete with our Main and Coast lines, and its lower rates would attract the traffic which is now carried by those broad gauge railways. And if it is suggested that the day may come when those railways will be glad of the relief, I would remind you that, so far as we can see, there is not a sign of the dawn of such a day, and that if it happily does break upon us we will no doubt meet the difficulty by doubling our broad gauge railways. Under these circumstances, there was no sufficient reason for our abandoning the 2 ft. 6 in. gauge for the metre gauge in the case of the Kelani Valley Railway; indeed, there was no justification for our thus

stultifying ourselves, and expending unnecessarily a large sum of money which might be usefully employed in extending our railways in other directions.

For, Gentlemen, the chapter of Railway Extension is not closed, and I hope that I may live to see the day, in my retirement, when a network of light railways traverses this Island, not only opening out the recesses of your hill districts, but connecting Colombo with Puttalam, Trincomalee, and Batticaloa. I believe that the adoption of the 2 ft. 6 in. gauge for your feeder lines brings these railways within a measurable distance of inception, if not completion, and therefore I felicitate myself on having been instrumental in effecting so propitious a settlement of this vexed question.

RE-ORGANIZATION OF THE CIVIL SERVICE.

The re-organization of the Civil Service has, Gentlemen, proved to be a complete success. Not only has the position of many been improved materially, and their prospects brightened by the changes which you were good enough to approve, but efficiency of administration has undoubtedly been promoted. Government has a wider field for selection when appointments more or less important have to be made, and the frequent transfers which used to be the bane of our administration are now to a great extent avoided. For instance, formerly it used to be necessary in the case of each temporary vacancy to make a temporary promotion and transfer, and then a lengthening chain of transfers and changes followed, to the great prejudice of efficiency and involving considerable pecuniary loss to the individual as well as to the State. We have happily changed all this. So admirably has this worked that I have been tempted to apply the same system to the Clerical Service, and I accordingly appointed a Committee to consider the question. A well-devised scheme was proposed by the Committee, has since been approved by the Secretary of State, and with your permission will come into force on 1st January next.

It is proposed to divide the Clerical Service into four classes. The highest class will include appointments of Rs. 3,000 and upwards, and the lowest class appointments beginning at Rs. 500 and rising to Rs. 1,100. For each class a system of increments will be adopted. By this the following advantages will be gained. Every clerk who works satisfactorily will receive at the lowest a salary of Rs. 1,100 at the end of nine years' service. At present there are many clerks of that length of service who are still drawing, and would never draw more than, Rs. 660 per annum. Promotion will be equalized, and there will be no longer cases of great stagnation in one Department, whilst in another it is exceptionally rapid. Above all, frequent transfers and changes will no longer be necessary, and the State will be saved great trouble and inconvenience. The scheme will not involve any increased expenditure except when it is first started, and indeed eventually there may be a small saving. It is a great satisfaction to me to have had this opportunity of improving the position and prospects of the meritorious and valuable servants of Government who compose the Clerical Service, and to have removed their grievances. By the appointment of one of the most efficient members of that service to the Second Division of the Civil Service I have shown that there is no impassable gulf between the two services which faithful and efficient service will fail to bridge.

TECHNICAL COLLEGE.

In my Address last year I explained to you the organization of the Technical College, and mentioned that four principal departments, specially for the training of candidates for the so-called Scientific Departments of Government, had been formed and were in full working. During the present year another department—Electrical Engineering and Telegraphy—has been opened, and out of 150 applicants 48 were admitted into the class after competitive examination. The work in this and all the departments has proceeded during the year with full activity. The examinations have proved that excellent progress has been made; the officers appointed to represent at the examinations the chief Technical Departments of Government have expressed their complete satisfaction at the work done and the aptitude and attainments disclosed. The final examination in one of the departments has recently taken place—the department of Surveying and Levelling—and only one failure is recorded to qualify for a license. I am convinced that the College as now re-organized will be a most valuable institution. It will afford the Ceylonese the means of qualifying, not only for private employ and enterprise, but for many Government Departments hitherto practically closed to them, and it will supply the Government Departments in question with trained and qualified recruits in place of a raw material which had formerly to be rough-hewn into shape at the expense of much valuable time and trouble. The facts I have stated are sufficient evidence of the efficiency of the College and of its success in the future, and therefore I am sure that you will not hesitate to vote the necessary funds for providing it with a fitting habitation. The present accommodation is merely temporary, and quite inadequate. The principal building was formerly a coffee store, and is old and decayed and ill adapted for its present purpose. Moreover, I desire to see

the scope of the College extended and facilities provided for the Ceylonese to acquire technical education in other directions. Drawing, for instance, is the elementary essential of all technical education, and should be taught generally in our schools. But the first step is to train teachers, and I propose that this useful work should be undertaken at the Technical College as soon as suitable accommodation is provided.

The Committee which was appointed to report on the Agricultural School has not yet met. I propose to re-constitute this Committee and to enlarge the scope of its inquiries so as to include the subject of agricultural instruction generally throughout the Island.

SURVEY.

The re-organization of this Department and the extension of its operations have been perhaps the most important work which I have undertaken. In previous years I have explained to you the steps which I proposed to adopt, and you cordially voted the necessary funds. In my Address last year I informed you that in 1896, before re-organization, the total area surveyed, all inclusive, amounted to 45,438 acres, at an expenditure of Rs. 447,674, and I expressed the hope that in 1897 the outturn would not be less than 100,000 acres of cadastral and 120,000 acres of topographical survey—220,000 acres in all, at a cost of Rs. 507,401. These anticipations were fully realized, the total outturn being 232,000 acres at a cost of Rs. 182,000, the gross total expenditure of the Department being Rs. 480,281, instead of Rs. 507,400 as estimated.

During the current year excellent progress has been made, although the full strength of the Department has not been available for the whole year. Nevertheless it is estimated that by the time the surveyors go into recess they will have covered an area of 201,000 acres of the block or cadastral survey and about 1,200 square miles, or 760,000 acres, topographically. The topographical branch will no doubt be able to produce, within five or six years, an accurate map of the Island, a want which has been long felt. Indeed the absence of such a map of so rich and progressive a Colony is little short of a scandal, and I am gratified to think that the steps for the removal of the blot from the administrative pages of the Colony should have been taken, with your concurrence, during my tenure of office. Much more work would have been done by the Department had it been allowed to work on without interruption and without calls from outside upon its working staff. Unfortunately this has not been the case, and consequently the cadastral survey, the results of which will be so valuable to the Colony, has suffered much. Not only has it been necessary to withdraw officers for railway surveys, but it has been found necessary to abandon to a great extent the system by which application surveys were to be made by licensed surveyors, and the work has had to be done by officers of the Survey Department. To take away permanently a sufficient number of men from the cadastral survey for this or other miscellaneous work would however strike a fatal blow at the more legitimate and enduring work of the Department, and therefore I propose to augment the topographical survey staff with a sufficient number of recruits from the Technical College to take the place of those transferred for application and miscellaneous surveys. This will involve an increase of supervision. If you will agree to the necessary expenditure, the results I believe will be very satisfactory.

There is no branch of the administration to which I attach more importance than to the Survey Department. Owing to causes, most of them unavoidable, it has been neglected in past years, and we have now to make up the leeway lost.

FORESTS.

In both my previous Addresses I have referred to the unsatisfactory working of our Forest administration, and to the attempt which has been made, at the instance of the Conservator of Forests, to improve it by harmonising the dual control and divided responsibilities of the Conservator of Forests and the Government Agents. It was proposed to attain this end by placing the Crown forests under the charge of the Conservator of Forests, while unreserved and village forests would remain under the Government Agents. The views expressed on this point by Mr. Broun are confirmed by Mr. Fisher, who has been officiating as Conservator of Forests during Mr. Broun's absence on leave, and whose reports will be submitted to you. Mr. Fisher's proposals—which are, as I have said, an extended application of principles proposed by Mr. Broun—have been generally accepted by Government, and a Committee, composed of the Auditor-General, Mr. Broun, and Mr. Fisher, is now considering whether any modifications are necessary, and will proceed to put the new system, as finally approved by Government, into operation. The area of forests to be placed under the Conservator of Forests will include all real forests which are of value, either intrinsically or because of the influences, climatic and physical, which they exercise, while the comparatively valueless jungles will be kept in the hands of the Government Agents, but even over these the Conservator of Forests will exercise a supervisory supervision. It is proposed to abolish several depôts the existence of which is unnecessary, and thus to reduce the staff. I trust that the result will be a considerable saving in expenditure, as well as a gain of increased efficiency.

ARRACK.

In 1896 Mr. Ellis was appointed a Commissioner to inquire into our system of Arrack administration, with a view, among other things, of insuring and perhaps increasing our revenue, which seemed to be at the mercy of a possible combination of the few men who practically held a monopoly of the rents. Mr. Ellis's report, which has been duly submitted to you, contained several suggestions, all of which have been adopted. The result of the information collected by Mr. Ellis has been that Government has been able to induce the renters to share their profits more equitably with the Government, and consequently the arrack revenue has risen from Rs. 2,400,000 in 1896 to Rs. 3,000,000 in 1898. There are however indications that the limits of a fair division of profits have been reached in most cases, and therefore I do not anticipate a further increase of revenue under this head.

Government has not shut its eyes to the duty of checking, so far as lies in its power, the excessive consumption of intoxicating liquor. The number of taverns throughout the country is being gradually reduced, and in the North-Western Province 46 taverns have been abolished in one district where crime was particularly rife. The result, I regret to say, is not satisfactory.

In all these districts where taverns have been reduced the renters, who know most about the people, offered much the same price for the rents, thereby showing that they did not anticipate any material reduction in consumption. I have collected statistics regarding every district in the Island, and I find that there is no apparent connection between the number of taverns and crime, and that often, if not generally, the district which has fewer taverns shows most crime, and *vice versa*. There is much illicit sale in the Island—illicit sale often encouraged, I fear, by the renter—and too enthusiastic and indiscriminating a crusade against drink, and arrack in particular, may have the result of increasing the illicit sale of a liquor which, when taverns are too arbitrarily abolished, it is the interest of the renter himself to encourage.

Illicit distillation is not a simple matter in the Island and can be stopped, but it is very difficult to detect illicit sale if it be the interest of the renter to promote and encourage it. The Government however is doing, and will do, its best to check the illicit sale of arrack, but it cannot prevent or effectually interfere with the manufacture or consumption of fermented toddy by any person who owns a cocoanut palm.

One of Mr. Ellis's suggestions, which was adopted, was that the rule requiring arrack to be sold at Rs. 4.48 per gallon should be replaced by a rule prohibiting the sale below that price. In the course of my recent tour in the Kelani Valley I discovered that the consequent rise in the price of arrack, and the difficulty of obtaining it at licensed taverns, had induced the people to drink an adulterated gin, which is sold at very low prices. Mr. Ellis proposed that the sale of these cheap, so-called European liquors should be stopped by amending the Customs Tariff. The Bill relating to *ad valorem* duties, to which I have referred, will also deal with this matter.

A change of system in our Excise administration is desirable, but every step in that direction must be carefully and cautiously taken lest the last state of affairs be worse than the first. For instance, the collection of the revenue at the still would, if practicable, be much preferable to the present renting system, and *inter alia* might eliminate much of the element of speculation, as payment would be made in accordance with the actual and not the anticipated consumption.

In order to introduce an excise system it would be necessary that all distillation should take place in walled enclosures over which supervision could be exercised. It is possible that it would be easier to carry on distillation in enclosures by means of an English still than to collect a large number of native stills within a small area, and inquiries are being made with a view to ascertaining the comparative merits of the two systems of producing arrack. There is no doubt that the best solution of this vexed question is to be found in the adoption of some such system, but we must move slowly if we are to advance surely.

OPIUM.

The Opium Commission has reported, and I trust that their recommendations, which I propose to adopt, will check the tendency towards increased consumption of opium in Ceylon. Opium-smoking saloons will be closed.

IRRIGATION.

I informed you in my Address last year that I proposed to re-organize the Irrigation Department on lines which I explained to you. The re-organization has been carried out. There is now a separate Irrigation Department with its own staff. A radical change of this description cannot be carried out in a day. Various difficult questions had to be settled and irrigation engineers had to be obtained from England, as in spite of all our efforts they could not be procured in sufficient numbers from India. However, the Department is now organized and fully equipped and has commenced operations.

All the more important works, whether of construction or maintenance or survey, will from the end of the year be under the immediate supervision of the Director of Public Works and the Irrigation Assistant, while the responsibility for all the less important works, including the village tanks, will remain solely with the Provincial Irrigation Boards.

To take charge of the extension works that it is hoped will soon be in progress, five engineers have arrived from India and England, and it is intended to place under them as assistants a few intelligent natives, who will thus be trained to undertake other works of some importance.

With a few exceptions, who will present themselves for training at the beginning of 1899, the members of the Village Tank staff have passed the qualifying examinations of the Surveyor-General, and it is intended to utilize their services for all minor irrigation surveys in their Provinces.

During 1897 the two chief works that were in progress were the restoration of the Giant's tank works and of the Kanukkeni tank, both in the Northern Province. These works were continued during the present year, together with numerous works of a minor character, while investigations and surveys of the more important schemes that have been proposed are in progress.

During 1899 it is hoped that the following new works will be undertaken :—

In the Southern Province: (1) The enlargement of the Tissa scheme. 4,880 acres have now been alienated, and there is a demand for more land for paddy cultivation, for which an increased water-supply is required. Originally carried out as an experiment in an almost uninhabited forest and far from centres of population, the enterprise of the capitalists and cultivators of the Southern Province is gradually transforming this scheme into one of the most important as well as successful irrigation works in the Island.

(2) The extension of the Walawe-ganga channels. This work, though undertaken in comparatively recent years, is progressing rapidly, and its success is already assured. The value of the land has advanced steadily, the average price received for irrigable jungle at the last sales being Rs. 70 per acre.

In the Eastern Province: (1) The enlargement of the existing Sakamam works. These are to irrigate 3,000 acres, and nearly all the additional land that will be irrigated has already been applied for or sold.

(2) The construction of entirely new works at Vakaneri, near Valaichena, where an enterprising population of Moormen is already on the ground. These works will provide water for irrigating 10,000 acres, as a beginning. Some 4,000 acres of it are already brought under cultivation but require an improved water-supply. It is anticipated by all who have inquired into it that this will become one of the most extensive schemes in the Province.

(3) The enlargement of the successful Irakkamam-Amparai works, so as to irrigate all the remaining available land in the lower part of that valley, probably some 8,000 acres in extent, of which one-third has already been sold.

(4) The improvement of the water-supply of Allai tank, near Trincomalee, by securing water from a branch of the Mahaweli-ganga. This scheme now irrigates 1,800 acres of fields, and a considerable extension of irrigation is anticipated there.

In the North-Central Province, the repair of the sluices at a group of three large tanks—Minneri, Giritala, and Topawewa—near the ancient capital, Pollonnaruwa. The works will also include a restoration of a short length of the supply channel of Topawewa, and of the main channel from Minneri tank, which will irrigate 10,000 acres of rich land lying in the valley of the Mahaweli-ganga. This work must be looked upon as partly experimental, although several villages are already established in the valley.

In the North-Western Province no works of importance are proposed. It is expected that one tank, Hengamuwa, will be restored, and the work of opening tributary and minor channels will be continued at the Deduru-oya works, which now supply water to 70 villages.

The placing of the village tanks in a thorough state of repair is being steadily carried on throughout the country, and steps are being taken to improve the supervision. The earthwork has now been completed at 791 tanks, while at 2,851 it is still in progress.

The executive staff at present consists of one Irrigation Assistant, nine irrigation engineers (including three officers in charge of Village tank works), two inspectors, seventeen sub-inspectors, and thirty guardians.

I do not propose at present to ask you for any additional funds for irrigation. The yearly allotment of Rs. 200,000 with the accumulations of former years will suffice for next year at least, I am sure that when it is necessary for me to appeal to you for the means to carry out irrigation works which I can prove to hold out good prospect of being reproductive and remunerative, you will cheerfully respond.

My irrigation policy will not be speculative. I do not propose to construct irrigation works in the neighbourhood of which there is no population, in the hope of attracting settlers, although in

the vicinity of the new Northern Railway it may be desirable eventually to make an exception to this rule.

During my recent tour I visited the Eastern Province and was struck by what I saw. Thousands of acres of barren land had been transformed by a network of simple irrigation works into sheets of rich and uninterrupted cultivation, to the great benefit not only of the indigenous population, but of the Island generally. It should be our earnest endeavour and policy to extend irrigation works in districts such as these where rice can be profitably and economically produced, and thus prepare ourselves for the day when the increasing population of India will require all the rice it can produce for its own consumption. Already in times of scarcity in India we have felt the pinch in this Island, and last year the profits of the Planting industries suffered through the enhanced price of rice due to this cause. The appearance of the plague at Calcutta aggravated the difficulty, and accordingly at the instance of the Chamber of Commerce I sent Commissioners to Rangoon to report on the possibility of encouraging a trade in rice with Burmah. For many years there has been a trade in raw rice between Rangoon and Colombo, but until this mission no whole rice suitable for consumption with curry was imported. The Commissioners, who visited Rangoon in May, found that it was impracticable to effect any change in the treatment of the paddy so far as "parboiling," the treatment followed in Bengal, was concerned, but they also arrived at the fact that by "low milling" a rice like our ordinary cooly rice could be produced at rates very considerably less than those ruling at the time for Indian rice. They brought back to Colombo samples of this rice, which the merchants approved, and as a result 198,657 bushels of whole rice have been imported since the middle of July for consumption on tea estates. The rice has generally given satisfaction, and it has without doubt brought down the Indian rice in price, so that to-day there is little or no difference between these rices in the Colombo market, while in July the Indian rice ranged from 50 to 60 cents a bushel higher than the Rangoon.

It is true that there has been a large crop in India and that Indian rice should therefore have fallen in price in any case, but it is equally true that the Indian rice trade is in the hands of a Chetty ring, and that prices here do not fluctuate by any means directly with the crop out-turn in India.

The Rangoon rice has proved suitable for the coolies, and, what is perhaps still more important, it is a powerful lever in the hands of the estate agents to control the price of Indian rice.

CRIME.

I cannot say, Gentlemen, that the statistics disclose any marked diminution in violent crime. But it should be borne in mind that our statistics as well as our machinery in pursuing crime have been greatly improved. Crimes are now, I hope and believe, almost invariably reported by the Headmen to Magistrates and Inquirers, and are certainly followed up and prosecuted with vigour. The compounding of serious offences is no longer allowed, and consequently it is scarcely possible to institute any trustworthy contrast between 1897 and preceding years, when the procedure was far less rigorous.

The comparison of crime with population shows, however, that in the first six months of 1897 one person in 960 committed a serious crime, while in the same period in 1898 the proportion was 1 in 1,073. The return of 1 in 1,200 for 1897 in my Address to this Council last year was obtained by including only violent crime and house breaking. The present returns add all serious offences against property, including cattle stealing.

The Southern Province had the worst record in 1897 of 1 in 568, followed by the Western with 1 in 685. In 1898 their positions are reversed: the Western has 1 in 764 and the Southern 1 in 833. The alteration is due to a very large drop in theft cases in the Southern Province, which however still maintains its position as worst for violent crime. The Northern Province, with its Tamil population, shows the best record for crime, 1 in 2,868 in 1897 and 1 in 3,134 in 1898. These figures generally show a decrease in crime, but comparison based on six months' returns are not very conclusive.

The following is the number of murders and homicides during the last few years:—

1895	...	...	168, or 1 in 19,000 of population.
1896	...	...	143, or 1 in 22,085 of population.
1897	...	...	155, or 1 in 20,500 of population.
1898 (six months)	...	...	68, or 136 in the year and 1 in 23,764 of population.

The comparison of homicides, though interesting, is not very conclusive, as in cases where a knife is used it is a mere chance often whether the assault ends in death, grievous hurt, or a mere scratch. So far as they go, however, figures show a decrease in homicides.

The use of the knife still continues to be very prevalent, but even here a slight improvement is noted. While there were 725 cases of this nature (including grievous hurt) in the first half of 1897, the corresponding period of 1898 shows 689.

It is too early yet to pronounce a definite opinion on the effect of flogging as a deterrent for this offence, for it is only since the end of 1896 that the Police Magistrates were empowered to inflict it as a punishment for the use of the knife. The proceedings in every case in which the accused is sentenced by a Police Magistrate to be flogged are submitted to me, and I have to be convinced as to the justice and propriety of the proposed punishment before it is inflicted. In Police Courts this punishment was awarded in 318 cases in 1897, and carried out in 223. In the first six months of 1898 it was awarded in 194 cases and carried out in 155. There were during these six months 411 convictions in Police Courts in which flogging would have been a legal sentence, and the fact that in only 194 cases was flogging awarded shows that there has been no inclination on the part of Magistrates to abuse the power. The number of false charges has risen. Out of 747 charges in 1895 under section 315 of the Code, 146 were declared to have been no offence, against 367 out of a total of 1,321 charges in 1897. In other words, 19 per cent. of the charges were declared groundless in 1895 against 27 per cent. in 1897.

The large increase in the total number of charges is undoubtedly due to the fact that cases are not now permitted to be compounded outside the Courts, any person who prefers a charge of knifing to the police or headmen being compelled to follow it up. The returns show too that in the Courts only 52 such charges were permitted to be compounded in 1897 against 155 in 1895. Where a case is compounded it is often difficult to say whether the offence has been committed or not. The existence of false charges however is not sufficient to condemn flogging as a punishment, for there is no form of punishment which could not be condemned by the same argument. The real question is whether flogging eventually diminishes the number of admittedly true cases, and that cannot yet be ascertained.

We have a choice of evils. The use of the knife, which is so terribly common in Ceylon, is a grievous offence. The use of the lash as a punishment is open to grave objections. But it is the lesser of the two evils if it tends to eradicate this baneful tendency of the Sinhalese to draw and use his knife on the most trumpery provocation. If it deters him from this fatal habit, it is a remedy which the malignant nature of the disease justifies us in employing; but if it fails as a deterrent, then the sooner its use is discontinued the better. Police Magistrates and other experienced officers have been invited to express their opinions on the subject, and their reports will be communicated to you.

The power of quartering police has been exercised in six instances during 1897. Four of these were due to murders hushed up by the villagers, and the whole village shared in the payment of the cost of the special police quartered on them in each case. The other two instances were due to riots in Chilaw and Kalmunai. In Chilaw the riots were between Sinhalese and Moors, and the cost of police was recovered from these two nationalities only. In Kalmunai the riot was an organized attack by Moors on Sinhalese, attended with loss of life. In this case the Moors alone had to pay for the police.

The efficiency of the village police has been increased by the issue of handbooks to them, containing summaries of all the most important laws which they have to enforce, and by readiness on the part of Government to repay them any expenses which they have incurred in the discharge of their duty. There is besides a Headman's Reward Fund, from which payments are made in special cases to officers who have shown zeal and energy in the discharge of their duties.

GEOLOGICAL SURVEY.

The negotiations with the Government of India for the geological survey of the Island failed, as the Indian Geological Department has its hands full and can neither itself undertake the work nor lend us an officer. My attempt to obtain the services of an expert from England has not yet been successful, but I trust that before long I shall be able to report progress in this very important matter.

SANITATION.

The plague has not yet visited our shores, except one case imported from Bombay which was promptly dealt with. An opportunity was thus afforded to us of testing the adequacy of our arrangements, and it was proved that the machinery worked smoothly and efficiently. So long as the plague lives in India—and it appears now to be endemic there—we must expect occasional cases to be imported in spite of all our precautions. We have, however, had ample time to forearm, and I think I may say that we have not neglected our opportunities, and that our preparations and precautions are now as complete and elaborate as they can possibly be made. Money has not been grudged, and the thanks of the community are due to the Plague Committee, presided over by the Auditor-General, for their assiduous labours. The Government Agents of the Western and Southern Provinces, the Principal Collector of Customs, and the Principal Civil-Medical Officer, have practically borne the heat and burden of the day.

It was decided to make Galle the quarantine station for infected vessels. The small amount of shipping which now frequents that harbour, and the favourable opportunities there to be found for isolating plague hospitals, &c., make it exceptionally suitable for the purpose.

The question how far we can adhere to the Convention of Venice is still under discussion. We have adopted the rules and conditions of the Convention in their entirety, but our difficulty is that they are not adequate when we have to deal with native immigrants from India. The arrivals of these immigrant coolies at Colombo alone average 325 daily. During the first eight months of this year there were in Colombo alone 90,000 arrivals and 70,000 departures. To allow these people, often famished and destitute, coming perhaps from plague-stricken districts, to spread disease throughout the Island and mingle with the population without subjecting them to quarantine, would mean the certain appearance and propagation of the plague in the Colony. On the other hand, to stop or discourage immigration might be the ruin of the tea industry.

The camps at Ragama have been a complete success, thanks to the vigorous and efficient control of the Government Agent, Western Province. At Ragama we have several camps complete in every way, and every native immigrant from India is sent there. If he comes from a cholera-infected port or locality, he is kept at Ragama under observation for four days. During this year no less than sixteen outbreaks of cholera have at different times occurred at the camp, but each has been promptly stamped out. Had it not been for this camp each of these cases would have occurred in Colombo, and the result would probably have been repeated outbreaks of cholera in our midst such as those of last year.

The same arrangements will be made as regards the plague. Any immigrant from an infected locality will be detained at Ragama until the period of incubation has expired. That period was estimated by the English experts at the Conference of Venice as three or four days, but it will be safer to fix it at a longer period, and if the plague breaks out in the districts whence the coolies come they will be kept under observation during that time. It has been suggested that they should be detained ten days, which was the period eventually appointed by the Convention of Venice, but, in view of the opinion of the English experts and of the experience gained in India and elsewhere, a shorter period of detention, together with the precautions which will be taken, such as the burning and replacing of clothing, may be sufficient. In this matter the Government will be guided by the opinion of its expert advisers, but the detention, whatever its period, can only be enforced at a considerable expenditure of money and trouble. Separate camps have to be kept up, different gangs isolated, and every inmate of the camp has to be fed, and his clothing replaced at the cost of Government.

Of course, the simplest and safest way of averting the plague and consequently the danger of Colombo becoming an infected port would be by stopping immigration of estate coolies to Colombo, but this would strike a serious if not ruinous blow at the tea industry, and I am convinced that the Colony would much prefer to bear the heavy burdens and run the risks to which I have referred than allow our staple industry to suffer so grievously. But the Colony has the right to expect that the planting industry will cordially co-operate in the work of self-protection. The Government has therefore suggested certain precautions to be taken on an estate when a cooly from an infected locality, who has been released from Ragama, reaches the estate, and also certain simple but essential precautions to be taken should a case of plague appear. Some exception has been taken to the proposal that these coolies, notwithstanding the observation at Ragama, should, for two or three days after arrival at the estate, be kept as far as possible apart from other coolies. However long the detention at Ragama, this precaution is desirable. Arrivals at an estate are only occasional, and it is difficult for Government to appreciate the insuperable difficulty of a precaution so obviously desirable. Should a case of plague occur, the isolation of the patient and those who have been in contact with him will be essential, and will be adopted in obedience to the instinct of self-protection. However, I have no doubt that the planters will cordially co-operate with the Government and adopt the precautions which its expert advisers consider to be desirable.

The sanitation of Colombo is still engaging my anxious attention. Mr. Mansergh's report has been received, but I fear that the cost of the scheme proposed by that eminent expert is prohibitive. The sanitation of Colombo is a question which is of vital interest and importance to the whole Island. If Colombo is poisoned by insanitary evils, disease will become endemic, Colombo will be constantly declared an infected port, and, being practically our only port, the prosperity of the whole Colony must suffer. Under these circumstances the position of Colombo is exceptional and it should be exceptionally treated, and if it be proved to your satisfaction that the resources with which it has been endowed, though fully utilized, are not adequate to enable it to carry out the needed reforms, you will not hesitate to give the assistance which is required in the shape which best commends itself to you, and subject to the conditions which you may consider desirable to impose.

Kandy and Galle, which stand in a different position, are also setting their house in order, and it is proposed to extend the operation of "The Small Towns Ordinance" to many small towns and large villages where the sanitary arrangements are defective or non-existent. A supply of pure

drinking water to all such places is an essential which has been too long neglected, and if we wish effectually to keep epidemic disease out of the Island we must take vigorous steps to remedy the present state of things, for in a town or village where the people drink impure water the seeds of disease will find a congenial soil. I am sure that you will not refuse assistance to any well-considered and reasonable scheme which a centre of population cannot afford to carry out from its own unaided resources.

TEA AND OTHER PRODUCTS.

I have already referred to the depression from which the tea industry has suffered during the present year both in India and Ceylon. Nevertheless, the export has increased in both countries. The original estimate of the production of the present year in Ceylon was 126 million pounds, but it is not now expected that more than 120 million pounds will be exported. This is six millions below the estimate, but nearly six millions more than the export of 1897. The estimated export of Indian tea from Calcutta was 156,681,000 lb. against 141,678,000 lb. in 1897. The revised estimate is 154,167,000 lb. Until 25th October the exports from Ceylon to the United Kingdom had somewhat fallen off, but the planter has successfully called in Russia, Australia, and America to redress the balance. The great hope of the industry is the opening out and creation of new markets, and vigorous efforts are being made in that direction. For instance, the exports to Russia up to the 25th October last increased, as compared with those of last year, from 373,192 lb. to 2,021,285 lb., to America from 604,066 lb. to 1,906,333 lb., and to Australia from 10,212,489 lb. to 12,279,692 lb.

Labour has never been more abundant. The arrivals in 1897 were 153,000, the excess of arrivals over departures being 43,862, or only 2,619 less than the natural increase of the population of the Island by births. Only in 1876 and 1877 have there been so many arrivals. The figures of those years were 164,000 and 167,000, against 153,000 in 1897. During the first eight months of this year there have been over 100,000 arrivals. The departures were 77,000.

The condition of tea from the point of view of cultivation has been good. A blight due to a fungus has recently spread in one or two districts and has been identified as the familiar "gray blight" of Assam, which has been for a long time among us. Mr. Willis is of opinion that there is not the least ground for alarm and that there is no danger to be apprehended if it is properly looked after. Mr. Carruthers, the Cryptogamist, shares this opinion.

The canker in *Cacao* that did so much harm last year has been made the subject of detailed study by Mr. Carruthers, the expert employed by the Planters' Association, who has confirmed and extended the observations made by Mr. Green and Mr. Willis during 1897. The disease will, it is hoped, be kept in check by the remedial measures and preventive treatment which have been recommended. Apart from this, the cultivation of cacao is in a flourishing condition and the exports have materially increased.

Rhea has attracted some attention during the year: the plant grows well, and the chief question is whether the yield is sufficient to make it a paying crop. The prices offered for the raw material by the proprietors of the patent processes for its elaboration are very low; there are now, however, rival companies in the field with machinery, and it may be hoped that their competition will raise prices for the cultivator.

Rice.—Considerable loss of stored grain has occurred in many parts of the colony by a plague of weevils and beetles which attack the stored grain. The injury was carefully studied by Mr. Green, and shown to be largely due to damp; the use of naphthalene as a means for driving out the insects has been successful in preventing the further spread of the pest.

India-rubber.—The planting of Para rubber has gone on in the low-country, and the price of seed has risen very high in consequence of the great demand. Mr. Willis reports as follows:—
 "This bids fair to be a very valuable crop for suitable districts. A circular was issued in the early part of the year by this Department, giving details as to cultivation, yield to be expected, &c. Since that time the subject has been gone into very fully by Mr. Parkin and myself. Mr. Parkin is elaborating a very perfect method of coagulating the milk, which yields very good results at small cost. There seems every reason to believe that by the aid of the process the cultivation will prove sufficiently profitable to attract planters to take it up. The whole question of rubber cultivation has however assumed a new aspect in consequence of the discoveries of Mr. Biffen of Cambridge. By the aid of a machine on the principle of the cream separator he can in a few minutes obtain the pure caoutchouc from the milk of any species of rubber tree, and the product thus obtained is practically identical, whether got from the Para, Ceara, or other species. The best results are perhaps obtained from the milk of *Castilleja elastica*, and it thus becomes a question whether the planting of this species should not be taken up in Ceylon in the dry parts of the hills, where Para rubber will not grow. The next few years will, I feel sure, produce remarkable developments in the rubber industry, and I should not be surprised if Ceylon were to become an important centre of it."

Insect Pests.—There are many of these troubling the various cultivations of the colony. The one most prominently before the public has been the *Orthesia insignis*, which has spread in all directions round Kandy during the last few years, and specially attacks lantana. So far it has done little damage to tea, but the danger that it may get upon some of the great staples is considerable, and calls for watchfulness on the part of all planters and others. Mr. Green has done good service by his investigations of the cocoon beetle and other pests, paddy weevil, &c.

As regards the Botanic Garden, Mr. Willis reports:—"A vote for skilled assistance was granted this year, and I have been aided by Mr. J. Parkin, M.A. of Cambridge, who is devoting his time to the chemical and physiological investigation of the rubber plants, with the prospect of valuable results. An officer has been appointed to attend to the experimental plots, of which a number have been opened. The general appearance of the garden has been improved, and much has been done in the re-organization and extension of the work carried on in them. The results of this can hardly begin to be felt till a little later. With the opening of the laboratory, shortly I hope to be begun, the large extension of cultivation of economic plants, the publication of information by circulars and otherwise, and the many other changes that have been introduced, the usefulness of this Department will be greatly extended during the coming year."

Mr. Willis continues to give very valuable assistance in all that concerns the products of the Island, and Mr. Green, it will be observed, has done excellent work during the year, and Government, in the recognition of the valuable services which he can render, proposes to appoint him Government Entomologist; and if so, I am sure that you will cordially pass the provision for his salary and allowances which will be made in the Estimates.

WHARF AND WAREHOUSE ACCOMMODATION AND PORT TRUST.

The report of the Commission which was appointed last year to inquire into the alleged delay and difficulty in landing cargo and coal was duly submitted to you at the beginning of last Session.

As regards the proposed Port Trust, the Commission endorsed the conclusion at which I had already arrived, that "a period of transition like the present is not a favourable opportunity for attempting the introduction of a totally new system." As I remarked in my Address last year, when that period of transition is over—when the harbour is completed—when its finances are placed upon a sound and stable footing—then the question of a Port Trust should have favourable consideration. All the recommendations of the Commission have been adopted, and, since it reported, the following improvements have been effected, or are in course of being carried out, at the Wharf:—

- (i.) A new road to the Wharf past the Flagstaff and into the western portion of the premises has been completed and the congestion of cart traffic has been consequently greatly reduced.
- (ii.) A new warehouse and jetty for exports of non-dutiable cargo are about to be opened near the coal sheds east of the Customs premises proper—an addition which will greatly relieve the present export warehouses.
- (iii.) Two grain sheds with a capacity of 150,000 bags of rice have been sanctioned, and should be accomplished facts within the next nine months.
- (iv.) A new passenger jetty, worthy of the port, and an improved approach road have been sanctioned at a cost of Rs. 150,000, and the work is now in hand. The new approach provides for the widening of the bridge at the Leyden Bastion (and consequently of the roadway beneath, which latter determines the capacity of the eastern exit) and will in consequence greatly facilitate the flow of cart traffic from the premises.

The Wharf Commission advised "an extension of the limited advisory and consultative powers of the Harbour Board" and that "its members should have the power of bringing forward for discussion proposals for improvements which, on being carried, should receive the serious consideration of Government." To this proposal Government acceded, and the Board thus reconstituted has done and is doing valuable work with life and vigour; it has met ten times during the year and great interest has been evinced in all proposed improvements to the port.

This exhausts the different items of the programme which I sketched for myself when I assumed the Government of this Island, but of course other questions have cropped up and there are other Departments of the Government besides those immediately calling for attention, and perhaps reform, which deserve notice. Unfortunately on this occasion there is not the time within which to review even briefly the valuable work which has been done quietly and efficiently by those Departments. I must therefore content myself with a few cursory remarks on some of those Branches of the Administration.

EDUCATION.

Education continues to thrive, thanks to the earnest and unremitting labours of the various Societies which co-operate with Government in this great work. Several new Government schools have been opened during the year, and the claims of the larger villages to English instruction

engage my sympathetic attention. Some progress has been made in that direction during the year, and English is now being taught in several additional schools.

The Board of Education continues to give great assistance to the Director of Public Instruction, and I much value the advice and suggestions of this body of zealous experts on all educational questions.

The expenditure of the Department was estimated for the current year at Rs. 739,450, but this will be exceeded by about Rs. 40,707. The vote on Education has risen from Rs. 472,025 in 1887 to this amount in 1898, and I am sure that you will not grudge the increase, for I am convinced that only the spread of education will effectually help to extinguish the evils with which we have to grapple in the shape of violent crime and excessive drink. A sum at least equal to the Government grant is contributed to education by the Societies which I have mentioned.

HOSPITALS AND DISPENSARIES.

The provision for new Hospitals and Dispensaries in 1899 is Rs. 178,340, against Rs. 158,259 in 1898. Since 1896, when Sir William Kynsey estimated the cost of new hospitals and dispensaries yet required to be Rs. 750,000, Rs. 250,000 will have been expended at the end of this year. Accordingly our expenditure in this direction ought soon to slacken.

A new hospital at Ramboda and plague hospitals at Galle and Colombo have been opened during the present year, and there are under construction or sanctioned hospitals at Morawak Korale, Devon in Dimbula, and Maturata. Additions are being made to the General Hospital and Lunatic Asylum, and at Mutwal and the Borella convict hospital; also to Lindula, Dolosbage, Maskeliya, and Karawanella. New dispensaries have been opened and are being constructed in various parts of the Colony. The Department continues to be efficiently administered.

There have been many outbreaks of cholera—475 cases and 295 deaths—all of which were traced to immigrants from India. These attacks were chiefly along the North road, and, in spite of the distance to be covered by the infected coolies, reached Anuradhapura, Kurunegala, and estates in the vicinity of Gampola and the Agra Patanas. An outbreak on the borders of the Eastern and North-Central Provinces was also traced to coolies from the North. I propose to establish camps, similar to those at Ragama, at Pesalai and Vankalai, where infected gangs can be detained instead of being allowed to scatter the seeds of infection along the whole length of the northern road. The cases which occurred were promptly dealt with and consequently the disease did not spread.

Cholera has also on several occasions been introduced by immigrant coolies landing in Colombo, but these have been dealt with at Ragama camp, and, as I have already remarked, were stamped out at once by the vigorous and sagacious action of the Civil and Medical authorities.

There is no doubt that the immigration of coolies is a grave danger and may at any hour cause Colombo to become an infected port. Accordingly look forward to the day when the completion of railway communication with the North will again turn the current of immigration in that direction. Meantime we have done all we can to avert the risk by the establishment of the Ragama camp. The depôt at Tataparai has also been opened and the immigrant coolies are thus kept out of Tuticorin. This is an additional and valuable safeguard.

POST AND TELEGRAPH OFFICES.

Several new post offices have been opened during the year, and telegraph lines have been completed from Avisawella to Yatiyantota, Ratnapura to Balangoda, and Kandapola to Maturata. There are also under construction new lines from Bandarawela to Badulla, Jaffna to Manipay, Hatton to Watawala, Batticaloa to Kalkuda, Yatiyantota to Ruanwella, and Haldummulla *via* Koslanda to Haputale. I hope also to place Jaffna in telegraphic communication with Mullaittivu and Vavuniya.

The number of local telegrams despatched in 1897 was 175,746, against 128,931 in 1896, and it is anticipated that there will be a still further increase in the present year. The hours for telegraphic business have been extended to keep pace with the increased traffic. I regret that the Colony will lose the efficient services of Mr. Walker, the Superintendent of Telegraphs, at the end of this year.

It will probably be necessary to increase the supervising staff of the Department. Since 1877 the revenue of the Department has risen from Rs. 259,000 to Rs. 979,000, the sale of postage stamps from Rs. 238,000 to Rs. 615,000, the amount of inland money orders from Rs. 154,000 to Rs. 4,309,000, Indian money orders from *nil* to Rs. 2,702,000, the number of post offices from 92 to 140, the number of telegraph offices from 13 to 65, and the staff from 335 to 1,107; yet the supervising staff has not been increased.

RAILWAYS.

The railway continues to prosper: during the first nine months of this year the increase of revenue over the estimate amounted to more than Rs. 117,000. The improvements to the Colombo station have been completed, and various alterations and improvements have been carried out

elsewhere. The sanitary arrangements for native passengers have been greatly improved, and are now, I hope, satisfactory. Precautions have been taken in case of the appearance of the plague; the train service on the Coast Line has been improved and extended; and by a considerable reduction of the fares for third class season tickets on the same line and the establishment of workmen's trains the grievance of those who complained of the recent enhancement of fares has, I hope, been removed.

I wonder, Gentlemen, if you fully appreciate how much we owe financially to the Railway. We hear much of our surplus, but there would be no surplus, and our deficits of former years would have been much larger, indeed unbearably onerous, if it had not been for the surplus Railway receipts. Either progress must have ceased or the necessary funds must have been found by increased taxation. We have, as I have remarked before, only enjoyed a surplus since 1896. In that year there was a surplus of about Rs. 700,000 and in 1897 it amounted to Rs. 2,372,144. The surplus Railway receipts credited to revenue in those years respectively were Rs. 2,312,490 and Rs. 2,608,364. If we have a surplus this year of say one and a half million, it will be entirely contributed by our Railways.

Of course, Gentlemen, I am not blind to the fact that there is a brisk agitation in favour of the reduction of railway rates. I do not live in a balloon, and if I did the din and clamour of the discussion could scarcely fail to reach my ears. Moreover, I have received an interesting communication from the Planters' Association on the question, and I have no doubt that the Honourable Member who represents the Planting Interests has a brief which he will handle with his usual force and lucidity. I have no wish to anticipate the discussion which may be pending, and to which I will listen with as open and judicial a mind as I can command. But it may clear the ground and contract the field of controversy, if I take this the earliest opportunity of explaining the attitude of the Government on this important question, and of indicating the nature of the case which it will be necessary to establish if we are to be convinced.

The claim for a reduction of railway rates is, I understand, based on two grounds: (1) that it is necessary to give relief to the tea industry at this time of depression, and (2) that the tea industry is taxed in the shape of high railway rates, and therefore unfairly handicapped. There may be other contentions, and if so we shall doubtless hear them. Now, as regards the first issue, I admit that the time may come when it will be necessary to give relief in this way to our great industry in order to enable Ceylon to hold its own and to compete successfully with other tea-producing countries. If such a concession were necessary—if competition became so keen that Ceylon tea would otherwise be driven out of the market—we should be foolish and ungrateful if we did not give the necessary relief: foolish, if we were so shortsighted as to let our great industry perish while we looked on with clasped hands, and foolish not to be ready to give up a fraction in order to save the whole;—ungrateful, because the Colony owes so much to the Planting industry. Of course, Gentlemen, we all understand that the planters, like other men of business in a similar position, have developed their estates in their own interests and not from motives of philanthropy. Nor are we unmindful of the fact that the profits of the industry are not generally expended in the Colony, but are remitted to Europe for the benefit of those who have embarked their capital in the production of tea in this Island. Still, the solid fact remains that, directly or indirectly, intentionally or unintentionally, the planters of this Colony have created our prosperity and the gratitude of the people of Ceylon is due to them.

But has the necessity for this relief arisen, or is it even within a measurable distance? It is for those who demand the concession on this ground to prove that the necessity for a reduction of railway rates has arisen or is at hand. They will have to prove three points: (1) that the tea is in urgent need of relief; (2) that the relief should take the form of reduction of railway rates; and (3) that the reduction of railway rates would assist the estates most in want of relief.

When it is contended that our railway rates should be reduced, not because such a reduction is essential if the tea planter of Ceylon is to hold his own, but because he is unfairly handicapped by excessive taxation, then I must join issue and express my entire dissent from these views. Let us compare the lot of the Ceylon planter with that of his rival in Assam. We know how much better the Ceylon planter is as regards communications; but what about taxation? I have collected a few facts and statistics which I will now state to you. In this happy Colony there is no direct taxation,—no land tax, no income tax. The only tax which the planter pays—besides his Customs duties and payment for services rendered, such as Railway and Post Office—is Re. 1.50 as road tax and one-eleventh of a cent per lb. of tea on account of medical aid, and in return he gains the necessary medical attendance for his coolies and very excellent roads which the Government is always ready to extend, when reasonable grounds are shown, in the interests of individual planters on the grant-in-aid system.

Now what does the planter in Assam pay? Unless he is one of the fortunate few who hold his land in fee simple, he pays a land tax. The total area of land actually under tea in 1897-98 was

310,520 acres. The land tax was Rs. 521,682, and the local rates Rs. 54,359. The income tax paid by the planters amounted to Rs. 114,138. A fee of one rupee per head is paid on every labourer under the Labour and Emigration Act, and the amount thus paid in 1897-98 was Rs. 84,655. These items aggregate Rs. 774,834. But in addition every labourer imported is entitled to get his rice from the planter at Rs. 3 per $1\frac{1}{4}$ bushel. During the year ending 31st March, 1898, the average price was Rs. 4-10 per $1\frac{1}{4}$ bushel. In that year 870,000 bushels were imported from Bengal and Burmah to meet the demands of the planters. The difference between Rs. 3 and Rs. 4-10 per $1\frac{1}{4}$ bushel on this amount comes to Rs. 1,131,745. The total taxation of the Assam tea planter in 1897-98 accordingly amounted to nearly two millions of rupees, which spread over 310,000 acres averages about Rs. 7 per acre: here the planter pays about 34 cents per acre. There he pays about $1\frac{1}{2}$ cent per pound: here he pays one-eleventh of a cent per pound. What are medical aid contribution, road tax (paid only by the planter), and duty on rice (paid only by the coolies), and even railway rates,—what are all these rolled up together when weighed in the balance against the Assam taxation? A mere feather.

I am not advocating that we should increase our taxation of tea: far from it. It would be a suicidal policy to impose the taxation of Assam on the Ceylon planter. The Assam planter gets a much higher price for his tea and his outturn per acre is larger, and he can afford to pay taxes which would crush the planting industry of Ceylon into the dust. The Ceylon Government has wisely abstained from thus handicapping the industry of which it is proud. But when I read that the Ceylon Government is denounced for adopting the policy from which it has wisely and generously abstained then I am compelled to protest and to point out the real facts of the case. We undoubtedly charge higher rates on our railway than are necessary to pay for and maintain the railway, and this may be regarded as a form of taxation. It may not be an ideal form of taxation, but the planters might easily exchange it for a more orthodox but far more onerous and inconvenient form of taxation.

I have already pointed out to you that only in the railway receipts have we found financial salvation. If it were not for the surplus railway receipts, there would be no surplus, and if we reduce our railway rates we reduce, perhaps destroy, our surplus, for reduction of rates for rice and tea is not likely to be followed by increased traffic, at least on the railway below Nawalapitiya.

And now let me conclude my remarks on this subject by reading an extract of a letter which is attached to the report of the Commission on the Classification of Railway Rates. When I tell you that the writer is the shrewd and able man who lately represented the Planting Interests in this Council, it will commend your respectful attention. These are Mr. Christie's views on this vexed question:—"Had Government exacted rates in excess of what the users of the railway expected or promised to pay, or were the services rendered by Government not worth the freight charged, then it might be called unjust. I would personally like to see the rates reduced, but so long as I pay less than I expected, less than I agreed, and less than I can get the same services otherwise provided for, I am better pleased to see a profit than a loss, and I am not blind to the fact that but for the surplus railway revenue many useful public works could not have been undertaken."

These are my views, Gentlemen, on the general question of rates. If the Planting interests claim a reduction of railway rates, they will have to prove the conditions which I have defined, namely, that the tea industry is in real need of relief in order to enable it to compete successfully with other tea-producing countries, more especially India, and that a reduction of railway rates would give the necessary relief and help the estates which particularly require relief.

But the Honourable Member may be able to show that exceptionally high rates are charged on certain sections of the railway, and that the result is to handicap the estates served by those sections so much so as to prevent the full development of their land, and to induce the planters to send produce and obtain supplies by road instead of by railway. If the Honourable Member can show such a case to exist, I shall be inclined to agree with him that it would be in the interest of Government as well as of the estates concerned to lower the rates to the proportionate level of the rates charged on the rest of the line.

LEGISLATION.

Many useful measures have been enacted by you during the past Session, notable among which are the Ordinances for the branding, sale, and transfer of Cattle and the Ordinance relating to Local Boards of Health and Improvement, and an Ordinance to amend the Widows' and Orphans' Pension Fund Ordinances. But the principal achievement of the Session has been the passing into law of the Criminal Procedure Code as revised by the Commission over which the Chief Justice presided. The community is much indebted to the Chief Justice for the assistance which he has kindly given to the Government in this very important matter.

I do not propose in the ensuing Session to make much demand upon you in the way of legislation. The measures which you will be asked to consider will be few and I trust non-contentious.

The Waste Lands Ordinance has received the assent of Her Majesty. This Ordinance is still in its infancy, and the usual difficulties attendant on the working of a new Ordinance have occurred, but it is satisfactory to note that no difficulty has been experienced in coming to a satisfactory and amicable settlement with claimants in the great majority of cases. The greatest difficulty has occurred in cases in which claimants have purchased for a merely nominal consideration claims which the sellers were not likely to have disposed of so cheaply unless they had considered their titles as somewhat visionary.

It is proposed to amend the Ordinance in certain respects :—

- (a) It will be made clear that the three months within which a claim has to be made will run from the date of the first publication of the notice in the *Government Gazette*.
- (b) If the Government Agent or Assistant Government Agent has reason to think that any person is interested in the land, he shall call upon such person not only by general notice as now, but also by posting a copy of such notice addressed to him at his last known place of abode.
- (c) With regard to publishing of the notice in the newspapers, it need not be more than once, and the publication is to be in the language in which the newspapers are published.
- (d) It has been found necessary to extend the prohibition under section 22 to mining ; a breach of that section, however, will not be punishable until a District Court shall in the first instance make an order directing the offender to deliver up possession of the land. If such order is not obeyed within seven days of its service, the District Court is given power to sentence such offender to imprisonment or to a fine, and to cause the land to be delivered up to a person to be named by the Court.
- (e) Power is also given to the District Court to order the offender to execute a bond to abstain from entering upon the land personally or by his agents for such period as the Court may fix.

It is my intention to introduce for your early consideration a Bill to carry out the recommendations of the Select Committee of this Council appointed to inquire into and report on the question of revising the *ad valorem* Customs Import Duties. At present any one desirous of ascertaining the import duties on any particular article would probably have to refer to no less than seven Ordinances. I thought it desirable therefore, in revising and readjusting the import duties, to consolidate all the Ordinances dealing with such duties ; and the Bill which will be submitted to you repeals seven of the existing Ordinances dealing with import duties. Amongst other things provided in the Bill you will find that importers of crude petroleum to be used as liquid fuel will be entitled to a refund of import duty paid thereon in compliance with regulations similar to those now in force in respect of kerosine oil used in oil engines.

With a view to affording protection to the Press of the Island an Ordinance will be submitted to you for consideration dealing with the right of property in telegraphic press messages. This Bill has been adapted from the South Australian Act, No. 10 of 1872. The proposed legislation has the support of the Press and is introduced solely with a view to affording that protection which the Press itself desires. By the terms of the Ordinance press messages by electric telegraph are not to be published during forty-eight hours after receipt without the consent of the receiver, and unlawful publishing contrary to the provisions of the Ordinance is made an offence. Publications by the Government Printer and Reports of Proceedings in the Legislative Council are expressly excluded from the scope of the Ordinance, which is designed to operate exclusively for the benefit of the Press. Under the circumstances, I am confident that you will give your hearty support to the Ordinance, more especially as an impetus will thus be given to newspaper enterprise in the Colony, and greater activity in securing the latest intelligence will meet with the reward which it deserves, and of which, in the past, it has too often been unfairly deprived. It may perhaps be desirable to wait till the Committee of the House of Lords on Copyright has reported before finally passing this Bill.

The question of mitigating the evil arising from public servants being financially indebted to private individuals has received the attention of Government. With a view to minimising the injurious effects that must accrue to Government from such a state of affairs, an Ordinance will be submitted to you providing that no action will lie against a public servant for any money advanced at his request, or upon any promise to be answerable for the debt or default of another person, or upon any bond, bill of exchange, promissory note, or other security, where the salary of the public servant does not exceed the sum of Rs. 300 a month. Any proceedings in contravention of this Ordinance are to be void. A similar Ordinance has been in force in the Straits Settlements since 1889 and has been attended with the most excellent results. There can be no doubt that the

efficiency of the Public Service is much impaired owing to the indebtedness of Government officers. The effect of this Ordinance will be to prevent many public servants in junior positions from incurring obligations which they can never expect to discharge. Professional money-lenders would thus be kept in check, and honest men who require money for temporary purposes would in no way be prejudiced. My attention was invited to this subject by the Chief Justice, who suggested that a measure similar to that which has worked so beneficially in the Straits Settlements should be introduced into this Island. I feel confident that this Ordinance when introduced will receive your careful consideration, and I trust you will co-operate with the Government in its endeavour to mitigate an admitted evil.

Members of this Council will remember that the Sub-Committee appointed to consider the draft of the Ordinance No. 11 of 1897 reported that it was desirable to increase the jurisdiction of the District Courts so as to enable them to inflict a maximum penalty of four years' rigorous imprisonment in the case of habitual criminals. That recommendation has received the approval of the Secretary of State, and to carry out the wishes of this Council I have caused a Bill to be drafted increasing the jurisdiction of District Courts in such cases to four years. There being already two Ordinances in force relating to habitual criminals, I considered it advisable that the Ordinance to be introduced should consolidate the law on the subject instead of adding an amending Ordinance to those already in existence. The Bill, which will be submitted to you in due course, contains similar provisions to those in the Ordinances Nos. 17 of 1894 and 11 of 1897, and will by the introduction of the provision increasing the jurisdiction of the District Courts reduce the number of cases to be committed to the Supreme Court.

GENTLEMEN OF THE LEGISLATIVE COUNCIL,

In conclusion, let me pray that Divine Providence may so guide our deliberations that they may conduce in the future, as I believe they have in the past, to the prosperity and welfare of Ceylon and its people.

I now in the Queen's name declare the Session of the Legislature to be duly opened.