

referred to presently, makes the total amount to be provided £146,193, if no further reductions are thought prudent. Upon that supposition we have now to consider how the large sum I have named is to be raised, for we are all agreed that sufficient revenue must be raised to meet our expenditure.

But, before I show how the Government think this amount should be raised, I must bring under the notice of the Committee the question of subsidies to local bodies.

SUBSIDIES TO LOCAL BODIES.

I last year expressed the opinion of the Government that, if subsidies to local bodies were to continue, one-half of the amount should no longer be paid from loan, as is the case at present, but that the whole amount, whatever it might be, should be provided for from revenue—that is to say, by taxation.

The Government, after careful consideration, have come to the conclusion that the payment of subsidies must be continued, or the work of the local bodies will be practically paralysed, causing serious inconvenience throughout the country districts; but they think that the colony should clearly understand that continued payment means additional taxation. The Government are also of opinion that, if the payment is to be continued, a special tax, or portion of a tax, should be set apart for subsidies, and that the amount raised should be divided amongst the local bodies on the same plan as is now in force. It is also desirable that the tax set apart should be one which will increase with the increase of population. They, therefore, propose that the tax on tea should be increased by two pence per pound, and that one-half of the whole duty received from tea shall be set aside and devoted to the payment of these subsidies. Through speculative clearances, and two months of the year having already past, the estimated produce of the tax for this year with the additional duty added, will only be £114,000, one-half of this will be £57,000. This amount will not be enough to pay a subsidy of five shillings in the pound for the current year, I shall therefore ask authority to provide the amount, if deficient, from general revenue for the year 1888–89; but next year and afterwards, when there will be no disturbing cause in the collection of the tax, I propose that one-half the tea duty should be set apart for the subsidies, and that that amount, whatever it may be, and whether more or less than the proportional payment now made of five shillings in the pound, should be all the aid that will be given from the general revenue, that is by the colony at large, to the local bodies. This, if adopted, will cause a loss for the present year to the general revenue of about £30,000, which it will be necessary to make good from general Customs duties.

PROPERTY-TAX

It is not proposed to make any alteration in the rate of the Property-tax this year. But I shall ask the House to agree to remissions to a certain amount on some classes of machinery. The loss to the revenue, if these remissions are agreed to, will probably be about £4,000.

TARIFF.

I now come to the question as to how the £146,193, which I have shown to be wanting, can best be raised. After much careful deliberation the Government have determined to ask authority to raise the amount required by an increase in the Customs duties, as being on the whole the best course in the general interest of the community.

But then arises the further important question, whether the increase should be general over a large number of articles included in the tariff, or whether the amount required should be raised from the two articles tea and sugar? With regard to the first of these, I have already expressed the opinion of the Government that, to furnish the subsidies to local bodies, an additional duty of twopence a pound should be put upon tea, which is as much as we think it should bear. There remains the question of additional duty on sugar, and the