

ordinary standing expenditure of the Colony mentioned in the statement, there would remain a surplus of about £16,000 applicable to the reduction of the present public debt, and admitting of the gradual extinction of the contemplated loan of £50,000, if contracted. I feel bound, however, to state that it will not be safe to calculate upon the public expenditure being confined to the amount specified in the estimates submitted in each Session to the Assembly, or rather, to the amount of the ordinary standing expenditure above-mentioned. From time to time appropriations will be demanded for casual services and purposes, besides those detailed in the estimates, to which no reasonable objection can be offered. But beyond these, there will be a tendency to make appropriations for favourite objects of different parties in the Assembly, which, unless the most determined front be opposed to them by the Executive, will swell the extra expenditure to which I advert.

10. I have before had occasion to remark that, in this Colony, there being no local rates or taxes whatever, and all local expenditure for even the most minute services which can be considered as of a public nature, being defrayed out of one public chest, it is extremely difficult to inculcate that economy which necessarily results from the making the expense of such services a particular charge on the local inhabitants. But the time has come when it will be necessary for the principal towns and settlements to relieve the Public Revenue of charges upon it for purely local purposes—such, for instance, as grants in aid of the expense of maintaining fire prevention Companies, of lighting and watering—which ought to be defrayed by assessment. These subjects I shall consequently press upon the consideration of the Legislature at its next meeting.

11. A reduction in certain branches of expenditure might perhaps be effected without detriment to the public service.

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I do not, however, think it would be prudent in the estimate of the future income and expenditure of the Colony, to rely upon a reduction of any considerable amount under the heads referred to.

12. Should the application for the loan of £50,000 be acceded to, the mode most satisfactory to Her Majesty's Government of providing a fund for the gradual reduction of the principal and interest upon it, and of placing the sinking fund to be formed for this purpose beyond the risk of diminution, will be the passing of an Act by the Legislature of the Colony, rendering permanent, or until the extinction of the loan, certain duties on particular articles of import, from the produce of which duties such a yearly amount as may be indicated should be regularly remitted to the Imperial Government, the residue falling into the ordinary revenue of the Colony to be appropriated by the Legislature. But as it would hardly be fair to the public creditors to whom the existing debt is repayable, to make the contemplated loan a preferable charge upon the present Revenue, it would be a more equitable arrangement, and one of which, I believe, the Legislature would approve, to appropriate specially to the reduction of the loan an additional tax on all articles subject to duty, sufficient to raise the required yearly amount.

13. In obedience to Your Grace's request that I would state my views as to the mode of raising a Revenue in Newfoundland in the event of Reciprocal Free Trade being established between this Colony and the United States, I beg to state that the only practicable mode in which the deficiency