

17TH OCTOBER, 1916.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR SIR FRANCIS HENRY MAY, K.C.M.G.

HIS EXCELLENCY MAJOR-GENERAL F. VENTRIS (General Officer Commanding Troops in China).

HON. MR. CLAUD SEVERN (Colonial Secretary).

HON. MR. J. H. KEMP (Attorney-General).

HON. MR. E. D. C. WOLFE (Colonial Treasurer).

HON. MR. E. R. HALLIFAX (Secretary for Chinese Affairs).

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

HON. MR. C. McI. MESSER (Captain Superintendent of Police).

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

HON. MR. H. E. POLLOCK, K.C.

HON. MR. E. SHELLIM.

HON. MR. D. LANDALE.

HON. MR. LAU CHU PAK.

HON. MR. P. H. HOLYOAK.

MR. A. G. M. FLETCHER (Clerk of Councils).

Minutes

The minutes of the last meeting were confirmed.

Papers

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid upon the table Sessional paper, 13, being the agreement for removal of prisoners of war under sentence from Wei-hai-wei to Hongkong, and Sessional paper 15, being the financial statement in connection with the estimates for 1907.

Finance

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid upon the table report of meeting of the Finance (Committee held on October 3rd (No. 7), and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed.

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid upon the table Financial Minutes Nos. 30 to 33, and moved that they be referred to the Finance Committee.

THE COLONIAL TREASURER seconded, and this was agreed to.

Transfer of Prisoners from Wei-hai-wei

THE COLONIAL SECRETARY proposed:—
"That the President and Members of the Legislative Council of the Colony of Hongkong to approve of the Agreement dated the 29th day of July, 1916, made between His Excellency Sir Francis Henry May, K.C.M.G., Governor of Hongkong, and His Honour Sir James Haldane Stewart Lockhart, K.C.M.G., Commissioner of Wei-hai-wei, for the removal of Prisoners under sentence or order of transportation, imprisonment or penal servitude at Wei-hai-wei to Hongkong for the purpose of undergoing their punishment at Hongkong and of an address being presented to His Most Gracious Majesty King George V. praying that His Majesty may be pleased to sanction an Order-in-Council allowing the removal of such prisoners on the terms contained in such Agreement which is laid upon the table of this Council."

HON. MR. WEI YUK seconded, and the resolution was carried.

Public Health

THE COLONIAL SECRETARY proposed the following resolution under Section 170 of the Public Health and Buildings Ordinance, 1913:— "Whereas application has been duly made by the Sanitary Board to the Governor under Section 167 of the Public Health and Buildings Ordinance, 1903, for the erection on the site of the existing Public Urinal situate at the junction of Albany, Garden, Peak and Robinson Roads of an underground trough

closet latrine: And whereas such application having been duly approved by the Governor and a notification of the intention to erect an underground trough closet latrine on such site having been duly published in three successive numbers of the *Gazette* a certain owner in the vicinity has objected to such erection: And whereas such objection has been duly considered: It is hereby resolved by this Council that the above mentioned site and the erection thereof of an underground trough closet latrine be and the same are hereby approved."

HON. MR. WEI YUK seconded, and this was agreed to.

The Government Civil Hospital

His EXCELLENCY—I promised at the last meeting of the Council to give a more detailed reply to the third of the questions which were put at that meeting by the hon. member nominated by the Justices of the Peace. That question was worded as follows:—"Was not the stock of drugs and disinfectants kept in store at the Government Civil Hospital considerably reduced by the present Principal Civil Medical Officer before the war?"

It is necessary, as a preliminary step, to examine the conditions pertaining at the Civil Hospital, prior to Dr. Johnson's appointment in the matter of the control and issue of drugs and disinfectants. The keys of the store, nominally in charge of the Apothecary, were kept openly on a hook in the dispensary. From 1 p.m. daily, until the following morning, the dispensary was left in the sole charge of three Chinese dispensers. Two of these slept in the hospital premises, and all three had free access to the drug and disinfectant store.

Dr. Johnson arrived in the Colony on the 15th January, 1913, and on the 28th January he brought it to the notice of the Government that 40 gallons of spirits of wine, ordered by Dr. Bell, the Acting Principal Civil Medical Officer, on the 13th December, and duly entered by the Apothecary in the stock-book as taken into store, had never in fact been received at all. Not long afterwards he reported that an examination of certain cases of brandy in the store showed that various bottles had been emptied of their

contents and had been filled with water, being re-corked in some instances with corks identical with those used in the dispensary. In reporting the incident of the spirits of wine Dr. Johnson said:—"I consider that the manner in which the medical stores is administered is not a desirable one and that it is largely responsible for the present occurrence"; and Mr. Thomson, then acting as Colonial Secretary, commented:—"The store system in the Medical Department is evidently in a rotten condition. No one knows what the waste has been in the past, if this report is taken as an example." The matter was fully investigated, two Chinese officers were dismissed from the service, and steps were taken to put the store administration upon a proper footing.

Prior to 1913 the Principal Civil Medical Officer, although he signed orders for stores, was not consulted as to their issue, which was under the general supervision of the Superintendent of the Civil Hospital. It was, and it still is, the rule, that Government servants drawing less than £300 a year can obtain medicines free at the hospital, while those drawing £300 or upwards were allowed to purchase medicines at approximately cost price. The term "medicine" for the purposes of the rule was supposed to denote a preparation for the treatment of disease prescribed by a Government or a private medical practitioner. The rule was not observed. Senior officers were not as a rule called upon to pay for articles supplied to them, and the term "medicine" was extended to cover almost any articles in store for which a Government servant might think fit to ask. Prescriptions were not required, a written request, which was in some cases initialled by a medical officer at the hospital, being regarded as sufficient at the dispensary. In most cases the requests were not even seen by a medical officer. The Apothecary states:—"With regard to prescriptions, once anything had been prescribed the patients could, as far as I could see, repeat it *ad libitum*, and frequent cases occurred of the same mixture having been supplied for six to twelve months or even longer. The patient no doubt thought it was required and also took it, but it allowed of no medical supervision." The Apothecary quotes the case of a member of the

Police Force who was supplied regularly with malt and cod liver oil from October, 1911, to June, 1914. He consumed altogether 39 bottles of this mixture, the retail price of which is \$1.50 a bottle. I am informed that this particular article, and various similar articles stocked at the Civil Hospital, which I may describe as medical comforts, are not stocked at all at one at least of the leading hospitals in London.

Immediately after his arrival in the Colony, Dr. Johnson began personally to investigate the administration of the stores at the Civil Hospital. On the 7th February, 1913, he wrote to the Superintendent:—"I notice that over 200 dozen bottles of various kinds have been issued during January. This is quite sufficient for the entire needs of the Army, Navy, and Civil hospitals of the Colony, and would even then be excessive." Dr. Johnson set his face against the then prevailing practice of ordering stocks of patent medicines, popular for a time and then discarded. With regard to this he reports:—"Heaping up purchases, which are often not well-considered ones, is not a sound policy. I have been asked for various proprietary medicines like A and B (it is unnecessary to give the names.) Neither of these is necessary. They are both capable at the most of relieving symptoms, and B, besides being expensive, is as nice as a sweetmeat to the taste. But they are of no particular import, except to the proprietors, and it is a reasonable thing to avoid the purchase of patent and proprietary articles which are, for the most part, of no special value." I may mention in this connection that about July, 1915, the Apothecary, unknown to Dr. Johnson, compiled a list chiefly of patent drugs which had been in stock unused for some time, and he asked the doctors connected with the hospital whether they could prescribe the articles in question, in order to prevent waste. As far as the Apothecary remembers, none were used. I may also quote an extract from "Rules for Economy in Prescribing," which appeared last year in an article in the *British Medical Journal*:—"Avoid the use of all patent and proprietary medicines. The secret remedies and more secret remedies, published by the British Medical Association, has shown how expensive they are without any compensating merits."

Dr. Johnson paid particular attention to the issue of brandy in the Civil Hospital, the number of bottles supplied being in 1910, 408, and in 1912, 1913, 1914, 1915, 312, 204, 192, and 127 respectively. Dr. Johnson reports that he is quite satisfied that no patient has been one particle the worse for this diminished issue. Dr. Johnson also terminated a practice under which hypodermic solutions were prepared in bottles containing a large number of doses, the syringe being filled from the bottle. The practice was wasteful because solutions became stale and were thrown away. The present practice is to supply tabloids and ampoules containing fresh single doses. He similarly prevented waste in the matter of chloroform by supplying, as far as possible, 4 oz. bottles to the Operating Theatre in place of 1 lb. bottles; surplus chloroform in the latter bottles having frequently been discarded on the plea that it had deteriorated.

The sudden upsetting of old custom, the drastic changes insisted upon by the new-comer who had unwittingly excited rancorous jealousy among certain persons then in the Colony because he had accepted an appointment, offered to him by the Secretary of State for the Colonies, which many had hoped would go to Dr. Bell, raised a storm of disapproval and of indignation at the Civil Hospital, and among the various charges published on the housetops against Dr. Johnson was the one now again brought forward, that he was improperly cutting down the hospital supplies. I may say here that in my reference to the jealousy of certain persons I do not allude to Dr. Bell, who bore his disappointment most philosophically.

It was alleged in the first place that in ordering from the Crown Agents the drugs and disinfectants required for 1914 Dr. Johnson sent in an indent smaller than the customary one. This was the case. It had been the custom to order for some eighteen months in advance, and Dr. Johnson very properly decided to indent for shorter periods, and to send forward supplementary requisitions as the requirements became known. With regard to this indent the following minute by Dr. Bell is on record:

25th October, 1913.

P.C.M.O.

"I have been through the indent for drugs with Mr. Taylor and I think it has been drawn up carefully to meet our requirements. As far as I can see there does not seem to be any chance of our over-stocking nor of being short in any of the more important items."

On the 11th August, 1914, shortly before his retirement on pension, Dr. Bell wrote:—

Dear Dr. JOHNSON,

"With reference to our conversation this morning I beg to state that I have not discussed your administration outside the hospital nor have I stated that you have hampered the hospital work by cutting down the issue of the equipment. I also do not consider that you have so hampered the work."—Yours truly,

(Sd.) J. BELL.

In order to sift the matter to the very bottom I have questioned all those whom I considered competent to form an opinion on the matter, namely, Dr. Aubrey, Honorary Consulting Physician, Mr. Digby, Honorary Consulting Surgeon of the Hospital, Dr. Koch, Superintendent of the Hospital, Mr. Pullen, the Apothecary, and the staff of Sisters.

Dr. Aubrey states that he can recall no instance of the shortage of a drug of any importance. He remembers that on one occasion a Sister stated that she was short of boracic powder. Dr. Aubrey did not require it. Efficient substitutes were available, and boracic powder could be bought in the Colony.

Mr. Digby writes:—"I have always been completely satisfied with the supply of drugs and stores. The extra instruments and apparatus I asked for have always been supplied."

Dr. Koch referred to shortages of various drugs and disinfectants occurring mainly in 1915 and during the present year, attributing such shortages to reductions in the indent of the autumn of 1913. He is of the opinion that most, if not all, of the shortages could have been obtained locally. Each item in the list supplied by Dr Koch has been examined in detail and his report, and that of Dr. Johnson, thereon, are open to the perusal of the hon. member. These reports

show that the shortages were insignificant in character, that they were due in part to losses in the s.s. *Yasaka Maru*, sunk in December, 1915, and to delay by the Crown Agents in forwarding goods ordered, due to the war. Many of the shortages were not brought to the notice of Dr. Johnson; and in only one instance did Dr. Johnson decline to allow local purchase, namely, in the case of Sodium Sulphate, which he did not consider necessary, a similar and equally efficacious medicine, namely, Magnesium Sulphate, being in stock in good quantity. And it must be remembered that shortages have not made their appearance since Dr. Johnson's coming, but that they have always been of annual occurrence; and properly so, as to indent so fully that every unforeseen need may be met in advance must lead to extravagance. I may mention that since Dr. Johnson's arrival the amount of local purchases compares favourably with those of previous years, an indication that shortages are not so numerous as in former days.

Dr. Koch, however, makes the point that when an article is not in stock he, or any other medical officer in charge of a case at the hospital ought to have power to send out to purchase such article on the spot, referring the matter subsequently to the Principal Civil Medical Officer; in accordance with the practice prevailing prior to Dr. Johnson's arrival. I have asked the opinion of Deputy Surgeon General Dreaper, and of Lieut. Colonel Crisp on this point, as they, by virtue of their position at the head of the local Naval and Military Medical Services, are best able to advise me on the working of a Government Medical Department. Surgeon-General Dreaper informs me that he has not the power, which is vested in the Principal Civil Medical Officer, of purchasing anything that he may consider necessary, but that his requisitions are scrutinised and passed by the authorities in England. No subordinate has any authority to order drugs without reference to him. Colonel Crisp reports that he must conform his requisitions to a fixed schedule, which schedule, I may state, contains far fewer items than those stocked at the Civil Hospital. As Hongkong is a foreign station, Colonel Crisp may make such local purchases outside this schedule as he may consider necessary, but he must submit the bills to the Home Authorities for covering approval. No subordinate has any authority to order drugs without asking his prior permission.

The Apothecary in the first instance stated that there had been a shortage of various articles. Pressed for details he admitted that the shortage was in respect of articles which Dr. Johnson declined to order, as being in his opinion unnecessary. The articles could have been purchased in the Colony, had Dr. Johnson thought it desirable to do so. The Apothecary was asked to quote all available instances of articles which were short at the Civil Hospital and could not be obtained locally. He named six articles in 1913, the only one of importance being diphtheria serum; but in any event Dr. Bell was responsible in respect of that year. He was unable to name any article in 1914. He named three articles in 1915 for each of which there were completely efficient substitutes.

The Sisters were personally interviewed by me on the 20th July last. One of them stated that Dr. Johnson cut down the issues from store to such an extent as to endanger the safety of patients. As an example, she quoted a case of some time previously in which a strong disinfectant was required, and she asked for Izal. After the Superintendent signed the order the dispenser sent her a note to the effect that she could be supplied, not with pure Izal, but only with a diluted solution. In another case a patient was dying, champagne was required, and, as none was in stock, his friends had to go out and purchase some.

Another Sister stated that she had only one forceps for removing dressings and she required more. This request was generally supported. No other instances of the cutting down of issues was quoted, but it was complained that there were many new rules in connection with stores which had been made by Dr. Johnson.

In the matter of the forceps Dr. Johnson is of the opinion that the number supplied was adequate. He has, however, at my request issued further pairs.

With regard to the champagne incident, it is admitted by the Apothecary that he had instructions from Dr. Johnson that champagne in small quantity was to be kept in stock. This order was disregarded. The question of the issue of Izal was heard of for the first time by Dr. Johnson when he was asked to report upon the complaint made by the Sister.

The Apothecary reported in writing to the Principal Civil Medical Officer on the 27th July last:—"The requisitions for Izal from the Maternity Hospital had been steadily increasing, and I had reason to think that the medical preparation was being used for ordinary sanitary medical preparation instead of the cheaper solution supplied for that purpose. I spoke to Dr. Koch about it, and he told me to limit the supply, as there was only one patient at the time who required it. I therefore stopped the supply of 4 oz. bottles pure Izal, and supplied half gallon bottles of diluted solution. Seven four oz. bottles were supplied between the 1st and 15th April, which is sufficient to produce 50 gallons solution. This evidently did not meet with Sister A's approval, as she wrote back to me asking by what authority I had done this. The matter was reported to Dr. Koch. It was not brought to your notice as I considered it too trivial. I acted on Dr. Koch's instructions."

Dr. Koch states:—"The facts are as stated by the Apothecary. I ordered that the diluted solutions should be prepared in the dispensary and supplied in whatever quantity was requisitioned for. No limit, of course, was placed on this. The only point was the dilution, which I considered should be made under the supervision of the Apothecary and not left to be done haphazard." On the question of concentrated mixtures generally, which arose out of this incident, the Apothecary reports:—"Similar cases have occurred in other parts of the hospital with other stock mixtures, lotions, etc., each floor having its own particular concentrations. In my opinion this was 'asking for trouble,' as unless the same Sisters were always on duty on the same floor, mistakes were sure to arise, and have arisen. As far as possible all mixtures, lotions, etc., are now of a uniform strength, and I consider that the dispensary is the only place in which dilutions should be made, and to issue mixtures in poisonous concentrations is much too dangerous a practice. The alteration was not carried out without some trouble."

Finally, I have asked Dr. Johnson for a personal statement, and he informs me that throughout the period of his residence in the Colony he has on no occasion received any written or verbal protest in the matter of the cutting down of stores. In this

c o n n e c t i o n D r . K o c h

states in a minute addressed to Dr. Johnson under date the 10th October:—"I have in all instances in which drugs asked for were not supplied accepted your ruling, and have not made a protest."

I do not think that I can usefully add anything further. Indents have been minutely, I may almost say meticulously, examined, by the assistant Colonial Secretary principally, amounts have been added and subtracted totals have been checked; and in the result not even a "ridiculous mus" has emerged.

The following figures, however, regarding the principal reductions made by Dr. Johnson in the indent of the autumn of 1913, may be of interest to hon. members:—

| Article. | Average Amount used in 1911, 1912, 1913 | Stock Date in Indent. | at Amount of asked for. | Amount allowed by Dr. Johnson. | |
|-----------------------------------|---|-----------------------|-------------------------|--------------------------------|-----------|
| Boracic Acid | | | 331 | 250 | 280 112 |
| (b.) Ether | | | 30 | 53 | 50 25 |
| Bismuth Salicylate | | | 4 | 11 | 6 0 |
| Do. Sulmitrate | | | 11 | 8 | 14 10 |
| (c.) Potassium Iodide | | | 96 | 136 | 84 0 |
| (Quinine | | | 2,066 | 2,300 | 1,500 800 |
| Acid Acetosal (Aspirin) | | | 13 | 30 | 14 0 |
| Creosote Carbonate | | | 7 | 14 | 10 0 |
| Glycerine | | | 485 | 504 | 3 6 112 |
| (d.) Migrainine | | | 49 | 36 | 50 0 |
| Eucalyptus Oil | | | 27 | 54 | 24 0 |
| Oleum Ric. E. I. Opt. Castor Oil | | | 364 | 260 | 440 220 |
| (e.) Turpentine | | | 133 | 195 | 200 0 |
| Carbolated Creosote (Jeyes Fluid) | | | 200 | 210 | 200 50 |

NOTES:—(A) It must be remembered that the indent was intended to cover a shorter period than had previously been the case.

(b) With regard to ether Dr. Johnson reduced the requisition from 50 lbs. to 25 lbs., but at the same time he allowed 100 lbs. of chloroform although only 75 lbs. had been asked for.

(c) The 84 lbs. of potassium iodide and the 200 gallons of turpentine disallowed by Dr. Johnson represented a saving of £5 and £30 respectively, exclusive of Crown Agents' and shipping charges.

(d) Dr. Johnson did not think fit to order any migrainine.

It may be that some drug, or some disinfectant has got through the net so carefully set to entrap it; the hon. member may be aware of something which the Government has failed to find; and, if so, I hope that he will bring it into the light of day. The hospital indents are all open to his scrutiny, if this will assist him. The reply then, of the Government, is that its minutest investigation has failed to reveal any sin of omission in the manner of the administration of the

Civil Hospital drugs and disinfectants by Dr. Johnson; that on the contrary it is satisfied that Dr. Johnson has gradually succeeded in compelling systematic and efficient store administration in place of a lack of system little short of scandalous; that it is satisfied that, in any sense of ill-considered reduction, the stock of drugs and disinfectants kept in store at the Government Civil Hospital was not reduced by the present Principal Civil Medical Officer before the war.

Mr. Pollock's Questions

THE COLONIAL SECRETARY—I regret to inform the Hon. member (Mr. Pollock) that the time occupied in preparing the statement just read by His Excellency was so great that it has been impossible to complete the replies to the questions standing in the hon. member's name in the "Orders of the Day." Some of them have been compiled, but it has been impossible to complete them.

The questions referred to were as follows:—

1.—Of the sums of \$9,905, \$10,147, and \$9,714 stated at the last meeting of Council to have been expended in the years 1913, 1914 and 1915, respectively, will the Government state

(i).—How much of that expenditure represents drugs and disinfectants.

(a) supplied from home;

(b) purchased locally?

(ii).—Whether it is not the fact that the price of drugs and disinfectants has gone up considerably since the beginning of the war, with the result that the same sum of money purchased considerably less drugs and disinfectants since the war than it did before the war?

(iii).—Whether any savings were effected on the amounts voted for drugs and disinfectants in the years 1914 and 1915 or either of them, and, if so, what were the amounts of such savings?

2.—With reference to the morning allocation of Sisters at the Civil Hospital which was announced by His Excellency the Governor at the Council Meeting of the 3rd August last, namely:—

A Block.

Morning, 1 Sister on each floor;
Operating Theatre, 1 Sister;
will the Government state

- (i).— On what dates between the 22nd August and the date of these Questions (12th October) it has been found possible to carry out the said intended morning scheme of allocation, namely, 1 Sister on each floor of *A Block*, and a separate Sister for the Operating Theatre; and
- (ii).— On what dates, between the said dates, one Sister alone has had to attend in the morning not only to the two floors in *A Block* but also to the Operating Theatre as well, that is to say, to do work which, under the above scheme of allocation, is supposed to be done by three Sisters.

The Recent Petition

HON. MR. POLLOCK—SIR, I beg to give notice that I shall put the following questions at the next meeting of the Legislative Council, namely:—

1.—With reference to the following statements in paragraph 5 of the Despatch of H. E. The Governor, of the 26th May, 1916, to the Secretary of State for the Colonies on the subject of the recent Petition for greater representation of the public on the Executive and Legislative Councils, namely:—"It is quite impracticable to apply the principle of election to appointments to a body like the Executive Council and it does not seem necessary to set out the very obvious reasons for which such a proposal could not be entertained": Will the Government state what are the reasons why such a proposal could not be entertained?

2.—Will the Government also state for what reasons two out of the four non-Chinese Unofficial Members of the Legislative Council are Government nominees instead of being elected as Members? I will now hand a copy of my questions to the Clerk of Councils.

The Budget

THE COLONIAL SECRETARY moved the first reading of a Bill intituled "An Ordinance to apply a sum not exceeding eight millions six hundred and five thousand, one hundred and five dollars to the Public Service of the year 1917, for the following purposes:—

Expenditure

| | |
|---|--------------------|
| Governor | \$ 85,011 |
| Colonial Secretary's Department and Legislature | 79,169 |
| Colonial Secretary's Special Expenditure | 1,150 |
| Secretariat for Chinese Affairs | 57,345 |
| Audit Department | 35,294 |
| Treasury | 67,460 |
| Harbour Master's Department | 189,454 |
| Harbour Master, Special Expenditure | 740 |
| Imports and Exports Department | 977,999 |
| Royal Observatory | 22,750 |
| Royal Observatory, Special Expenditure . | 6,100 |
| Miscellaneous Services | 714,213 |
| Judicial and Legal Depts. | 272,478 |
| Police and Prison Departments | 1,000,361 |
| Police and Prison Departments, Special Expenditure | 134 |
| Medical Department | 264,030 |
| Sanitary Department | 381,899 |
| Sanitary Department, Special Expenditure | 39,000 |
| Botanical and Forestry Dept. | 51,338 |
| Botanical and Forestry Department, Special Expenditure | 650 |
| Education | 338,011 |
| Education, Special Expenditure | 1,900 |
| Military Expenditure:— | |
| Volunteers | 70,152 |
| Public Works:— | |
| Public Works Dept. | 464,981 |
| Public Works, Recurrent | 589,200 |
| Public Works, Extraordinary | 1,545,400 |
| Post Office | 438,350 |
| Post Office, Special Expenditure | 400 |
| Kowloon-Canton Railway:— | |
| Working Expenses | 366,381 |
| Special Expenditure | 158,896 |
| Pensions | 340,700 |
| Charitable Services | 44,159 |
| Total | \$8,605,105 |

HIS EXCELLENCY said:—Honourable Members of the Legislative Council,—I think that you will agree that the financial position disclosed by the Estimates before you must be regarded as eminently satisfactory. The assets and liabilities of the Colony at the end of the year 1915 were presented in a new form, and, as has been already pointed out, they are now on a cash basis. The result of abandoning the proposed loan of £250,000, which had appeared as an asset, and debiting

the general account with all expenditure over and above that derived from the actual cash payments, received on account of the Wuchang Loan, resulted in the expenditure for the year 1915 reaching the abnormal figure of \$15,149,268. However, notwithstanding this drastic but sound method of dealing with the situation, the balance of liabilities over assets on the 31st December, 1915, was only \$452,687. During the first six months of the current year the revenue receipts were satisfactory, and the deficit of \$452,687 was on the 30th June last, converted into a credit balance of \$544,295. It is estimated that the balance of assets over liabilities at the end of the year will be \$1,003,643.

The revenue for the current year is now expected to amount to \$13,274,000, or \$1,864,990 more than the original estimate. This excess is largely accounted for by estimated increases under the following heads:

| | |
|-----------------------------|-----------|
| Liquor duties, | \$150,800 |
| Opium Monopoly, | 1,179,000 |
| Premia on new leases, | 150,000 |

and by a yield of \$200,000 from the duty on tobacco.

The expenditure for 1916, which was originally estimated at \$11,882,774, is now expected to fall short of that figure by \$65,104. This is more than accounted for by the reduced expenditure for loss on subsidiary coin. When I addressed you last year I stated that there was some reason to hope that the reduced sum of \$750,000 entered in the Estimates would be sufficient. It is probable that owing to the high price of silver which has diminished the loss on sale of coins with-drawn from circulation, the sum required will only be, approximately, \$570,000. It is estimated, on the other hand, that there will be an increase in the cost of maintaining the prisoners of war and their families of about \$97,000, while their transport to Australia has already cost a sum of \$183,000. I hope shortly to lay a statement on the subject before you.

Estimates of Revenue for 1917

The estimated revenue for 1917 is \$13,242,000, which is \$1,832,990 in excess of the approved revenue, for 1916, but is actually \$32,000 less than the revised figures for the current year. As compared with the approved estimates for the current year, the principal increases, of which explanations will be found in the foot-notes, are as follows:—

| | |
|---|--------------------|
| Assessed Taxes, | \$15,300 |
| Carriages, chair, &c., Licences, | 5,000 |
| Fines, | 17,000 |
| Liquor duties, | 160,000 |
| Opium Monopoly, | 1,000,000 |
| Tobacco duties, | 400,000 |
| Analyses, Government Notifications, | 5,000 |
| China Companies Fees, | 40,000 |
| Deeds Registration, | 9,200 |
| Fees for use of Government Buoys, | 32,000 |
| Medical Examination of emigrants, | 35,000 |
| Medical Treatment, | 6,000 |
| Sunday cargo-working permits, | 35,000 |
| Water, excess supply and meter rents, | 10,000 |
| Postage, | 50,000 |
| Coaching, local traffic, | 5,000 |
| Goods, through traffic, | 5,000 |
| Lands not leased, | 8,000 |
| Leased lands, New Territories, | 5,000 |
| Slaughter-houses, | 20,000 |
| Premia on new leases, | 50,000 |
| Total | \$1,912,000 |

I should, however, explain that the increase of \$40,000 under "China Companies Fees" is to a great extent counter-balanced by the loss of \$32,340 under the head "Companies Local Registers Licences," and the payment of \$3,719 for the Registrar of Companies at Shanghai as shown on page 46.

Estimates of Expenditure for 1917

The estimated expenditure for next year is \$12,396,155, which is \$513,381 more than the estimated expenditure for the current year. There are small decreases in the departments of Governor, Colonial Secretary and Legislative, and the Secretariat for Chinese Affairs. The staff of the Colonial Secretariat has been strengthened by the creation of a new 2nd Grade Clerical post, the need for which is explained in Appendix III, but as no new Cadets will be appointed there is a considerable saving under Personal Emoluments. Small increases are shown in the Audit Department and the Treasury, due to the creation of new clerical posts which are explained in Appendix III.

In the Harbour Master's Department, "Personal Emoluments," provision has been made for two 3rd Grade Clerks in place of one 4th Grade Clerk. One of these clerks is required to keep the

accounts of the Government buoys. In the Mercantile Marine Office the post of European Constable has been abolished, making a saving of \$1,371. The votes for coal have been increased in order to meet the higher cost. Under "Lighthouses and Lights" it has been possible to make a saving owing to the installation of Aga Lights at Cape Collinson and Ma Wan. The posts of two Lighthouse-keepers have been abolished on the retirement of the holder. On the other hand, provision has been made for house allowances to two married Lighthouse-keepers amounting to \$1,080, while the sum required for lodging allowances while in Hongkong has been reduced from \$546 to \$168.

The work in the Department of Imports and Exports has increased to a large extent owing to the various War measures in force—especially the Importation and Exportation Ordinance—and to the imposition of the tax on tobacco. For some months the Superintendent has had the assistance of two Cadet Officers, but it will be necessary in the near future to provide an adequate staff for this department, which is becoming one of the most important in the service. Under "Personal Emoluments" the principal increases are the creation of temporary posts of one Higher Grade Clerk and fifteen 5th Grade Clerks, and the permanent posts of a 3rd Grade Interpreter and a 5th Grade Clerk at the Opium Factory. On the other hand, one post of Revenue Officer has been abolished, causing a saving of nearly \$3,000. Under "Other Charges" a small net reduction has been made of \$710.

In the Royal Observatory it is proposed to incur special expenditure of \$6,000 for an installation for receiving time signals by wireless telegraphy.

Under "Miscellaneous Services" the following changes should be noticed. The contribution of \$2,000 towards the maintenance of the Signal Stations at the Peak and Cape d'Aguilar is no longer required since the erection of the Wireless Station at the latter place. A sum of \$2,100 has been entered under this head for language bonuses, and corresponding entries under various departments have been omitted. The amount provided to meet the loss on subsidiary coins has been reduced from \$750,000 to \$300,000. It is impossible to estimate at present, with any approach to accuracy, what sum will be required. It is impossible to predict when the rehabilitation of these coins will be completed and

withdrawals from circulation cease. The sum entered must, therefore, be looked upon as in the nature of a guess. Economies have been made in the consumption of electric light and current, and it is hoped to enact a reduction of \$2,000 under this head. Owing to the high cost of materials it has been necessary to increase the vote for stationery by \$7,500, although every effort is made to economise. The vote for telegrams has been entered at \$25,000. It is hoped that owing to a new arrangement by which the public are now charged for telegrams sent on their behalf, this sum, which is much less than the amount which will be expended this year, will suffice. A saving of \$10,000 is anticipated in the cost of transport of Government servants, due to the fact that fewer passages will be required for officers who come under the free passage scheme. Although an increase of \$35,850 is shown under the head of War Expenditure, there will be a large saving on the actual expenditure during the current year, as it is not anticipated that any large sum will be required for the transport of prisoners of war.

In the Supreme Court, a 2nd Grade Assistant Interpreter has replaced the Higher Grade Interpreter, while a 3rd Grade Clerk and Translator has replaced the 1st Grade Clerk and Translator. It should be pointed out that the men who have resigned their posts were officers of senior standing, whereas the men appointed to succeed them are junior in the service. They have been promised further advancement at an early date, subject to their work proving entirely satisfactory. A reduction of \$2,000 has been made in the vote for the travelling expenses of watchmen, and the temporary engagement of extra watchmen.

The salary of the Assistant Crown Solicitor has been placed on the same footing as Class III. of the Cadet Service, and the salary of the Land Officer has been calculated on a sterling basis on the occurrence of a change in the holder of the office.

In the Police Department, under "Personal Emoluments" provision is made for only seventy-nine European Constables, and a saving is shown of \$5,845. No less than thirty-eight Constables have gone to the front, of whom I regret to say three have been killed in action. Only forty European Constables are actually serving in Hongkong, but provision has to be made for all, as those

at the front receive their full pay less their military pay. It would have been impossible to allow so many to go had it not been for the excellent service which the members of the Police Reserve continue to render under the able leadership of Deputy Superintendent Jenkin. (Applause.) Under "Other Charges" increases are shown for clothing and accoutrements due to the higher cost of materials. Coal for barracks and launches is also estimated to cost more. On the other hand, a saving of \$12,050 is shown in the cost of passages and bonuses in lieu thereof owing to the reduction in the European Staff. Under the heads "Secret Service" and "Transport" reductions of \$4,000 and \$2,300 have been made respectively. In the Fire Brigade under "Other Charges," coal and oil fuel are expected to cost \$1,850 more than this year.

In the Prison Department, under "Personal Emoluments" temporary Warders, Assistant Warders and Guards have been provided for. These temporary arrangements are necessitated by the absence of four Warders who have gone to the front, and by vacancies in the European Staff, which cannot be filled at present. Under "Other Charges," the votes "Clothing and shoes for Staff" and "Clothing for prisoners" have been increased owing to the higher cost of materials, and a new item of \$2,000 has been inserted for repairs to plant used for remunerative industries. This work has hitherto been paid for out of the Public Works Department votes.

In the Medical Department, under "Personal Emoluments," the opportunity was taken of the departure of the Assistant Medical Officer at Kowloon to abolish the post, and in its place a post of Chinese Medical Officer in the New Territories has been created. This Officer will reside at Taipo, and in addition to his ordinary Medical work will advise regarding sanitation matters in villages, and supervise the Government midwives at Taipo and Un Long. It will be observed that the salaries of the Nursing Sisters have been transferred from the heading "Hospitals and Asylums" and placed under "Staff." In the Civil Hospital provision has been made for eight temporary staff nurses. These include the Japanese nurses, who have taken over the entire charge of "B" Block. That experiment has been so successful that it is proposed to employ others in the Asiatic Wards in "A" Block.

Under "Other Charges," a sum of \$730 has been provided for board for a house physician and house surgeon. The amounts provided for fuel and light, medicines, and surgical appliances, bedding and clothing, and provisions, have all been raised to meet

the increase in prices. A reduction of \$1,800 has been made in the vote "Support of lunatics abroad." The arrangement made in 1912, under which the Government of Hongkong made an annual grant of \$3,600 to the John G. Kerr Asylum for the Insane at Canton, was not intended to be permanent, and it came to an end on the 30th June, 1916. The practice formerly in force in sending Chinese lunatics, who are not British subjects, to the Chinese Authorities at Canton was reverted to from the 1st July, 1915.

The Office of Health Officer of the Port has been removed from under "Staff," and entered separately on page 68. This arrangement enables the cost of the sub-department to be seen at a glance. Under "Other Charges" certain votes have been raised to meet the increased cost of coal and stores.

In the Sanitary Department, under "Personal Emoluments," the post of 1st Grade Clerk has been abolished and a new post of 3rd Grade Clerk created. On the retirement of the Medical Officer of Health, the Assistant Medical Officer of Health was promoted to the post, and an officer on a sterling salary will perform the duties of Assistant Medical Officer of Health in 1917, drawing half the sterling salary of the post.

Under "Other Charges" it has been necessary to raise the amounts provided for coal, repairs, and disinfectants to meet the increased prices. Considerable savings have been made in the cost of lighting the various buildings in the charge of the Department, owing to the lower contract price for the supply of current. Under "Special Expenditure" a sum of \$35,000 has been provided for a motor refuse lighter, the need for which is explained in Appendix III.

In the Botanical and Forestry Department small sums have been provided under "Special Expenditure" for clearing brushwood at Mount Kellet, and for laying out the grounds of the Ellis Kadoorie School for Indians. The increase of nearly \$3,000 in the cost of this department is very small when the valuable work performed by it in all parts of the Colony is considered. I wish to draw special attention to the efficiency with

which Mr. Tutcher and his assistants carry out their duties.

In the Department of Education, under the head "Queen's College," it will be noticed that the appointment of a Translation Master has been abolished. This post has been filled for several years in a most efficient manner by the Reverend H. R. Wells, of the London Mission, who never spared himself in giving all the time at his disposal to the work and it is a matter for deep regret that the demands on his time have necessitated his resignation. Arrangements have been made for the performance of the duties by the appointment of a senior Vernacular Master. The posts of four visiting Vernacular Teachers have been abolished. In the Belilios Public School provision has been made for a third Assistant Mistress, and the posts of the Vernacular Masters have been abolished.

Under Military Expenditure, the contribution to the Imperial Government is estimated to amount to \$2,701,760. Details will be found in Appendix II. The cost of the Cadet Company has been merged in the Volunteer—Other Charges.

In the Public Works Department, under the head "Personal Emoluments," the 1st Grade Executive Engineers have been increased from three to four on the promotion of the head of the Building Ordinance Office to that rank, while the 2nd Grade Executive Engineers have been reduced by one. The 1st Grade Assistant Engineers on the permanent staff have been increased from three to four, and 2nd Grade Assistant Engineers have been reduced from four to three. A Junior Assistant Land Surveyor has been appointed on a salary of \$1,440. An explanation of this post will be found in Appendix III.

Under "Other Charges" a sum of \$6,500 has been entered for the upkeep of the dredger *St. Enoch*. This item has hitherto appeared under "Public Works Recurrent," a sum of \$4,000 having been provided this year. Under "Public Works Recurrent," the only item to which reference need be made is the sum of \$7,500 for writing off the value of the dredger. It is proposed to provide this sum annually until the value has been written down to \$75,000.

I am glad to say that owing to the improvement in the state of our finances, it is again possible to spend a larger sum on Public Works, and a total of \$1,545,400 has been provided for this purpose. I will take the more important items in order. A sum of \$100,000 has been entered for the extension of the

Central Police Station, and \$35,000 for the extension of the Harbour Office Building to provide an office for the Superintendent of Imports and Exports, and quarters for Revenue Officers. A sum of \$60,000 has been provided for the first block of quarters on Leighton Hill, to be rented to European married subordinate officers with salaries of less than £100 per annum. The rents charged will yield about four per centum on the capital cost after paying the cost of maintenance. It is also proposed to erect two more quarters for subordinate officers entitled to free quarters on Mount Parish at a cost of \$15,000

Under Item 8—Roads—a sum of \$37,500 has been provided for widening and grading the road from Deep Water Bay to Repulse Bay, and \$15,000 for making a necessary new road from the dam at Tytam Tuk, over which the road from Stanley to Shaukiwan must pass, on the completion of the dam, to Tytam Gap. A small but useful work will be the rounding off of the corner at the bottom of Garden Road at a cost of \$1,800.

At Aberdeen it is hoped to make an improvement in the road past the Docks, and a new road past the village at a cost of \$27,000. Owing to the increase in motor traffic the narrow road through the village is dangerous to pedestrians. Item 9, \$10,500, is for an underground cable from the General Post Office to No. 2 Police Station on which route the number of wires has become excessive for poles. Item 16, \$1,500, is for a useful apparatus invented by Captain Tyler, Coast Inspector to the Chinese Government, which has been successfully installed at Shanghai, whereby the moisture in the air in summer is reduced and the general temperature lowered. The exceptional sum of \$160,000 has been entered for Compensation and Resumptions, as some large resumptions are necessary.

Under Waterworks, a sum of \$520,000 is entered to complete the reservoir at Tytam and the Service Reservoir at West Point.

At Kowloon it is proposed to erect more Free quarters for subordinate officers, at a cost of \$35,000, and to build a market at Shamshuipo for \$18,000.

Under "Miscellaneous," a sum of \$11,000 has been provided for the resumption of ferry piers. This is in connection with a scheme for improving the ferry services between Victoria and Yaumati

and Shamshuipo, which was postponed on account of the war. The need for such a scheme is urgent and as funds now permit it is proposed to go on with it.

Under "Waterworks," item 43, a sum of \$27,000 has been provided to begin the work of laying an additional main from the filter beds to Yaumati.

In the New Territories, under the heading "Roads," item 45 (b), a sum of \$125,000 has been entered for a road 20 feet wide from Shamshuipo to Tsun Wan. It is proposed that this road shall be continued to Castle Peak to join the existing road, which is to be widened, thereby completing the circuit from Kowloon via Fanling. Under (c), \$15,000, for widening to 20 feet the road from San Tin to Au Tau. Under (d), \$6,000, for widening another portion of the road to Castle Peak. Under (e), \$20,000, for widening and improving the bends on the most dangerous part of the road to Taipo. I think the programme of Public Works should keep the department well occupied during the year.

In the Post Office, under "Other Charges," the higher exchange is estimated to result in a saving of \$10,607 in the share of Mail Subsidy, and transit charges are estimated at \$25,000 less than this year. A sum of \$3,500 is entered for coal for the launch, which is \$1,500 more than this year, while the higher cost of materials is responsible to some extent for an estimated increase in the votes for mail bags and uniforms.

The form of the Estimates of Expenditure of the Kowloon-Canton Railway has been entirely recast. The estimates for the current year fall under two main heads:—A—Working Expenses, B—Expenses of Construction, the latter being expenditure on capital account. The capital account having been closed, all expenditure on the railway is now included in working expenses under the following heads:—1. General Charges; 2, Maintenance of Way, Works and Stations; 3, Locomotive, Carriage and Wagon Expenses; 4, Traffic Expenses; 5, Miscellaneous Expenses; 6, Fanling branch line; 7, Special Expenditure.

Under the first six of these heads the expenditure is divided into "Personal Emoluments" and "Other Charges" as in other departments of the Government. Under Head No. 2, "Other Charges" the sum required for bridges and tunnels has been raised from \$1,300 to \$3,000 to meet the increased price of materials and to provide for the biennial painting and renovation, and for the same reason the votes for

repairs of Staff-quarters and repairs of Station buildings have been increased. Under Head No. 3 "Personal Emoluments," provision has been made for eight locomotive cleaners at a cost of \$1,620, instead of the work being performed by contract as hitherto at a somewhat higher cost. The staff of the Railway Workshops, which has hitherto been included under the General term "Wages" under "Other Charges," is now set out in detail under "Personal Emoluments." It will be seen that the former item "Wages," and the total of the detailed salaries do not correspond, the latter being several thousand dollars higher than the former. The explanation of this discrepancy is three-fold. Firstly, repairs next year are expected to be somewhat heavier than this year, and the wages bill is increased, though to no great extent, in anticipation. Secondly, it has been the custom to estimate under "Wages" for a sum of about \$5,000 less than the sum actually required to pay the men, the balance being received by transfer from the votes of other branches of the department for which work was done. In the estimates before you the actual cost of the Workshops' staff is shown, and the votes in other departments have been reduced by approximately \$5,000. Thirdly, it has hitherto been the practice to include painting of rolling stock under "Wages." Painting is now separately provided for, as is explained in footnote (22) on page 111. Under "Other Charges" coal is estimated to cost \$29,000, and Materials for Repairs and Renewals of Locomotives, \$5,400, more than the estimate for this year. Running stores are entered at \$17,500 as against \$13,000 this year. Under Head No. 4 "Other Charges" an increased sum is provided for the maintenance of Telegraphs and Telephones. Under Head No. 6 the expenditure on the Fanling branch has been cut down, and it is hoped that this small line, which is now run as a tramway, may pay its way.

Under Special Expenditure are two large items for works, which would have been formerly included in the construction account. It is possible that the payment for land may be completed this year, but as this is doubtful it has been considered desirable to make provision next year. The erection of the platform awnings has been delayed by the difficulty experienced in getting suitable material from England.

Under the head "Charge of account of Public Debt" considerable reductions are shown for interest and Sinking Fund charges in connection with the existing debt owing to the higher rate of exchange, while no provision is necessary for interest on advances by the Crown Agents and the overdraft at the Bank, which have happily ceased to exist. The necessary provision has been made for the service of the new loan of \$3,000,000.

The amount required for Civil Pensions is lower than for the current year by \$19,000. I am sure that honourable members will regret the disappearance of the pension hitherto paid by this Colony to the late Sir Cecil Clementi Smith. It is a matter of which I am sure the Civil Service of this Colony has been proud that one of the first batch of Cadet Officers should have had such a distinguished career. Though he left this Colony as long ago as 1878 to become Colonial Secretary and subsequently Governor of the Straits Settlements, we had the pleasure of welcoming him here again a few years ago, when on his way to Shanghai as the principal representative of Great Britain at the Conference on Opium.

For the first time for some years it is not necessary for the Governor to balance the budget by drawing upon surplus balances in order to meet an estimated deficit. There is an estimated surplus of Revenue over Expenditure of \$845,845 which, added to the estimated balance at the end of this year of \$1,003,645, makes a total of \$1,849,488. This will be a cash balance, but I would anticipate any suggestion that the possession of such a balance indicates that more revenue has been raised than is required for the needs of the Colony, by remarking that we must not lose sight of the fact that the high price of silver, high exchange, extraordinary influx of population, and large economies in public works and in other directions have all contributed to swell our net receipts during the year, while much of our revenue is derived from sources susceptible of violent fluctuations. It behoves us, also, to bear in mind that the war shows no signs of taking an end. It is therefore our obvious duty to husband our resources and to increase them wisely as opportunity may offer, for no man can tell what sacrifices the Empire may not have to make before the goal of complete victory, which in common with her valiant Allies she steadfastly keeps before her eyes, is finally reached. In the common effort towards that end this Colony has taken no ignoble part. Referring to the financial side alone, the annual expenditure for the defence of the Colony, and in connection with the War, will this year probably amount to \$2,716,372, and is

estimated for next year at \$3,017,707. She is about to present the Imperial Government with a gift of \$3,000,000, and she may increase that gift if adequate and satisfactory ways and means of finance can be found. It may also suffice some who are ever ready to criticise without first taking the precaution of ascertaining facts, a very common failing in this Colony, to learn that her contributions to Imperial War Funds and to War Charities are at present as follows:—

British War Loans: £2,603,000, including £90,000 in British War Expenditure Certificates, £73,000 in six percent. Exchequer Bonds, and £20,000 in War Savings Certificates.

Charitable and other contributions to the war:—

| | |
|--|---------|
| Prince of Wales Fund, | £31,500 |
| War Charities, administered by the local committees, | 15,000 |
| The British Red Cross Society "Our Day" subscription 1916, | 1,330 |
| with, I hope, a large addition this week. | |
| Sir Robert Ho Tung to the Red Cross Society | £1,920 |
| And also two aeroplanes | 3,000 |
| Tai Yau Bank—one aeroplane | 1,500 |
| Community of Hongkong — two aeroplanes | 3,000 |
| The Belgian Relief Funds about | 400 |
| The Belgian Red Cross Fund | 100 |
| Motor Ambulance presented by Mr. Lau Chu-pak and others | 463 |
| Motor Ambulance presented by the ladies of Hongkong | 450 |
| The Navy League—Star and Garter Fund ... | 1,000 |
| The Tobacco Funds, about | 1,600 |
| | <hr/> |
| Total | £61,263 |
| | <hr/> |

Supplemented by a gift of tobacco from the men of U.S.S. *Wilmington*.

I do not suggest that the Colony has done enough. In this small but important outpost of the Empire, we have been less affected by the War than other parts of the Empire, and it is, therefore, a clear duty to make real sacrifices in aid of the enormous work going on for the

relief of suffering among our gallant troops and not merely to give of our abundance.

In this War, men, and more men, are required and it is right that I should again mention what has so far been done by this Colony during the War. Between two and three hundred men have gone to fight. It is difficult to calculate the exact number, as some have joined at home, but later on all the names will be carefully recorded. The number may not seem large, but the Colony is small while her trade is big, and her trade has to be carried on and, if possible, extended. I can only repeat again, as I have several times before, that if they cannot be spared for the front, able-bodied men, of whatever age, can, by joining the local Volunteer Forces and making themselves efficient, release men of the Regular Army, and so indirectly help to increase the fighting forces. It is astonishing to me to find that after all the efforts that have been made there are still men holding back. By means of the Registration of Persons Ordinance, which you passed last June, a weapon has been placed in the hands of the Government whereby the names of many men apparently eligible for service, either in the Volunteer Forces or in the Special Police Reserve, have come to light. I hope the knowledge that their names are known may have the desired effect, but if it has not I shall not fail to consider whether further powers should not be asked for. Of those who have gone to fight for King and Country at least ten have, I regret to say, already fallen. Among the names are several who were accomplished in more than one branch of sport, and we may feel sure that they fought as sportsmen to the end. (Applause.) Their gallant deeds will not be forgotten, and I hope that in due course a suitable monument will be erected to their memory, though in the thoughts and hearts of their friends here they already have won a *Monumentum are perennius*. (Applause.)

It is proposed to take the second reading of the Supply Bill a fortnight hence, and in the meantime if the Unofficial Members would like to have any further explanations than have been given by me, or embodied in the notes appended to the Draft Estimates, the Colonial Secretary and Treasurer will be glad to give them.

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

Bills of Exchange

THE ATTORNEY-GENERAL moved the first reading of a Bill intituled, "An Ordinance to make provision in connection with the present war with respect to Bills of Exchange payable outside the Colony."

The Objects and Reasons state:—The object of this Bill is to introduce here the provisions of the Bills of Exchange Act, 1914 4 and 5 Geo. 5, c. 82.

Clause 2 provides that, without prejudice to the operation of sub-section (1) of section 46 of the Bills of Exchange Ordinance, 1885, delay in the presentment for payment of a bill of exchange, where the proper place for payment is outside the Colony, is excused if the delay, whether occurring before or after the commencement of this Ordinance, is, or has been, due either directly or indirectly to circumstances arising out of the present war or to the impracticability, owing to similar circumstances, of transmitting the bill to the place of payment with reasonable safety.

Clause 3 provides that where, in any action or proceeding upon a bill of exchange payable outside the Colony, it is shown to the court that the bill has been lost and that the loss can reasonably be presumed to be due to circumstances attributable directly or indirectly to the present war, the court may allow proof of the bill to be given by means of a copy thereof certified by a notary public, or by means of such other evidence as the court may think reasonable under the circumstances: provided that such indemnity be given against the claims of other persons as the court may require.

Clause 4 states that the Governor-in-Council may at any time determine the operation of this Ordinance, or provide that this Ordinance shall have effect subject to such limitations as may be contained in the Order; but, subject to the operation of any such Order-in-Council, this Ordinance shall have effect during the continuance of the present war and for a period of six months thereafter.

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

War Loan of \$3,000,000

THE ATTORNEY-GENERAL moved the first reading of a Bill intituled, "An Ordinance to authorise the raising of a War Loan." In doing so he said:— This Bill appeared in the "Orders of the Day" at the last meeting of the Council, but it was not proceeded with. I beg to apologise to hon. members for their not having been notified before-hand that the Bill would not be proceeded with at the last meeting. A point which required consideration was raised at the last moment, and though we made attempts to deal with it there was not sufficient time to do so before the meeting of the Council. It was only just before the Council sat on the last occasion that the resolution was taken not to proceed with the Bill that day. I now beg to propose the first reading of the Bill.

HIS EXCELLENCY—Honourable members, the question of a contribution by the Colony to the Imperial War Funds has for a long time past had my most careful consideration. The financial outlook throughout the greater part of 1915 was not encouraging and, in commenting upon the Estimates for 1916, the Secretary of State for the Colonies described it as most unsatisfactory. But towards the close of the year the position was much improved, and in January last, when addressing the Secretary of State at length upon the subject of the finances, I felt myself justified in concluding my despatch with the following words:—"I am very anxious to submit to you proposals for special taxation from which to furnish a special contribution from this Colony to Imperial War Expenditure, and I hope to address you shortly on the matter." On the 24th February I informed the Executive Council that I proposed to make recommendations to the Secretary of State regarding a War contribution, and under date the 28th February I asked permission to impose, if Unofficial Members of the Legislative Council agreed, a special war tax which would have given an annual contribution of over \$300,000. Mr. Bonar Law pointed out certain objections to the scheme, which was ultimately abandoned. At a meeting of the Executive Council held on the 20th April, I informed the members of what had transpired, and the question of providing the necessary ways and means for a contribution was discussed at considerable length.

The matter was further discussed in the Executive Council on the 27th April and the 4th May. In the meantime I had been given to understand that the Unofficial Members of both Councils had the matter under consideration; and towards the end of June they requested me to enquire of the Secretary of State whether a lump sum of \$3,000,000, to be raised by a local loan, would be acceptable to His Majesty's Government. The financial position for the first half-year was by this time known, and the outlook was distinctly promising. The revenue had exceeded expectations, and additional sums had been raised by increasing the price of prepared opium, and by increased liquor dues, while a further amount was about to be raised by the tobacco tax; and the increased cost of commodities ordered from England was largely counter-balanced by the rise in exchange; a rate of 1/9 having been estimated for Large economies in expenditure had also been made, while the high price of silver had largely reduced the cost of the de monetisation of subsidiary coins. I was satisfied that the Colony was now in a position to make a substantial contribution, and I accordingly, on the 27th June addressed the following telegram to the Secretary of State:—

"Unofficial Members of Executive and Legislative Councils wish to vote a special war contribution to the Imperial Government and have requisition me to enquire if a lump sum of \$3,000,000, to be borrowed from the Hongkong and Shanghai Bank, or raised by a local loan, or a special contribution of $2\frac{1}{2}$ per cent. on gross revenue of the Colony, less the items not assessable for military contribution, would be preferred by you.

The second alternative suggested was the one which I personally preferred, on the ground that an annual contribution of a fixed percentage of the revenue would be the sounder proposition, since it would fluctuate with the prosperity of the Colony. I purposely avoided indicating in the telegram that the alternative proposal emanated from myself, in order that the proposal of Unofficial Members might not run the risk of being prejudiced.

On the 11th August the Secretary of State telegraphed that he thoroughly appreciated the desire of the Unofficial Members to offer a considerable contribution to His Majesty's Government for war purposes, and indicated that he preferred a lump sum contribution. I, therefore, consulted the Unofficial Members, and made enquiries as to the possibility of raising such a loan as was suggested, and in consequence of the advice I received I telegraphed to the Secretary of State on the 21st September that the Unofficial Members of both Councils were unanimous in advising the immediate issue of a loan of \$3,000,000, bearing interest at the rate of six per cent., repayable in from five to twelve years at the option of the Government, and on the following day I received a telegram from the Secretary of State approving of the proposals, and stating that His Majesty's Government highly appreciated the generous attitude of the Hongkong Government and the Unofficial Members of the Councils.

The Bill which is before you to-day makes provision for issuing the loan, and I am glad to be able to state that the Hongkong and Shanghai Banking Corporation has kindly consented to float it. They have also generously offered to forego the usual commission on such transaction. It has been arranged that a considerable portion of the stock will be in denominations which will enable small investors to participate in the loan. I may add that, with the concurrence of Honourable Unofficial Members, it has been indicated to the Secretary of State that if the loan is a success it may be possible to extend it with the object of adding to the Colony's gift. Gentlemen, this Bill was to have been brought before you last Thursday week, but at the last moment a question was raised as to whether the revenue devoted to the paying of interest and the sinking fund on the loan should or should not be exempted from the military contribution. At the request of hon. unofficial members I communicated with the Secretary of State on the subject, and I have not had any reply. I believe that it is the desire of the unofficial members that the Bill should be proceeded with to-day, and when I receive the reply of the Secretary of State, if his direction should be that the revenue alluded to should be exempted from the military contribution, it will be an easy matter to bring forward a short Bill to effect that object.

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

THE ATTORNEY-GENERAL then moved the suspension of Standing Orders in order that the Bill should be taken through its remaining stages at that meeting.

THE COLONIAL SECRETARY seconded.

THE ATTORNEY-GENERAL then moved the second reading of the Bill. In doing so he said—After what you have said, Sir, on the first reading of the Bill, I think it is unnecessary for me to say anything. I therefore propose the second reading of the Bill.

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

Council then went into committee to consider the Bill clause by clause.

To Clause 3, "Loan to be a charge on general Revenue," the following clause was added:—"The Governor shall appropriate out of the revenue and assets of the Colony such sums as may be necessary to provide for the expenses of the flotation and management of the loan."

On Clause 7, "Provision for Sinking Fund," the first two lines were altered to read as follows:—"The Governor shall in each year ending on the 30th day of November, appropriate out of the revenue and assets of the Colony. . . ." thus changing "half year" to "one year."

The following Clause was added to Clause 8, "Application of Sinking Fund":—"In case the sinking fund shall be insufficient for the payment of the principal moneys at the time when such payment shall become due, the Governor shall make good the deficiency out of the revenue and assets of the Colony."

Clause 12, "Exemption from duties and Taxes," was altered to read as follows:—"Bonds issued under this Ordinance, and the principal and interest represented thereby, shall be exempt from all duties and all Taxes now leviable, or which may hereafter be leviable in the Colony."

Upon Council resuming,

THE ATTORNEY-GENERAL moved that the Bill be read a third time.

THE COLONIAL SECRETARY seconded, and the Bill was then read a third time and passed.

HIS EXCELLENCY—Council stands adjourned until this day fortnight.

FINANCE COMMITTEE.

A meeting of the Finance Committee followed, the Colonial Secretary presiding.

Judicial and Legal

The Governor recommends the Council to vote a sum of three hundred and fifty dollars (\$350) in aid of the vote Judicial and Legal Departments, A.—Supreme Court, Other Charges, Registration of Companies at Shanghai.

The vote was agreed to.

Laichikok Quarantine Station

The Governor recommends the Council to vote a sum of three thousand five hundred and seventy dollars (\$3,570) in aid of Public Works, Extraordinary, New Territories, Miscellaneous, Segregation Camp at Laichikok Quarantine Station.

The vote was agreed to.

Dredging

The Governor recommends the Council to vote a sum of six thousand dollars (\$6,000) in aid of the vote Public Works, Extraordinary, Hongkong, Miscellaneous, Dredging off Kowloon Point.

The vote was agreed to.

Public Works

The Governor recommends the Council to vote a sum of eighteen thousand three hundred dollars (\$18,300) in aid of the following votes:—

| | |
|---|----------|
| <i>Public Works, Recurrent.</i> | |
| Water Works, Water Account (Meters, etc.) | \$5,000 |
| <i>Kowloon.</i> | |
| Water Works, Maintenance of Water Works | 5,000 |
| <i>New Territories.</i> | |
| Water Works, Maintenance of Lai Chi Kok | 400 |
| Public Works, Extraordinary | |
| <i>Kowloon.</i> | |
| Communications, Roads, General Works | 6,000 |
| <i>New Territories.</i> | |
| Communications, Roads, General Works | 1,900 |
| Total | \$18,300 |

The vote was agreed to.