

3½ per cent. on the capital invested unless the rates are raised to meet the emergent conditions arising out of the war, and after carefully looking into the whole position it is proposed that passenger rates be raised by 8½ per cent., and goods (excepting timber) by 10 per cent. Assuming that effect is given to this proposal, the rates operating for conveyance of dairy and other farm produce and live-stock will be less than those ruling in 1894, when the industries were either languishing or in their infancy, while the proposed advance is so infinitesimal as to be negligible as far as the increase of prices over the counter are concerned.

The effect of the proposed increase in rates would be as follows: Butter, 8½d. per £100 of value; cheese, 1s. per £100 of value; wool, 1s. 8d. per £100 of value; frozen meat, 2s. 8d. per £100 of value; sheep, 4s. 8d. per £100 of value; cattle, 3s. 9d. per £100 of value. I omit timber for the reason that the increase would be on white-pine £1 14s. 5d. per £100 of value, and on red-pine £21 5s. 5d. per £100 of value. Timber is used more or less by all classes of the community, and the general increase proposed to be put on other goods if applied to timber would injure the industry, which is at the moment prejudicially affected by the war. Discrimination in this article is consequently a necessity. In regard to passenger fares, the 8½ per cent. proposed works out at a penny in the shilling, and this would be applied in all cases excepting workers' tickets. An adjustment of excursion rates also will be submitted. I estimate these changes will produce £360,000 per annum. My colleague the Minister of Railways will furnish full details later on.

The alternative to the increase of rates would be a drastic curtailment of the train-mileage run. Necessarily this would involve greatly diminished train services and the dismissal of a very large number of employees. Such an undesirable course can be avoided by the adjustment I have suggested.

INCREASES AND ALTERATIONS OF DUTY.

To make up the shortage of revenue due to war conditions, and to strengthen our finances, it will be necessary to impose duties upon some articles commonly regarded as luxuries. An all-round duty of 10 per cent. *ad valorem* on motor-cars, and 50 per cent. additional on cars made in countries which are now or may be enemy countries.

Bicycles which have hitherto borne a duty of 20 per cent. if British, and 30 per cent. if foreign, will be reduced to the same rate as motor-cars, with the same conditions as regards enemy countries.

A duty of 4d. per gallon will be placed on motor-spirits and kerosene.

I do not think any exception can be taken to the proposal for increasing the duty on petrol, &c., for motor-cars. Kerosene, which formerly had a duty of 6d. a gallon, is also included. Petrol cannot be taxed to produce the revenue necessary unless this is done. Tyres are to remain free from British and neutral countries, with a 50 per cent. *ad valorem* tax on tyres from enemy countries.

Excise beer, which has hitherto paid 3d. per gallon by means of stamps attached to the casks upon delivery from the brewery, will be taxed by an entirely new method.

The Government's proposal in regard to the beer-tax is one that should commend itself to the House. It alters the system chiefly to ensure that lighter ales—that is, ales with less alcohol in them—should be manufactured in this country. I am satisfied as the result of close investigation by the Customs Department that the full revenue I indicate under these alterations will be obtained.

The duty will be assessed on the quantity and with respect to the specific gravity of the worts pitched for fermentation.

The worts of low gravity will pay a minimum duty, which will increase with each unit of rise in gravity.

Spirits will be increased from 16s. per proof gallon to 17s. per proof gallon.

The total increased revenue from the foregoing adjustments is estimated at £340,800, of which sum £55,000 is represented by increased beer revenue.