in carrying into effect our new taxation proposals, we have been reluctantly compelled to postpone dealing with the question to another session. I am inclined to think that, in order to obtain and assimilate information from the different parts of the country, a Select Committee, as on former occasions, might be able to perform valuable work.

The reduction of the duties on the necessaries of life must be dealt with as part of the tariff revision. If our policy is not to borrow money for the construction of public works, it is evident we shall not be able to part with revenue. If duties are to be taken off the necessaries of life which cannot be produced within the colony, an equivalent must be sought for in a higher scale affecting those articles that can be manufactured by our own people. It may then be anticipated that to the extent we are able to develop, in consequence of a higher duty, the young and growing manufactures of the colony, the revenue generally will show signs of a greater elasticity, and make up for any loss occurring through a falling-off in the imports of the articles protected. In connection with this matter I need hardly bring to the attention of the Committee the fact that the money we shall be spending this year out of revenue on works will be largely devoted to provide employment for those who might otherwise be idle, thus keeping up the standard of wages. It is more important that work should be found for all than that certain articles of consumption should be a little less in price, however much we may appreciate the advantage of cheapness. The Government have given in all these matters the first consideration to the problem of finding full employment for the people: the improved state of the labour market, the emigration returns, and the general prosperity show how far they have been successful. So essential do we consider it that no revenue should be parted with at the present moment, we have postponed for a time the change we contemplated last session of reducing the postage. **Essential that present revenue should be maintained.**

FINANCIAL ARRANGEMENTS.

The more the inequalities of the subsidies to local bodies are considered the more desirable it appears to me that the intentions of the last Government to bring them to an end should be carried out. The change ought not to be made without notice, and time should be given to make other arrangements; but I think the local bodies ought to be prepared next year to give up one-half the amount of the present subsidy, and that in the following year but one the remainder should disappear. **Subsidies to local bodies to be reduced next year.**

The amount last year of the loans to local bodies shows no signs of diminishing, and already in the present year the applications are in excess of those registered at the corresponding period last year. The rate, as the Committee is aware, is 5 per cent., and the borrowing bodies cease to pay interest at the end of twenty-six years. If the sinking fund is not adequate to redeem the debentures when the interest-paying time expires, the charge, of course, will fall on the Consolidated Fund. Now, I shall provide for this contingency to some extent by making provision to pay 1 per cent. out of the Consolidated Fund to an account in the Trust Office. Another ½ per cent. has begun to accrue by a reduction in the interest paid by the Government for the money required to make the grants. It was originally contemplated that the money would be borrowed at 4 per cent., but 4½ per cent. is the rate being paid for the use of the funds so employed. I propose to make the Sinking Fund complete by taking an equivalent from the Land Transfer Assurance Fund accrued in the Public Trust Office. If we borrow to lend to the local bodies—the interest payable to the colony ceasing at a given time—we ought to provide against the day of reckoning. The consolidated revenue is liable for any charge against the colony for defective titles under the Land Transfer Act, but the Assurance Fund, which has accrued to the extent of some £80,000, is more than sufficient to meet any possible claim. **Proposal for a sinking fund.**

The Agent-General has been able to conclude a satisfactory arrangement with the Bank of England under which the money to pay interest on our debt may be lodged only two days instead of ten before it falls due, and the effect will be a saving of about £1,000 a year to the colony. To enable the arrange- **Concession by Bank of England.**