

24TH SEPTEMBER, 1908

**PRESENT.—**

HIS EXCELLENCY THE GOVERNOR, SIR  
FREDERICK JOHN DEALTRY LUGARD,  
K.C.M.G., C.B., D.S.O.

COLONEL DARLING (General Officer  
Commanding).

HON. MR. F. H. MAY, C.M.G. (Colonial  
Secretary).

HON. MR. W. REES DAVIES, K.C. (Attorney-  
General).

HON. MR. A. M. THOMSON (Colonial  
Treasurer).

HON. MR. W. CHATHAM, C.M.G. (Director of  
Public Works).

HON. MR. E. A. IRVING (Registrar-General).

HON. F. J. BADELEY (Captain  
Superintendent of Police).

HON. DR. HO KAI, M.B., C.M., C.M.G.

HON. MR. WEI YUK, C.M.G.

HON. MR. MURRAY STEWART.

HON. MR. H. A. W. SLADE.

HON. MR. W. J. GRESSON.

MR. C. CLEMENTI (Clerk of Councils).

**Minutes.**

The minutes of the previous meeting were  
read, and confirmed.

**Financial Minutes.**

THE COLONIAL SECRETARY, by  
command of His Excellency the Governor, laid  
on the table Financial Minutes (Nos. 44 to 54)  
and moved that they be referred to the Financial  
Committee.

THE COLONIAL TREASURER seconded  
and the motion was agreed to.

**Financial.**

THE COLONIAL SECRETARY, by  
command of His Excellency the Governor, laid  
on the table the Report of the Finance  
Committee (No. 15) and moved its adoption.

THE COLONIAL TREASURER seconded,  
and the motion was agreed to.

**Papers.**

THE COLONIAL SECRETARY laid on the  
table the following papers:—Draft Estimates of  
revenue and expenditure for the year 1909.  
Financial Statement in connection with the  
estimates. Abstract showing differences between  
t h e e s t i m a t e s f o r 1 9 0 8

and 1909. Report of the Director of Public Works for the year 1907. Report on the assessment for the year 1908-1909. Report on the typhoon of 27-28th July, 1908.

### A Vote of Censure Moved.

HON. MR. STEWART—I rise to move that

"In the opinion of this Council the reasons given in the House of Commons on the 28th July by the Under Secretary of State for the Colonies, in explanation of the preemptory nature of the order issued to your Excellency on the 6th May, are unsatisfactory."

The reasons referred to were given in the debate on the Colonial Office vote. The full report of that debate, received here during the recess, has no doubt been read with interest by every member of this Council, and some of us, indeed most residents, have felt grateful to Mr. Lyttleton for having realised the point of our original protest so clearly and for having represented it so effectively. His reference to the Colony was in these terms (I quote from *The Times*):—

"In carrying out the resolution of the House for the discouragement of the opium traffic, it was presumed by every one who took part in that debate that any action taken by the Government would be deliberate and cautious, and in particular that they would seek to enlist the co-operation of the authorities of various Colonies concerned. Unless he was misinformed there had been a grievous departure from that wholesome rule in Hongkong. He was informed that a telegram was sent by the Secretary of State on May 6th saying to the Colony of Hongkong that his Majesty's Government had decided to close the opium establishments in Hongkong. That telegram reached Hongkong three hours before the statement was made public in the House of Commons, and therefore before any information was vouchsafed to the colony on the matter. Absolutely no previous consultation had taken place, so far as he was informed, and no opinion taken of the members of the Legislative Council. He hoped there would be some explanation given of this apparently high-handed proceeding."

The explanation offered by the Under Secretary of State for the Colonies was as follows:—

"With reference to the complaint that we took action without consulting the authorities of Hongkong. Although they did their best to ascertain the views of the people; it was quite impossible to get anything like a reasoned opinion from the inhabitants of Hongkong."

Sir, I think it is not to be wondered at if Hongkong inhabitants find that a hard saying. The impression which it is calculated to create is obviously an unfavourable impression. The words suggest that the inhabitants are impossible people to deal with. No one could take it for a compliment. Anyone might take it as a slight. At the very least it is open to misconstruction; it is not even clear.

Who did their best? His Majesty's Ministers or the Hongkong Authorities? There is room for just that much ambiguity owing to the speech being reported in the third person. But this ambiguity does not really signify, for His Majesty's Ministers would naturally seek to ascertain the views of the people through the Hongkong authorities. When and how did His Majesty's Ministers thus do their best? The telegram which they caused to be sent on the 6th May contained no reference to the views of the people. It merely notified you, Sir, of an impending announcement. Apart from that, the explanation is required to cover an antecedent period. It is therefore pertinent to enquire when, if ever, did the Home authorities approach the Hongkong authorities with the object of ascertaining the views of the people? And did the Hongkong authorities inform them that reasoned opinion was non-existent in the Colony? I imagine not.

How then did the Under Secretary of State come by this knowledge? He has scarcely been long enough at his duties to have learnt it by experience, and it can hardly be that he derived it from the permanent officials of the Colonial Office, because in that case Mr. Lyttleton would also have known of our "parlous state," and would have realised why we were thus treated, which he manifestly did not.

However, having unaccountably delivered himself of this statement, the Under Secretary then proceeded to twit Mr. Lyttleton with having previously expressed approval of the Government's policy. Mr. Lyttleton explained his former utterance thus:—

"I agreed with that policy, but what I said was that every person of sense presumed that ordinary steps had been taken that would make the policy palatable."

Upon this the Under Secretary said:—"The ordinary steps could not be taken for the reason given"—presumably, that is, because it was impossible to get a reasoned opinion from the inhabitants. And yet, notwithstanding this, he proceeded to say that "the ordinary steps were now being taken."

Apparently "the reason given" suddenly ceased to be operative. It is all a little puzzling.

First the admission is made that the issue of the order in question, without previously consulting the authorities of Hongkong, was an extraordinary step to take; next it is claimed that this extraordinary step was justifiable because it was quite impossible to get anything like a reasoned opinion from the inhabitants; and then refuge is taken in an assurance that henceforth the action of his Majesty's ministers will be guided by the advice received from your Excellency. To those of us who have confidence that the advice offered by your Excellency will give due weight to the reasoned opinion of the inhabitants, it appears that, after all, his Majesty's Ministers will probably be found availing themselves, in some measure, of the very thing that the Under Secretary of State said it was impossible to get.

But, Sir, no sooner had he said this than he seemed to relent, for almost in the next breath he claimed on behalf of the Government the support of "the best opinion in Hongkong."

The inference is that though a reasoned opinion is impossible to get, the kind obtainable is divisible into degrees of comparison. Of these, that which supports the action of the Government is regarded by the Under Secretary as the best. Naturally! But then the best cannot, on his own showing, be worth anything. This, Sir, is the explanation which I have ventured to describe as unsatisfactory. And when I realise that I have so described it, I am amazed at my own moderation.

Sir, in the House of Commons, owing to the limited time at the disposal of private members, it is the custom to ballot for the privilege of bringing forward resolutions dealing with

matters of public interest, and it seems to have just so happened that Mr. Johnson won a place for his opium resolution, as he might have won a doll in a raffle at a bazaar.

Up to this time the opium policy of the Government had been conducted with commendable deliberation. Committed to it by the passing of a former resolution in May, 1906, they had contented themselves with concluding an arrangement for the reduction of the Indian export, and with instituting enquiries in Ceylon and Singapore as to the best method for discouraging the use of the drug.

Judging by the fact that they did nothing definite here, it was natural to suppose they realised that there was no necessity for drastic measures inasmuch as the gradual cessation of the Indian trade would, if China kept faith, automatically entail the extinction of the opium habit in this colony. But when they found themselves suddenly faced with the problem of accepting or opposing a resolution the terms of which conveyed censure of these leisurely methods,—they evidently feared to offend the powerful following of the English anti-opium agitators by opposing it and decided to accept it—they became anxious for tactical reasons to create the impression that they were already pursuing an active policy in all directions, and were everywhere leading, instead of being driven, into action.

They therefore hurriedly forestalled the recommendations of the resolution with regard to Hongkong by despatching the telegram of the 6th May. The message was sent in order that its despatch and terms might be effectively announced in the debate on the opium resolution. As a tactical move it was well calculated. The desired effect was produced. the announcement brought down the House; cheers greeted it. The Government scored. From a practical point of view the main object of the opium policy was not advanced one jot. The ordinary steps are now being taken! Despatches, reports, consultations, compromise. But the main object of the telegram was achieved. As I said, the Government scored. That, reduced to simple narrative form, is I believe what the reasoned opinion of Hongkong holds to be the history of this "apparently high-handed proceeding." We could not

understand it at the time, because its comparatively harmless nature was obscured in the first instance by the news agencies interpolating the word "forthwith" into the order to close the divans, and because of other obscurities. But that, it now seems clear, is why the ordinary steps were not taken; that, and not the reason given by the Under Secretary. This explanation at least fits the facts, and by the light of them the reasons given by the Under Secretary are seen to fall to the ground, and to lie in a confused heap, forming stumbling blocks, instead of "ordinary steps" towards making the policy of the Government palatable.

I cannot imagine a better way of making that policy unpalatable in this Colony than by offering reflections on our good name in defence of methods due to the immediate needs of Ministers created by the exigencies of debate. The policy will be made more or less palatable according as the belief gains or loses ground that it is dictated by higher motives than those which we associate with mere party strife. The more we are convinced of this the less, to adopt Sir Henry Blake's expression, shall we kick.

Of course, the Under Secretary could not be expected to explain the matter in this way. But surely he ought never to have come within measurable distance of setting up such a clumsy indictment to do duty as an excuse. No doubt it is open to anyone to contend that you cannot get a reasoned opinion from any large number of people. But I submit that it could only be averred of us in the sense in which it would be true of almost any community. In one sense it would be true of London or Liverpool, Manchester or Glasgow. But I think that no politician would be likely to make a similar remark about the inhabitants of any English, Scotch or Irish town. He would be likely to hear about it if he did. Are we to conclude that because we are so far away our susceptibilities need not be so carefully considered? Does consideration vary with the distance? This would be an unfortunate impression for any Under Secretary of State for the Colonies to create. It might have been expected that he would be careful to avoid making remarks calculated to arouse resentment in even the most distant of the communities with which for a time he is to be officially connected.

But perhaps we shall be told that he did not say it, that he said something quite different, that the reporter is to blame. Or, may be, a meaning will be read into the text which will help the Under Secretary out. This has already been done by editors, and others who, like most of the rest of us here have found it, as an explanation, inexplicable. In the meantime as the statement stands reported in the columns of *The Times* for all men to read, it seems to me that it is the duty of the Unofficial Members of this Council to challenge it, and I therefore look to my colleagues to support me in voting for the resolution, which I have designed for that purpose, and which I now move.

HON. MR. WEI YUK seconded the motion.

HIS EXCELLENCY—With reference to the resolution moved by the hon. member for the Chamber of Commerce, I would point out that *Hansard* for July 28th, of the Imperial Parliament, has not reached this Colony, and we have not therefore any authentic record of the actual words used by the Under Secretary for the Colonies. The resolution refers to reports in the local press. I am not aware whether any of these reports were copied from verbatim shorthand notes in the House of Commons, but next to the Imperial *Hansard*, the authority which is usually accepted as the highest is *The Times* of London, and that report, as the hon. member has pointed out, is in the third person and does not purport to give the actual words used. However that may be, assuming *The Times* report to be fairly correct, I must say I did not place upon it, when I read it, quite the same interpretation as the hon. member does.

The statement that "it was impossible to obtain a reasoned opinion from Hongkong" appeared to me obviously to mean that it was impossible to obtain it in the time which had elapsed between the accession of the new Secretary of State to office and the date on which the Colonial Estimates were brought forward in the House of Commons. The new Government assumed office on April 16th. The Colonial Estimates were to be debated on May 6th, when I presume, under instructions from the new Secretary of State for the Colonies, it had been decided that Col. Seeley should make an announcement in regard to the policy of the

reconstituted Cabinet. I do not therefore think that the phrase was intended to have the meaning that Hongkong was incapable of giving a reasoned opinion, but rather that there was not time to get that reasoned opinion before the debate came on. The further statement made by the Under Secretary for the Colonies that he "had done his best to ascertain the views of the people of Hongkong" I confess I do not understand. I am unaware that any steps had been taken to obtain the views either of the Government or of the people of Hongkong prior to May 6th, but perhaps more light may be thrown upon this by some further communication from the Secretary of State, or perhaps, as the hon. member suggested, it may be that the Under Secretary is inaccurately reported.

Later on Colonel Seeley agreed with Mr. Lyttleton that "the ordinary steps" which are usually taken before making such an announcement consist in consulting the Governor of the Colony concerned. He pledged the Government to act on the advice which they had obtained and would obtain from the Governor. He believed he would be able to satisfy the House that the best opinion in Hongkong and the opinion of the Governor coincided with the measures proposed. Since these measures, by the pledge already given, were to be based upon the advice received from Hongkong, the remainder of the aspiration appears to me to follow more or less as a corollary. With the exception therefore of the statement to which I referred as being incompatible with the facts so far as we at present know them, I consider the reply of the Under Secretary satisfactory. When I read it the meaning it conveyed to me was that the Under Secretary of State intended to admit that the statement of May 6th was somewhat premature owing to the exigencies of Home politics. He intended to assure the House that no steps would be taken to give effect to it without the advice of the Governor, and pledged the Government to follow that advice subject to the general policy of both sides of the House that opium divans should be closed. Before sitting down I wish to add that I personally most heartily endorse the words used by the hon. member when speaking to this resolution, that the higher the motive which has prompted the policy of the Government, and the more we are convinced that that motive is based not on the exigencies of party politics, but on the best traditions of our

country, the less likely we should be to kick, and the more likely to heartily co-operate with it.

HON. MR. STEWART—Your Excellency, I believe I have the right to reply. I only wish to say that I should have felt more confidence in the belief to which you have committed yourself, that it was not said, but for the experience of some of the other colonies which one has heard and read about during the last few years. In this particular debate Mr. Lyttleton was referring to the treatment of certain other colonies at the hands of an ex-Under Secretary of State when he spoke of these colonies "so far from receiving respectable treatment, these colonies have received in the House of Commons jeers and insults." I don't myself believe that this could possibly be so bad in our case, still it creates a doubt, and a doubt which seems to me to make it advisable that we should kick against anything of that sort if anything of that sort is intended. As regards the argument that the Under Secretary meant there was no time to ascertain the views of the people, it seems rather to be begging the question, because the original protest was that they did not give us time. Singapore was approached previously, Ceylon considerably before that, and India well before that, so that, if I may be permitted to say so, there really does not seem any other polite way out of it, the defense is a little lame. In any case an explanation that has itself to be explained away cannot, I think, be regarded as satisfactory. Therefore I do not propose to withdraw my motion.

The resolution was put and the division resulted as follows:

Ayes—Hon. Messrs. Slade, Stewart, Gresson, Wei Yuk, and Hon. Dr. Ho Kai.

Noes — Captain Superintendent of Police, Registrar General, Director of Public Works, Col. Treasurer, Attorney General, Colonial Secretary, and the Officer Commanding.

HIS EXCELLENCY—The resolution is lost by seven to five.

#### **The Building Authority Questioned.**

HON. MR. STEWART—In proposing the second resolution which stands in my name I do not intend to say more than a very few words. The facts upon which it comments are common property and it is unnecessary

to do more than recapitulate them briefly. Broadly speaking they may be recapitulated thus. Early in the second half of July a large number of notices were served upon property owners in the name of the Building Authority, calling upon them to execute various repairs. On the 14th July tremendous rains fell, causing considerable damage and making a large call upon the reserve labour resources of local contractors. While struggling with the extra work thus entailed the Colony was visited by a severe typhoon which impressed itself forcibly upon a great number of houses in the town, and left almost every house at the Peak calling loudly, through broken windows and gaping roofs, for immediate repair. That was on the 28th July, as we all have reason to remember. From that time onwards for a month and more it was notoriously impossible to execute repairs with any degree of rapidity, and it must have been the experience of everybody whose house or premises stood in need of mending that he had to wait. Nobody liked it, because several typhoons were distantly reported about this time and the prospect of being caught by one was, under the circumstances, distinctly disquieting. But most people took a reasonable view of the position and, realising that every nerve was being strained by the architects and contractors, put their tempers under restraint and exercised the virtue of patience. It was therefore with something like amazement that we read one day in the papers of the issue of a large number of summonses upon property owners for failure to carry out during this very period the former requirements of the Building Authority in the matter of repairs. I have been informed that as many as 99 were issued in one day calling upon property owners to appear at the Police Court, I think on the 21st August. It is just this kind of inconsiderate proceeding which rouses the ire of the general public and brings the Administration into disfavour. In particular it naturally arouses the ire of property owners and leads them to regard the Public Health Ordinances with something much stronger than disfavour. When the new Act was passed it was pointed out on all hands and in this Council that its success mainly depended upon the spirit in which its provisions were interpreted and the discretion with which they were applied. In the debate on the Third Reading I had the temerity to express the hope that

the powers entrusted to the mysterious abstraction known as the Building Authority would be used with discretion. I understood Your Excellency to assure this Council and through this Council the community, that it was the Government's desire to avoid unnecessary friction in carrying out the provisions of the Act, and, Sir, the fact that on this matter being represented to you most of these summonses were promptly withdrawn, shows that you agreed with the general sense of the Community in thinking that they were unwisely issued. But that such things can happen in spite of the assurances of Your Excellency, and apparently without the knowledge and consent of the higher officials of the Government, suggests a weak link in the chain of responsibility, and with the idea of seeking to remedy this defect in the only way that lies open to the Unofficial Members of this Council, namely by drawing particular attention to the weak spot, I move:—"That the members of this Council regret the recent action of the Building Authority in instituting on a large scale criminal proceedings against property owners for failure to comply with the requirements of the law under circumstances which, in the majority of cases, rendered compliance impracticable."

HON. MR. SLADE.—I beg to second this resolution. The hon. member who represents the Chamber of Commerce has very fully dealt with the subject in his remarks, and there is no occasion for me to amplify them. Under the Public Health and Buildings Ordinance as amended, very large powers were given to the Building Authority under which he could either strictly enforce the terms of the Ordinance or in the exercise of his discretion grant certain modifications. This is the first instance which has come prominently before the public in which this discretion might very well have been wisely exercised, and it is disappointing to find that the Building Authority has not seen fit to use that power given to him. Moreover it does not inspire much confidence in the way in which we look for the Ordinance to be interpreted in the future. I know, Sir, it is your wish that this Ordinance should be interpreted liberally, and in a broad-minded manner. I can only hope some way will be found so that those who are directly connected with the  
a d m i n i s t r a t i o n

of the Ordinance shall in future more effectively carry out your intentions.

**THE DIRECTOR OF PUBLIC WORKS.**—Sir, I beg to submit there are not sufficient grounds to justify the adoption of this resolution by this Council. In support of this I have had a statement prepared which has been laid before members. It shows the number of notices issued and the number that were complied with during the period to which the summonses referred to apply. It shows that, notwithstanding the rain-storm and the typhoon, of the notices issued practically three-fourths were complied with and of those issued subsequent to the date of the typhoon quite two-thirds were complied with. That, I think, disposes of the argument that it was impossible to get work of this kind carried out. If anything further was required in support of that I would point out that the period allowed in the case of the notices issued subsequent to the occurrence of the typhoon was less than that in the case of those issued prior to that date. The seconder of the resolution has referred to the large powers given to the Building Authority and to the powers of modification more particularly. The matter before the Council, I submit, Sir, has nothing to do with any powers of modification. The summonses related to matters which dealt with the sanitary maintenance of various properties. They did not deal with anything in which the Building Authority has power of modification. I would point out, Sir, that in no case, except in the course of a conversation with Mr. Shelton Hooper, was any representation made to me that there was any difficulty in carrying out any of these notices. No one sent in any statement asking for a longer period in which to fulfil them, and no communication of any kind was received beyond the mere request of Mr. Hooper, that something might be done to stop for a period the issue of these notices. I therefore submit that there are no grounds for the adoption of this resolution.

**HON. MR. GRESSON**—Sir, with reference to the remarks of the Hon. Director of Public Works, I should think that his own words are the strongest recommendation for the passing of this resolution. He gives figures which clearly state that the number of summonses issued and the

number complied with, in spite of the very extraordinary times, is satisfactory. It seems to me, therefore, that in Hongkong, and I know it is so, everybody is extremely anxious to comply with all reasonable recommendations of the Building or any other authority, and this was done, as the Director of Public Works himself shows. He also referred to the fact that no direct communication was made to him, or that he was not asked for any period of grace. I should say the answer to that is obvious. No such request was made to him because obviously nobody expected summonses at that particular period (hear, hear). I think that is all I need say on that point, and it very much strengthens and not weakens the resolution as proposed.

The resolution was put, the official members voting against it and the unofficial members for it.

**HIS EXCELLENCY** declared the motion lost by seven votes to five.

#### **Railway Bridges.**

**HON. MR. MURRAY STEWART**—I beg to ask the question standing in my name.

"With reference to reports which have appeared in the local Press concerning the alleged unsatisfactory state of some of the stone railway bridges under construction in Kowloon and the New Territory, have the Government any information to impart?"

**THE COLONIAL SECRETARY** replied—Such information as the Government are able to give on this subject will presently be communicated to the Council in the Governor's Speech when introducing the Estimates.

#### **The Estimates.**

**THE COLONIAL SECRETARY**—Sir, I rise to move the first reading of a Bill entitled An Ordinance to apply a sum not exceeding Five million five hundred and seventy thousand four hundred and twenty-seven dollars to the Public Service for the year 1909.

In connection with it I beg to lay on the table Draft Estimates of Revenue and Expenditure for the year 1909; Financial Statement in connection with the Estimates; Abstract showing differences between the Estimates for 1908-1909.

**THE COLONIAL TREASURER** seconded.

His EXCELLENCY—Gentlemen, Before I deal with the Estimates for the coming year I will invite your attention to the Financial Statement in connection with them, which has been laid upon the table.

STATE OF FINANCES IN 1908.

From this you will see that the balance of Assets on December, 31st, 1907, stood at \$1,542,175, while the estimated balance on the 31st December, 1908, is \$961,126 only, owing to the fact that a debit balance of \$581,049 is anticipated to accrue from the working of the current year. I will first explain how this deficit—which is the excess of the revised estimate of expenditure over the revised estimate of revenue—has arisen. In fact since we anticipated a surplus of \$49,359 our total falling off really amounts to \$630,408. This large sum is in round figures accounted for as follows:—We expect to realise \$152,000 less revenue than we estimated for. There is an increase of about \$38,000 in the total of ordinary revenue, but a deficit of \$190,000 in land sales. The expenditure of the year is, on the other hand, about \$478,000 more than we estimated for. The chief items are as follows:—Contribution to Flood Relief Fund, \$30,000; Typhoon Damages, — excess over estimate [exclusive of damage to Government vessels in harbour and also of the enhanced cost of labour and material which was due to this cause and the floods] \$101,600; excess over savings in Public Works Recurrent \$8,400; spent on Typhoon Refuge and deepening of Causeway Bay, in excess of estimate, \$190,000 (of which the dredger accounts for \$165,000); excess of expenditure over savings on Public Works Extraordinary, \$68,000. Add to this the loss on exchange, estimated at \$80,000, and we have a total of \$478,000.

As these are only approximate forecasts I do not trouble you with details of the excesses and savings in either Public Works Recurrent or Public Works Extraordinary. The former vary from year to year, sometimes showing a small excess, sometimes a small saving, and cannot be estimated with exactitude. In the case of the latter, every excess or expenditure not estimated for has been fully explained to the Council and a vote taken for it at the time. The savings which have been effected have not been at the expense of the Law Courts and Post Office, which have been pushed on as fast as possible. They amount to \$35,000, of which the

postponement of Queen's Statue Pier, and part of the work of raising Des Voeux Road account for \$10,000 each, and cattle depôts for \$11,000, the remaining \$4,000 being on survey marks and filter beds. When the year is completed and the accounts finally made up full information can be given on these matters.

The balance of assets at the close of 1907 stood as I have said at \$1,542,175, and this deficit will reduce them to \$961,126, which we anticipate will represent the amount of our reserves at the end of the current year. You will, no doubt, observe that out of the total sum which will have to be debited to the reserve, viz. \$581,000, about \$200,000 is on account of the typhoon refuge which, in my statement on that subject, I said we should have to charge partly against our Reserves. I trust that the remaining quarter of this year will show an improvement in revenue and that this estimated deficit may prove to be an excessive forecast.

ESTIMATES FOR NEXT YEAR.

I turn now to the estimates for next year. When I introduced the Estimates last year I had to express regret that the revenue showed a progressive decrease. I am glad to say that we anticipate that we shall realise in 1909 a somewhat larger total than the amount estimated for the current year. I refer, of course, to ordinary revenue, exclusive of special light dues, widows and orphans fund, and land sales. The estimated increase is \$125,806, of which about \$83,000 is accounted for by new sources of revenue or increases in the rate levied in existing duties. Nevertheless, there is a real increase of \$42,800 and I trust that this increase, however small, may be an augury that we have turned the corner and seen the worst year of the depression. Still I must remind you that our Estimated Revenue for 1909 is \$388,834 less than the realized ordinary revenue of 1907, itself a year of decline, by 2.7 per cent. from the previous year. In other words, the revenue for next year is \$568,374 less than 1906, which represents the high water mark of our prosperity. In the decennial period, however, previous to 1906, the gross revenue rose by the amazing figure of 269 1/2 per cent.—nearly treble—and we must not therefore regard it as too serious a matter that our estimates of revenue for next year show a decline of 8.6 per cent. from the highest we have realized.

I have been speaking of ordinary revenue. When we look at the figures for Extraordinary Revenue we see that Land Sales, from which we normally expect to realise about \$300,000, only realized \$159,750 in 1907, and we only expect to realise \$110,000 in the current year. I have put the figure for 1909 at \$150,000, for I believe the barometer is pointing to better weather, and land sales are the index of our financial barometer. There are two other items under the head of extraordinary revenue for next year, and both merit a special reference: \$93,000 is set down as the product of the extra light dues with the object of constructing the new typhoon refuge. That is appropriated to the work with an additional contribution from the Government, under Public Works Extraordinary. It represents not merely the product of the extra cent levied on ocean shipping but also the extra dues levied on day and night entries of river steamers. It is put under extraordinary revenue because the Secretary of State and War Office have agreed to exempt it from military contribution.

#### THE WIDOWS' AND ORPHANS' FUND.

There is also a sum of \$412,300 of which \$371,500 represents the invested capital taken over by the Government from the Widows' and Orphans' Fund, while \$40,800 represents the contributions during the year. The debate on the Ordinance which transferred this fund to the Government is too recent in your memories to need any detailed reference on this occasion. The sum of money which it places at the disposal of the Government is the capital fund, the interest on which in addition to the annual contributions goes to pay the annual charges for pensions. This sum of \$371,500 is therefore in the nature of a loan: viz. the interest upon it in future years in the form of pensions will have to be met out of current revenue. It should therefore theoretically be invested in some remunerative work which would benefit the Colony and at the same time produce a sum equivalent to the interest to meet the new charge upon the revenues. Seeing, however, that we have to meet a deficit this year larger than the capital sum, I could only have so treated it by imposing new taxation to the full amount of this capital sum. I believe, and those whose advice I have sought have urged upon me, that to impose such large additional taxation at this moment when we are not yet free from the heavy depression which has so

reduced our revenue would be a mistake. Nor is there adequate reason for supposing that such an increase of taxation would be permanently required. I have preferred therefore to include it in the estimate of available funds to meet next year's liabilities, as was done with the Praya Reclamation Fund, but I feel it my duty to point out to you that it is, as I have said, in the nature of a loan to tide us over our difficulties, and that we are liable for the interest upon it in the future. The same applies to the annual contributions in so far as they exceed the liabilities of the pensions list. These contributions aggregate \$40,800 while the pensions and expenses of the Fund are estimated in 1909 at \$9,500 and we are, moreover, relieved of sums of \$18,500, and \$500 being the interest hitherto payable on the fund and equalisation of exchange, heretofore shewn under Miscellaneous Services. Our total liability therefore amounts to \$421,800. For so long as the pensions are less than the estimated annual liabilities, for so long are we living at the expense of posterity, who, when the position is reversed, will have to provide the difference to make good the pensions out of the annual revenue. I confess I do not look for any sympathy with posterity from the tax-payers of the present day who are sore put to it to meet the exigencies of the present depression, but I can find some justification in the reflection that we are to-day paying the full interest on the funds borrowed for railway construction instead of debiting it to capital account as is not unusually done. These general considerations are of such paramount importance in considering our yearly budget that I have not hesitated to occupy some time in discussing them.

#### ESTIMATE OF REVENUE.

I turn now to the Estimate of Revenue under its various heads. I do not propose to go into great detail in the matter, for the printed estimates, with their fully explanatory notes and appendices, speak for themselves and are designed to give the fullest possible information of every increase, and decrease, both in revenue and in expenditure. It would be an insult to your intelligence and an unnecessary waste of time for me to repeat information already at your disposal. I will therefore confine my remarks to such points as I think may be of real use to you in studying the estimates placed before you.

You will, I regret to say, note a decrease in the estimate of the amounts which licenses are expected to produce under most heads. This has necessitated the imposition of some few increased levies under certain heads, where after most careful consideration I have thought it possible to impose them. Such are the increased dues on lighters, cargo and water-boats, an increase of \$17,000; and Emigration House licenses, \$500; while the operation of the new Companies Local Register Ordinance is estimated to bring in \$20,000. In spite of these new impositions the total under this head is still less by \$23,048 than the estimate for the current year. Stamp duties, owing to depressed trade, are estimated to produce less than this year, but I am taking steps to ensure their more complete and thorough collection which will bring them upto the same total.

#### THE OPIUM QUESTION.

You will observe that except for a small decrease in the divan licences no reduction has been made in the anticipated receipts from the opium trade. Any decrease therefore which may occur in consequence of the policy of His Majesty's Government remains unprovided for, and if there is no surplus at the end of 1909 they must be met by special taxation, or in some other way. I am in correspondence with the Secretary of State on this subject but the investigations which have been conducted here have taken a long time and the question has not reached any final solution, so that it has been impossible for me to deal with it in the estimates. If there had been any surplus however small of revenue over expenditure it would have been incumbent upon me to consider whether a part of it should not be set aside to meet any possible liability on this account instead of devoting it to public works, but as a matter of fact, after providing for only such works as we are already committed to and a few minor works of urgency, there is not only no surplus at all but an excess of expenditure over revenue of \$72,170. In these circumstances the question of the diminution of receipts from opium in consequence of the telegrams which I received from the Secretary of State and read to this Council can hardly be said to arise in connection with the estimates, and in consequence is not directly involved in the Bill now before you. I hope however at an early date to lay papers before you and to make a statement on

this subject which will afford unofficial members any opportunity they may desire of expressing their views.

#### IMPROVING SOURCES OF REVENUE.

Class II of Revenue shows an increase of \$146,404 which would have been augmented to \$163,404 if the \$17,000 for postal transit charges refund had not been eliminated. This sum is properly a departmental credit under the new Colonial Regulations and has therefore been deducted from postal expenditure instead of being shown as a credit under the revenue subject to the military contribution. There is an increase of \$5,000 under Gunpowder Storage, due to a fuller use being made of the very fine depot at Green Island which cost this colony a large sum of money and has been little used in consequence of the licenses to private warehouses which were necessary before it was built. In order to meet the cost of the new emigration sub-department in the Registrar General's office, and also to meet our needs for general purposes, the fees for the medical examination of emigrants have been increased from 25 to 50 cents and this is calculated to yield an increase of \$22,000. There is also an increase of fees in the Government schools and Technical Institute which is estimated to bring in altogether an increase of \$21,650, but this increase cannot be said to have been imposed for revenue purposes. It is rather a natural consequence of increased facilities for education which have resulted in a great increase in the number of pupils, and it must be regarded as a set-off against increased expenditure on education. The decrease in the fees for medical treatment, owing to fewer patients in hospital, is the one solitary decrease upon which it would seem that we could congratulate ourselves, but I am compelled to add that it is partly due to the opening of the Matilda Hospital and the decrease of paying patients. The more we spend on training nullahs and sanitation, the more we may expect to see our revenue from this source decline and the health of the colony improve. The large rise in timber sales, \$8,700, is due to the inauguration of felling operations which, now that the timber has matured in certain areas, has become possible. The scheme is to fell strips or blocks of timber annually during a cycle of 25 to 30 years, so that when the last strip or block has been felled the earliest in r o t a t i o n i s a g a i n

ready. The increased estimate from this source should therefore be permanent, but I do not feel certain that it has not been over estimated. The increase in sales of vaccine is one which the Council will be especially glad to note since it indicates an increase of vaccination among the Chinese.

In Class III there is nothing very special to note except the satisfactory collection of the Crown Rent in the New Territory. During the year I have been in the Colony I have found no subject of greater interest than the land settlement in the New Territories and I have been impressed alike with the ability shown by Mr. Clementi in the original assessment and the tact, energy and discrimination of his successors, Messrs. Messer and Halifax, who have made the collection such a success. The revenue derived is many times greater than that levied by the Chinese Government prior to 1898. Yet it is paid with alacrity and has been so justly assessed that no hardship or discontent is felt by the people. It is well, perhaps, for this Council to have occasionally the opinion of a Governor who comes new to the Colony and has had some experience of work of this class, and to realise what it owes to the ability and hard work of some of its younger officials.

Neither the principal nor the annual contributions to the Widows' and Orphans' Fund in Class IV are subject to Military Contribution and therefore they appear under the head of Extraordinary Revenue. The total estimate of revenue, ordinary and extraordinary, stands at \$6,708,996, an increase of \$481,106 over the original estimate for the current year.

#### ESTIMATE OF EXPENDITURE.

I come now to the estimate of expenditure for 1909. This stands at \$6,781,166, an increase of \$602,635 over the original estimate for the current year which, in round figures, is accounted for as follows:—The fall in exchange which has had so large a share in causing our deficit in the current year involves an increase, in salaries only, of \$156,278; New posts \$13,129, incremental rises \$22,480, increases of salary and allowances \$10,677 less small savings on various items \$5,423, together aggregate \$40,863, which may be said to arise from the normal increase of business in a progressive

colony and the increase of salary due to officials under the conditions of their appointments.

Capital expenditure on Public Works Extraordinary \$219,700 less a saving on Public Works Recurrent of \$4,500 and of \$47,950 on special expenditure, accounts for \$167,250. The military contribution is increased by \$25,161 and pensions by \$35,000 while the additional interest on loans for the railway comes to \$178,083 making up the total of \$602,635. The loss by the fall in exchange is not of course confined to the items of salaries alone, but effects all payments which have to be made in sterling, and it is consequently responsible for a great part of the increase under Public Works Extraordinary. Whereas last year, on the best expert advice, we felt justified in taking the rate of exchange at 2s. for sterling salaries and at 2/1 for all other items, I have been advised that it is not safe to base our calculations for next year at a higher uniform rate than 1/9. The increases in every department are due largely to this cause.

In the Registrar General's department it has become necessary to create a small emigration sub-department in order to deal with the number of emigrants which has increased by 341/4 per cent. in the ten years prior to 1907, and in that year was 16 per cent. over the previous year. It is necessitated also in consequence of the provisions of the new Ordinance which affords increased protection to assisted emigrants. The examination of this class is now transferred from the Harbour Office to the Registrar General's department. The cost of the sub-department is \$5,123, which is very much more than covered by the additional fees for medical inspection.

Under the Post Office you will observe that in spite of the reduction of the mail subsidy by £1,256 there is an increase of \$8,556, due to fall in exchange, while transit payments are increased by \$20,000. The question as to whether the receipts from postal agencies conducted by this Colony in China should be liable to military contribution is still under reference to the Secretary of State. The Imperial Treasury and the Municipality of Tientsin have between them guaranteed to refund the estimated loss on the working of that agency for the coming year, and the Post Office will, therefore, I am glad to say, remain open. In the

Harbour department a special sum of \$2,550 has been provided for a buoy for the Cust Rocks, and some small expense is incurred on account of the new light to be placed on Blackhead's Hill. These steps will, it is hoped, assist navigation in the harbour of which complaint was made when the cruiser "Flora" went aground. They are the result of correspondence with the Admiral and the report of a Special Committee. Regarding the Observatory;—I undertook last year to inquire very specially into the efficiency of this department. The Director assures me that his relations with other observatories are most cordial and that he has the best of instruments. He is the only person who can express an opinion on the latter point, but in order to ensure both these points I propose that after the typhoon season is past he shall visit the observatories at Manila and Shanghai and see their instruments and get into close touch with the directors. He has complained of delay in receipt of telegrams from Hoihow and I have been in correspondence with the Viceroy on the subject and I hope an improvement may be effected. In return we are sending improved warning of typhoons to Canton. Under "Miscellaneous" Government is relieved of a total payment of \$18,500 on account of interest and exchange on the Widows' and Orphans' Fund. The sum of \$36,000 is retained on the Estimates for the redemption of subsidiary coinage pending a final decision on the question. Under the vote for Land Registry Office a new post has been created, and provision is made for the salary of a Deputy Official Receiver who will also undertake trade marks registration. The necessity for this extra assistance has been strongly urged by the Chief Justice, and, after careful inquiry I have satisfied myself that it is necessary.

#### THE JUDICIARY.

I have a few words to say regarding the judicial vote. Shortly after my arrival in the Colony the Chief Justice represented to me the urgent necessity of a third judge, both in order to lighten the work of the Judges of the Supreme Court and in order to form a more effective Court of Appeal. I found that my predecessor had not considered that the necessity had been demonstrated and that the Secretary of State, after a full review of the arguments put forward by the Chief Justice, had finally negatived the proposal. I felt myself,

however, that the existing Appeal Court, consisting of two judges only, of whom the Chief Justice had a casting vote, must necessarily be very unsatisfactory since it practically prohibited an appeal from a decision of the Chief Justice, unless it was intended to take the case to the Privy Council, a course prohibitive to any but very wealthy litigants. It was equally unsatisfactory to the Chief Justice, as to litigants, for if at the new hearing by the Full Court he saw cause to review his former decision—more especially if this occurred more than once, he was open to the innuendo that he did not know his own mind or that he was influenced by his junior; while if he adhered to his former decision, it was alleged that the appeal was a farce. In this view I was supported by the Chief Justice and the Puisne Judge, the Attorney General and the members of the Bar, but, like my predecessor, I have found the general opinion to be that, except for the purposes of an Appeal Court, a third judge was not immediately required. The cost involved, estimated at \$25,000 and the difficulty of finding accommodation pending the completion of the new Law Courts were additional reasons for deferring such an appointment. I suggested therefore to the Secretary of State that the judge of the Shanghai Court should visit Hongkong twice in a year and sit as an Appeal Judge here. In this proposal the Secretary of State and the Foreign Office have agreed, but as I have only recently received the telegram, no provision appears in the Estimates. The cost is small and is estimated at £275. We must, I think, regard this as only a temporary measure, for appeal work is sure to increase and will take up more time than the Shanghai Judge can spare. It will, however, I hope form a useful and practicable expedient to bridge over the time which must elapse before the new Law Courts are open, when, I hope, our finances may be in a better position to afford a third judge.

#### VARIOUS DEPARTMENTS.

Under Police, as also under the Harbour Master's Department, there are a number of entries referring to boat painting. This is consequent on a change I have recently made by which Government officers are now responsible for the painting of numbers on junks, the fees received are included under

"Junk Licences." Under "Medical," provision is made for taking over the private nursing staff which will henceforth be incorporated with the Government Hospital staff. I have thought it unnecessary to replace by a fully qualified medical officer the present assistant bacteriologist, who I regret to say desires to resign when his term of service expires in March. The other charges of this Institution which have been calculated on a somewhat liberal scale have also been considerably reduced.

The re-organisation of the Sanitary Department consequent on the passing of the recent Bill is fully set out in the Appendix and the general results were fully described by me in introducing that Bill. I have thought it better to incorporate the Plague staff and Sanitary staff under one establishment, since the distinction was purely artificial, and those who have hitherto been designated as Plague staff are available for whatever duties in connection with plague or otherwise may be assigned to them by the Head of the Department. The total expenditure on the Sanitary department shows a saving of \$37,511, in spite of the loss by exchange and the creation of the new post of the Head of the Sanitary Department. Against this must be set the cost of the Building Authority's staff and charges (about \$8,000) transferred to Public Works Department.

In the Forestry Department a Chinese head gardener has been employed in order to admit of the Assistant Superintendent devoting more time to the forestry of the Colony from which we hope to obtain a revenue, and in order that he may be more competent to replace the Superintendent when he is away.

#### EDUCATION.

In the Education vote there are a few new posts created for assistant masters and pupil teachers especially at Saiyingpung and Wantsai schools, to meet the large increase of scholars which last year necessitated an expenditure to enlarge the premises of these Government schools. Three small schools are closed. Tunglungchow is amalgamated with Wantsai, Yuen Long with Pingshan; and Shaukiwan which has never been opened, does not appear to be required as yet. A new one has been founded at Cheung Chau at the request of the people. There are various retrenchments, but a large

increase in the sum payable under the Grant Code, \$9,378, and an increase in the cost of the Technical Institute [as we propose to call the Evening Continuation Classes in future], from \$8,050 to \$12,605, together making a sum of \$13,933. Both increases denote a sound progress in education. The increase on the whole vote for education over that of the current year, apart from what is due to fall in exchange, is \$19,885, which is more than covered by the increase in fees, \$21,650. The total spent on education stands at \$232,139, namely 3.83 per cent. of the ordinary revenue, against an average for the last seven completed years of 2.47 per cent. and an estimated average of 3.41 per cent. for the current year. If we, however, deduct from the expenditure on education the amount realized by fees, the average becomes 1.77 for the seven years, 2.47 for the current year, and 2.63 for next year—the estimated revenue for 1909 being \$72,350 and the net cost of education \$159,789. The comparison, however, is vitiated by the varying rates of exchange, and if the increase in the vote for 1909 which is due to this cause were eliminated you would find that the percentage of net cost to ordinary revenue is almost precisely the same as this year, namely 2.4.

It is interesting to contrast these figures with the expenditure for the United Kingdom. Lord Onslow, speaking in the House of Lords on June 24, stated that in twenty years the expenditure on education has sextupled and is now nearly twenty millions. In the same period the amount raised locally for education had increased by 173 per cent. Twenty millions is 12.8 per cent. of the revenue of the United Kingdom, as against our 2.6 per cent. We may, I think, feel that this most important of all the functions of civilized government is well attended to in this Colony, and that a fairly reasonable proportion of our revenue is spent on education. We may note moreover with satisfaction that the last two years have shown a marked advance both in the number of pupils, and in the standard of education—of which the success of the Technical Institute is not the least valuable. The increase in attendance is not confined to the Government schools but is common to all. We are gradually providing dual desks for Government schools, in order to avoid

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and a considerable saving has been effected by having these made in Hongkong instead of ordering them through the Crown Agents.

#### THE MILITARY CONTRIBUTION.

The vote for Defence shows an increase for the Military Contribution of \$25,161 owing to the improvement in our estimate of revenue for 1909 as compared with our estimate for this year. The incidence of this contribution does not however fall, as Mr. Chamberlain desired it should, so that in times of increased prosperity the Colony should be able to devote a larger sum to its defence and times less prosperous it should contribute less. The estimates before us are a good example of this; for while our revenue is estimated to increase by \$125,806 only (upon which we pay the additional contribution I have referred to), our expenditure, less the Military Contribution, is increased by \$357,774, owing to the fall in exchange and the other reasons, which I have already explained, so that although the balance of ordinary revenue and expenditure is \$231,968 to the bad, we have an increased contribution to pay. It has seemed to me that a better means of attaining the object Mr. Chamberlain had in view would be to take the difference between ordinary revenue and ordinary expenditure, which [together with any "extraordinary" revenue from land sales] is the margin or balance which we have to devote to capital expenditure on Public Works Extraordinary and to devote half of it to the Military Contribution and half to Public Works. If that system were applied to the present year when we have a heavy automatic increase of expenditure to face, this contribution would be reduced from \$1,210,739 to \$762,934, which would only be 12.6 of the ordinary revenue, instead of 20 per cent., but in prosperous years it would similarly exceed 20 per cent. There are however serious difficulties, as I recognise, in the way of this proposal, and I have not as yet decided to propose it to the Secretary of State.

The honourable member who represents the Chamber of Commerce (Hon. Mr. Hewett), whose absence I should regret to-day were he not so worthily represented by the honourable member on my right (Hon. Mr. Stewart), made some very strong animadversions last year on the subject of

this Contribution. He described the attitude of the Imperial Government as that of a highwayman presenting a pistol at the head of the Colony and ordering us to stand and deliver 20 per cent. of our revenue. He based his position upon the assumption that the garrison was maintained here chiefly for Imperial purposes. To those remarks I did not personally reply for I felt that a question of such importance should only be dealt with after a fuller investigation than it had been possible for me to devote to it after so short a residence in the Colony as I then possessed. I approached the matter with an open mind, possibly with a bias in favour of the view that the Contribution weighed too heavily, and I was fully prepared if my examination of the matter should confirm that view to appeal to the Imperial Authorities for its reduction. I cannot however say that the conclusion to which I have been led supports that view. What are the facts? Roughly speaking we pay one-third to one-half of the total cost of the defence forces, fortifications and armaments provided by the Imperial Government. It is absurd to contrast our position with that of the Straits, who, for the last year or two have paid the entire cost of their defence. Towards the Navy, to whose protection we owe our existence as a British Colony, we contribute nothing. It is the Navy which protects its docks and its coaling station and not the comparatively small land force here.

The Colonies and Protectorates in Africa with which I have been associated for very many years all provide their own defence and bear the entire cost of it, though their frontiers are in all cases coterminous with those of European Continental nations. In the event of war they would have to bear the whole onus of their defence. The amount they pay out of their revenues for defence is, I think, more like fifty per cent. than twenty per cent. in some cases, but it is difficult to arrive at an exact figure from published statistics. I think the Imperial Government could not be accused of injustice if it said to us to-morrow: "you grumble at the cost of the defence forces and works provided,—we will withdraw them and look after our docks and coaling stations ourselves and you can furnish your own defence." What would be the result? It would cost us two or three times as much

as we now pay. Look at the enormous value of the material property—belonging both to the Colonial Government and to private citizens here: what proportion does our military contribution bear to that capital value regarded as an insurance against war risks? Will you put it as high as one per cent.?

All the nations of the world are groaning under the burden of the cost of defence, and we cannot claim exemption. Honourable members are aware that a considerable section of our fellow countrymen complain that the expenditure on the army and navy has of recent years been unduly reduced, yet I see from the financial statements of the last two completed years that 43 and 41 per cent. of the total estimated revenue of the United Kingdom was spent on defence, and in that sum, paid by the British taxpayer, is included from one-half to two-thirds of the cost of the defences of Hongkong. We pay only 20 per cent. of our revenue, and I must remind you that if our geographical position renders us peculiarly vulnerable to attack and therefore increases the cost of defence, it is this very geographical position to which we owe our prosperity. It is this geographical position which has converted a barren rock with a revenue of a few score of dollars into the largest port in the world, with a revenue of six or seven million dollars and an invested capital in material assets of perhaps thirty or forty million sterling. I will not pursue this subject further to-day for it is one on which very much could be said, and I have still a good deal to say on other subjects. Moreover, I am still engaged in obtaining precise figures. My object in alluding to it is in order to prove to the unofficial members that no point which has been seriously brought forward has failed to receive, and will continue to receive, my most earnest and careful investigation and consideration.

#### PUBLIC WORKS.

The Public Works Department shows a considerable increase mainly due to the effect of the fall in exchange which increases the dollar salaries of the large British staff engaged in this department by \$28,644. With the exception of the increase in the Building Authority staff, transferred from the Sanitary Department, of \$7,605, there are no changes of importance. The Public Works Recurrent shows a decrease in spite of the extensions of roads, drains, buildings, and

telephones which year by year tend to increase the cost of maintenance.

#### THE RAILWAY.

The charges on loan accounts show a large increase, due partly to the fall in exchange, but principally to our additional borrowings on account of railway construction. In Appendix 2 will be found an estimate of the cost and a statement of the railway staff.

It is estimated that by the end of this year the total expenditure incurred on the railway will have reached the sum of \$6,288,075, while the expenditure in 1909 is estimated at \$3,280,663, leaving \$591,545 for expenditure in 1910 to complete, with the exception of the items not estimated, and of which we can form no estimate until we know our position in regard to the Canton section. On February 6th last I made a full statement to the Council on the subject of the railway, both in regard to construction and finance, and I invited any questions that honourable members might desire to put to me so that I might afford any additional information in my power. Apparently my statement was sufficiently explicit and detailed, for no member asked for any additional information. I have not much to add to-day. Progress has been fairly well maintained. The Chief Resident Engineer reports fair progress in earth work, but not so good as he had hoped, owing to unexpected hardness of rock and to labour difficulties. He has however now succeeded in letting several large contracts to reliable contractors, and he anticipates a saving on the whole vote.

The tunnel heading from north and south had reached a total of 4,603 feet out of 7,156 or 64 per cent. on September 11th, the date of the last return. Progress under the able superintendence of Mr. Waite has till recently been at the rate of nearly ten feet per day. Latterly, exceedingly hard rock has been encountered and this has reduced the rate of progress by about a half, and greatly increased the cost. The chief resident engineer anticipates an excess on the estimated expenditure on the tunnel which will absorb the saving on earth work. I hope that this heading may be through before the middle of next year.

The lining, including such portions as do not need to be lined, is completed for 2,340 feet, viz., one-half of the distance reached by the heading. At the end of last year the proportion was only one quarter. The tunnel practically began on the 1st January, 1907, and the average progress per day during last year was 5.8 feet, whereas from January 1st of this year the average daily progress has been 9.76 feet. The proportion of lining to heading at the end of last year was a fourth, and it is now a half. Much difficulty has been experienced in number 5 tunnel near Taipo, where continual land slides undid the work as fast as it was done. This has now been overcome and the work is going on well.

I regret to say that I have felt much anxiety regarding the foundations of some of the bridges, and in order to reassure myself I appointed the Director of Public Works and Mr. Williams, lately in the charge of the Naval Dock, as an expert committee to inspect them and report to me. I have forwarded there port, with the observations of the Chief Resident Engineer, to the Secretary of State for communication to the Consulting Engineers who are responsible to this Government for the efficiency of the construction in all technical matters. I have not yet received their reply, and meanwhile I have directed work on the bridges to be arrested. It is only fair to the Chief Resident Engineer to add that he is confident that the bridges are sound.

I am glad to be able to inform you that much better progress has been made since the date of my last statement regarding the railway by the contractors for the reclamation and the heavy cutting between Kowloon and the southern mouth of the tunnel. Mr. Griffin, on behalf of Messrs. Leigh and Orange, has devoted much of his personal time and attention to the work, and good progress has been made with the sea wall and reclamation. The work on the whole appears to be proceeding approximately at contract rate, but the initial loss of about five months cannot be made up. This matter is forming the subject of amicable negotiation between the Government and the contractors, and I hope that we shall shortly come to an arrangement whereby the dates of completion shall be extended with reciprocal benefits to the Government and an increased penalty for overtime. I am convinced that this arrangement is the best

that can be come to, and it is based on the advice of the hon. Director of Public Works, and is assented to by the Chief Resident Engineer. From the best information at my disposal, I think I can with some confidence assure you that our section will be open to traffic at least as soon, and probably much sooner than the Canton section which adjoins ours at Samchun; and I hope that a temporary line will be in operation some time before the whole line is finally completed, which will meet all the requirements of local traffic, probably by March, 1910. Papers were laid on the Council table early this year detailing progress to the end of 1907, and a similiar report will be submitted at the close of the present year. I am not at present in a position to say anything about the negotiations for a joint working agreement further than that the Chief Resident Engineer of the Canton section is authorised to settle with us such matters as may demand immediate solution, as for instance types of rolling stock, point of junction, etc.

#### CHINESE HOSPITALS.

Under grants to charitable institutions there is an increase of \$2,000 to the Tung Wah Hospital in Victoria. This is to assist the institution to meet its expenses and to extend its sphere of utility. A large sum has been subscribed by the Chinese community for the new smallpox hospital for which Government has granted a site beyond Kennedytown. I trust that this institution will effect a most valuable service by meeting the prejudice of the Chinese to conveyance of their small-pox patients over the water to the "Hygeia," and that it will result in the complete cessation of abandoning the corpses of those who have died of this disease in public places, and so greatly increasing its prevalence. Much has already been done towards the attainment of this end by the institution of street committees. Similarly the Tung Wah has projected a scheme for creating a plague ward as an annexe to their hospital, and from this and the district hospitals and dispensaries I hope for similar results. It is by the adoption of measures such as these that I look for real reform in sanitation, and by these means we shall I believe secure the whole hearted co-operation of the Chinese, and finally remove the fear engendered by methods which the poorer classes did not understand, and dreaded more

than the disease itself. With the removal of that fear we shall no doubt also secure a material benefit by the rise in value of house property and the restoration of confidence. The need of an institution similar to the Tung Wah Hospital on the other side of the water has long been greatly felt, and a subscription already, I believe, amounting to \$75,500 has now been raised to build and maintain it. We propose to give \$8,500 per annum towards this project, and as it is anticipated that the hospital will be open before the end of next year, \$1,500 has been provided as our subscription. The only other new grant is a small sum of \$120 only to Miss Eyre's refuge, which has been set down rather with the object of shewing Government approval and of securing Government supervision than with a view to the actual money value of the grant. The Bishop of Victoria has placed this institution under his patronage, and a committee has been organised. If the intentions of the promoters are fully carried out it is probable that I may ask the Council to slightly increase the subscription in a future year.

#### PUBLIC WORKS EXTRAORDINARY.

I come now to Public Works Extraordinary. The amounts set down for the Law Courts, Post Office, and Typhoon Refuge are as much as it is estimated can be spent during the coming year in pushing forward these works as fast as possible. The sum entered for the last-named includes the special fund raised by the increased light dues. The \$2,000 provided for the extension of the Public Works offices will complete that work, as also the sum voted for Kowloon market, which is a remunerative work. The staff quarters at Taipo will also be completed. The vote for roads in the New Territory, \$25,000 is somewhat increased, and as soon as our financial position allows of it, I hope that we may be still further able to increase this vote. The New Territories yield in all a revenue of upwards of \$200,000 exclusive of land sales, and it is only reasonable and just that a fair sum should be spent annually in improving their communications (hear hear) which are exceedingly bad. We hope to make a road from Castle Peak Bay to Pingshan on the lines described in my speech last year, to be widened and improved later and extended to Taipo, and ultimately to Shataukok. The need for roads in New Kowloon is not less urgent in order especially

that a system of tramways may be started as soon as possible. The extension of Robinson Road and the road crossing it at right angles and giving access to the new railway station from Yaumati (Argyll Street) are especially urgent. The amount for raising the level of Des Voeux Road is the same as last year. This vote is rendered necessary by the advent of the railway and the new reclamation, and will effect a great improvement. For Gullies a sum of only \$2,000 is voted as against \$10,000 last year, and though it is possible to spend more on such a scheme it may fairly be said that all that is immediately necessary will be completed. The same may be said of the flushing tanks and drain pipes. The forming and kerbing of streets is a task imposed upon us year by year in consequence of the extension of buildings, and there are streets which must on this account be put in order at Quarry Bay, and Reclamation Street, Kowloon, at Wongneicheong and elsewhere, and which can no longer be delayed. The estimate for these alone is \$27,500. Under "Training Nullahs," the most important and urgent work is the extension of the nullah in Waterloo Road, Kowloon, necessitated by the railway. The pier at Green Island is urgently needed to give access to the gunpowder depot; the other can afford to wait. Blake Pier shelter will be completed, as also the Albany filter beds, but the Kowloon waterworks scheme will still require some additional expenditure. Funds have not admitted of our beginning the Queen's Statue pier this year, and I regret that it is impossible to commit ourselves to a work of such magnitude in the present state of our finances. The dredging of Causeway Bay, is a work which I regard as of great importance and urgency. We expect to have spent \$4,000 on it by the end of this year and \$20,000 is provided for next year which, I am told, is as much as can be spent looking to the fact that the work is largely tidal and cannot be expeditiously completed. The cost is estimated at about \$76,000 and it should be completed in 1910.

#### QUARANTINE STATION.

During the year an opportunity occurred for acquiring the buildings at Laichikok (which had previously been used as a depôt for South African coolies) on extremely

advantageous terms, for a quarantine station. The smallpox outbreak on the Hong Bee showed the urgent necessity of having such a station to supersede the system of hiring junks on which to isolate contacts. It is, of course, impossible in such circumstances to detect incipient cases, while the junks become agents for disseminating infection far and wide, and their crews are exposed to the disease. Moreover, in case of a typhoon the loss of life might be appalling, and the infected junks could not be refused shelter in a crowded refuge. Cases of epidemic disease on board ships in the harbour are fortunately rare, and it is I believe fourteen years since the last occurred. It is not however intended to alter the regime regarding quarantine which has always obtained in this Port, and the new Station will only be used to meet emergencies arising from epidemics. An American friend who was prone to carry a revolver on occasions when the weapon appeared to me to be more decorative than needful, replied in answer to my query that he considered a revolver was not wanted very often, but when one did want it one wanted it very badly. That is how I feel in regard to the question of a quarantine station. Its cost was formerly estimated at upwards of \$70,000, but we secured the buildings for \$3,000, and with the expenditure of a sum of \$8,500 this year, and of the sum of \$7,500 shewn in the estimates, to put them in proper repair, and to provide police quarters and fencing, we shall, I hope, have a quarantine station capable of holding 1,600 persons well fenced in and isolated and in the very site selected for such a purpose at an aggregate cost of \$19,000, I think the Council may be congratulated on the bargain.

A sum of \$21,400 is provided for the resumption of a road leading from Queen's Road East to Praya East. This is in connection with a scheme proposed to Government for rebuilding an extended area in this direction, which will be a very great improvement from a sanitary point of view, and will provide a new access to the Praya in a direction where it is very much needed. If Government had refused to co-operate, the whole scheme, which is a valuable one, would have fallen through, and the present insanitary crowding would have been perpetuated by new buildings. The matter therefore was urgent. The remaining new works are few and not costly. Necessity exists to

provide the District Officer at Taipo with offices and a safe place for the storage of a mass of records which are irreplaceable and very valuable. The cost is estimated at \$10,000. No. 2 Police station is inadequate for its requirements, and an adjoining native house has had to be hired at considerable annual cost to Government and great inconvenience to the police. Honourable members may recollect that there is attached to this station a yard space and a number of small out-houses, and it appeared to me that by the demolition of these and the joining up of the house to its neighbour a cheap and effectual means of meeting the requirements will be effected. The cost is estimated at \$12,000. A short stretch of road near Victoria Gap to open up some new residential sites will cost \$4,300 and a similar sum is required for the construction of a stair case from the ball room at Government House for the convenience of guests on occasions such as the King's birthday ball. This will save the annually recurring cost of constructing a temporary bamboo stairway, and will be a permanent and artistic addition to the fine house which the Colony boasts as Government House. An additional room is urgently required at Queen's College at a cost of \$8,000, and \$2,000 is set down for a market at Aberdeen which is much required and will be remunerative. The total estimate for Public Works Extraordinary stands at \$1,042,600 and the estimate of expenditure thus exceeds the estimate of revenue by \$72,170.

It is, however, certain that we cannot again have a fall of 4d in the rate of exchange, which has been the main cause of the deficit this year. And we may, I think, anticipate with reasonable confidence the usual surplus of revenue over expenditure to cover the small excess. Should it, however, be otherwise, and this sum of \$72,170 become chargeable to the accumulated reserves, it would result in our balance at the end of 1909 being \$888,956, and since more than this sum of \$72,000 will have been spent on the typhoon refuge (which it was proposed to charge in part against the reserves, a proposal approved by the Secretary of State) the small excess of expenditure over revenue is defensible. It is all the more so in view of the fact that the

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have been framed on the basis of the results of a year of extreme depression in trade.

#### THE OUTLOOK.

I trust that in this matter we have touched low water mark, and that the year 1909 will prove to be a year of revival of trade and return of prosperity. In such matters I believe that the wish is often father to the fact as well as to the thought. I have read with pleasure the hopeful anticipations expressed by the Chairman of the Hongkong and Shanghai Bank in this connection, and they do not stand alone. I observe that the Imperial Maritime Customs Commissioner at Canton reports that the trade of Canton in 1907, both exports and imports, was better than in any previous year, and trade is increasing. The silk crop of 1907 was a record one, and the increase in imports (cotton, kerosene, machinery and paper) showed an increase of 41/4 million taels. The Kowloon Commissioner reports in the same sense. Junk trade shows a net increase of twenty per cent. in spite of many special drawbacks in 1907. He, too, anticipates a brighter outlook, and reports an increase of revenue which is the second best on record. The increase of imports and exports from Hongkong is put at 101/2 million taels, the tonnage of Chinese vessels is larger than in any year since 1893, and duties are larger than any for nine years except 1901. Looking at the General returns I find that the exports to China from Hongkong were in 1904, 1211/4 million dollars; in 1905 1211/2 million dollars; in 1906, 124 million dollars, and in 1907, they rose to 1453/4 million dollars. We read also of the establishment of new factories at Canton and the development of mining, all of which should bring increased business to Hongkong.

The prospects of the crops in India are, I am told, good, and if no unforeseen contretemps occurs, India may again enter the silver market as a purchaser, and the exchange may improve. The crisis in America which inaugurated this wave of depression which has troubled the waters even of the Far East, appears to have passed, and the outlook is promising. The godowns of Shanghai and Hongkong which a year ago were full of unsaleable goods are now for the most part empty, and business men are looking for openings. Money is plentiful, and investors only want encouragement to embark on new ventures.

All this is no doubt the roseate view, and we can all find arguments to meet every hopeful forecast. I pretend to no commercial acumen, and I have no expert knowledge of the intricate causes upon which the rise and fall of the commercial barometer depends, but I believe that optimism is better for human nature than pessimism, and is more likely to beget prosperity, so I give you my optimistic forecast and you can tear it to pieces if you will, at your leisure. (Laughter and Applause).

#### The Evidence Ordinance.

THE ATTORNEY -GENERAL moved the First reading of a Bill entitled An Ordinance to extend a certain definition in the Imperial Act styled the Evidence (Colonial Statutes) Act 1907.

THE COLONIAL SECRETARY seconded and the Bill was read a first time.

#### Regulation of Theatres.

THE ATTORNEY -GENERAL moved the First reading of a Bill entitled An Ordinance for regulating Theatres and other places of public resort.

THE COLONIAL SECRETARY seconded, and the Bill was read a first time.

HIS EXCELLENCY — Council will now adjourn until the 8th October, when we will take the second reading of the Appropriation Bill.

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#### FINANCE COMMITTEE.

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A meeting of the Finance Committee was then held, the Colonial Secretary presiding. The following votes were passed:—

#### SANITARY DEPARTMENT.

The Governor recommended the Council to vote a sum of Five hundred and twenty-five Dollars (\$525) in aid of the vote Sanitary Department, Other Charges, for the following items:—

Language study allowance.....	\$ 75
Head stones.....	450
Total.....	<u>\$525</u>

The Governor recommended the Council to vote a sum of Three thousand six hundred and sixty-three Dollars (\$3,663) in aid of the vote, Education, Other Charges, Grants, Principal Grants under Grant Code.

The Governor recommended the Council to vote a sum of Three thousand Dollars (\$3,000) in aid of the vote, Harbour Master's Department, *E.*—Steam launches, Other Charges, Repairs.

The Governor recommended the Council to vote a sum of One hundred and fifty Dollars (\$150) in aid of the vote, Botanical and Forestry Department, Other Charges, Library.

The Governor recommended the Council to vote a sum of Five hundred Dollars (\$500) in aid of the vote, Police and Prison Departments, *B.*—Fire Brigade, Other Charges, Repairs to Engines and Plant.

The Governor recommended the Council to vote a sum of One hundred Dollars (\$100) in aid of the vote, Observatory, Other Charges, Laboratory Expenses.

The Governor recommended the Council to vote a sum of Six hundred and thirty-four Dollars (\$634) in aid of the vote, Public Works Extraordinary, Miscellaneous, Compensation for the resumption of certain Lots in Demarcation District No. 183.

The Governor recommended the Council to vote a sum of Five hundred and ninety-four Dollars (\$594) in aid of the vote, Harbour Master's Department, *A.*—Harbour Office, Other Charges, Life Saving Apparatus.

The Governor recommended the Council to vote a sum of Eight thousand Dollars (\$8,000) in aid of the vote, Miscellaneous Services, Printing and Binding.

The Governor recommended the Council to vote a sum of Three hundred and two Dollars (\$302) in aid of the vote, Public Works Extraordinary, Miscellaneous, Compensation for resumption of Lot No. 3,212 in Survey District IV, New Territories.

The Governor recommended the Council to vote a sum of One hundred Dollars (\$100) in aid of the vote, Medical Departments, *A.*—Staff, Other Charges, Health Officer of Port, Repairs to Launch.

The Governor recommended the Council to vote a sum of Six thousand eight hundred Dollars (\$6,800) in aid of the vote, Public Works, Recurrent, for the following item:—

BUILDINGS.

Maintenance of Buildings, .....	\$3,000
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COMMUNICATIONS.

Maintenance of Telegraphs, .....	3,000
Maintenance of Telegraphs in New Territories, .....	800
	800
Total .....	\$6,800

The Governor recommended the Council to vote a sum of One hundred dollars (\$100) in aid of the vote, Colonial Secretary's Department and Legislature, Other Charges, Newspapers, Periodicals, etc.