

basis as will provide both for any possible shrinkage of Customs revenue and also for the fresh expenditure incurred by the new undertakings that circumstances render it necessary to establish. To enable this to be done it will be necessary to provide additional revenue, and I now submit a proposal of which I consider the result desired can be arrived at.

The increased expenditure under all headings is as follows :—

	£	
Interest upon the cost of " Dreadnought "....	70,000	£
4 per cent. per annum for extinction of loan	80,000	
	<hr/>	150,000
Contribution to Railway Superannuation Fund	25,000	
Contribution to Public Service Superannuation Fund on account of merging Police Fund	5,000	
	<hr/>	30,000
Additional cost of internal defence	100,000	
Additional armament and equipment — £150,000 extended over three years ...	50,000	
	<hr/>	150,000
	<hr/>	
Which gives a grand total of		<u>£330,000</u>

To meet this I propose to obtain from the altered system of death duties an additional £150,000 ; by abolishing the break in the long-distance mileage rates upon the railways, making the rates uniform to 1d. per mile second class and 1½d. per mile first class, £100,000 per annum ; by the adjustment of the income-tax, by making it a graduated one, £80,000 ; by imposing 1 per cent. additional upon the true value of all dutiable goods, £50,000 ; by charging 2½ per cent. on the total receipts of race clubs, £38,000 ; from the banks, £30,000. This gives a total increase of revenue of £448,000, leaving a balance of £118,000—not, in my opinion, too large a sum in order to provide for unforeseen expenditure. I do not think that any reasonable exception can be taken to the various sources from which this increase is to be obtained. It is only fair that all classes of the community should give a slight contribution towards the strengthening of our position in matters of defence, and in respect of the item of 1 per cent. upon Customs, I propose to ask the House for authority to fix it until the 31st March, 1911, only. It is but reasonable to expect that by that time the improved and increasing condition of our trade will give a much larger return than we are at present obtaining from Customs and other sources of revenue.

I cannot impress too strongly upon honourable members and upon the country generally the fact that in the face of concessions, amounting to in round figures £600,000, that came into operation during last year, and of which during that period £400,000 in Customs took place, our revenue, which amounted to £9,000,000, was only £55,000 short of that of the previous year. Considering the difficult period through which this country passed, and the fact that, so far as I am aware, every country in the world during the same period experienced an enormous shrinkage in its revenue, the results achieved by New Zealand cannot be considered otherwise than most gratifying ; and, in view of the large reductions and remissions that have hitherto been made, I do not think, recognising the necessity for present requirements for defence and other purposes, that reasonable exception can be taken to what I now propose. I trust, with increasing trade and general development, that in the course of a few years this increase of taxation may not be required, and no one will be happier than myself when it can be taken off.