

4TH OCTOBER, 1923.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR, SIR
REGINALD EDWARD STUBBS, K.C.M.G.

HIS EXCELLENCY THE GENERAL OFFICER IN
COMMAND OF THE TROOPS, MAJOR-GENERAL SIR
JOHN FOWLER, K.C.M.G., C.B., D.S.O.

HON. MR. A. G. M. FLETCHER, C.M.G., C.B.E.
(Colonial Secretary).

HON. MR. J. H. KEMP, K.C., C.B.E. (Attorney-
General).

HON. MR. C. McI. MESSER, O.B.E. (Colonial
Treasurer).

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

HON. MR. E. A. IRVING (Director of
Education).

HON. MR. H. T. CREASY (Director of
Public Works).

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

HON. MR. P. H. HOLYOAK.

HON. MR. CHOW SHOU-SON.

HON. MR. A. O. LANG.

HON. MR. A. R. LOWE.

HON. MR. R. H. KOTEWALL.

MR. S. B. B. MCELDERRY (Clerk of
Councils).

New Member

MR. R. H. KOTEWALL took the oath and
his seat as a representative of the Chinese
community in succession to the Hon. Mr.
CHAU SIU-KI resigned.

Minutes

The minutes of the last meeting were
approved and signed.

Questions

GOVERNMENT'S SURPLUS FUNDS

HON. MR. A. R. LOWE in accordance with

notice, asked a number of questions relating to
the Government's surplus funds. The questions
and the answers returned to them are given
below:—

HON. MR. LOWE asked—

1.—Will the Government explain under
what rules and regulations it acts with regard
to the employment (and at what rate per cent.)
of the large surplus funds apparently at the
disposal of the Government as evidenced by
the latest published Monthly Cash Statement
for May contained in the *Government Gazette*
of 10th August, 1923, wherein it is shewn that
there is \$7,837,487.42 deposited with the
Crown Agents in London and Investments
costing \$5,977,362.25 (representing a market
value of about \$7,040,000) besides a balance
(presumable in local Banks) of \$1,221,858.30;
and also state whether it is satisfied with and
intends to increase its recent investments of
£21,000 in Queensland Government Stock?

THE COLONIAL SECRETARY replied—

In the year 1905 the Secretary of State for
the Colonies gave instructions that the
Government should not keep balances in
excess of \$700,000 in local Banks. For a long
time the Colony had an overdraft, but of late
years there has been a considerable surplus,
and in 1921 the limit was raised to \$2,000,000.
All funds in excess of this limit are remitted to
the Crown Agents who have discretionary
powers as to their disposal. The money is
partly invested and partly used for short term
loans and the purchase of Treasury bills. The
Crown Agents have recently invested £25,000
in Queensland 4½% bonds 1920-25, from
which it is clear that they regard them as a
satisfactory investment. Whether they make
further purchases of these bonds will no doubt
depend on whether the market conditions
make such investment profitable.

HON. MR. LOWE—Arising out of the answer to the question, is the Government aware that the last loan the Queensland Government tried to raise in the London Market was not well received and that they are committed to repay, some £20,000,000 sterling within the next few years; and with regard to interest, nothing is mentioned in the answer regarding interest on the loans to the Crown Agents.

H.E. THE GOVERNOR—I think the Hon. Member should give notice if he wishes to pursue the subject.

HON. MR. LOWE asked—

2.—Assuming the following figures to be correct will the Government consider the advisability of reducing taxation in the shape of Rates and for Liquor Duties?

	Revenue (excluding Land Sales). \$	Recurrent Expenditure. \$	Apparent over- taxation. \$	Surplus Balances. \$
1920	14,133,322	11,933,715	2,199,607	4,490,266
1921	16,094,034	12,686,127	3,407,907	6,478,745
1922	19,569,261	14,987,366	4,581,895	12,658,642
1923*	17,967,270	15,338,335	2,628,935	†14,866,815

THE COLONIAL SECRETARY replied—

The Hon. Member has omitted Land Sales from Revenue, and Public Works Extraordinary from expenditure, apparently implying that one should be expected to balance the other. In the years 1920-22 inclusive \$4,912,251 was realised from Land Sales and \$9,185,038 was spent on Public Works Extraordinary, leaving a deficit of \$4,272,787 to be met from revenue or loan. During these three years the surplus balances increased by a sum of \$8,168,376, of which sum, however, \$2,451,835 is a book entry representing fluctuation in exchange. The actual surplus, apart from gain on exchange, is \$5,716,541.

The average amount received from Land Sales during the six years 1910-1915 inclusive was \$191,371. If this average had been maintained during the years 1920-1922, the receipts would have been \$575,113, against the \$4,912,251 actually received. Except therefore for the fact of the land boom, and the profit made in exchange the surplus representing what the Hon. Member calls "apparent over taxation" during the period 1920-22 would have been approximately \$1,400,000.

* Estimates.

†31st May, 1923

The Government does not agree that the Colony is over-taxed. It is obvious common sense to take advantage of an exceptional period such as that of the last three years to accumulate reasonable reserves towards meeting the heavy expenditure which lies ahead, and it would be the height of unwisdom deliberately to reduce the yield of permanent sources of revenue when it is certain that the large revenue derived from opium must entirely cease in the near future.

THE WAR LOAN

HON. MR. LOWE asked—

(3.)—Will the Government explain the legal difficulty, referred to by the Officer Administering the Government in 1922, which prevents His Excellency the Governor exercising his rights of repayment conferred by the Ordinance governing the War Loan of \$3,000,000 of 1916 and, if it is the case that the borrowers have been given better terms than the Ordinance authorises, further explain who the officials are who have caused the resulting loss to the Colony through 6 per cent. being paid on the loan and the money available to repay it being invested elsewhere at a lower rate?

THE COLONIAL SECRETARY replied—

At a meeting of Council held on the 26th October, 1922, the Hon. Mr. A. R. Lowe referred to this loan, stating that part of the sinking fund was invested with the Government bankers at a lower rate of interest than the loan bears and suggesting that it would therefore be profitable to pay the loan off. The Officer Administering the Government, replying without notice, referred to a legal difficulty and said that he believed that it was not possible to pay off the loan.

The question of paying off the loan was raised in 1918, and the Government was advised that it could not do so until after the 30th October, 1921, except by amending the law. The Sinking Fund is partly in sterling and partly in dollars. There is a large profit on the sterling portion owing to fall in exchange and the dollar portion is invested locally at 6 and 7 per cent. with the results that if the Sinking Fund continues to accumulate at the present rate, it will be sufficient to pay off the loan

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Statutory date of redemption. The moneys appropriated for the sinking fund are not liable to Military Convention, but, if it were decided to pay off the loan, the Military Authorities might claim that military contributions should be deducted in respect of the money, other than the sinking fund, which would be required for such paying off.

The latter part of the question is not understood. The Colony has made a profit and not a loss in respect of the sinking fund.

INSCRIBED STOCK ISSUES

HON. MR. LOWE asked—

(4.)—In view of the fact that there is a clause in the local Ordinance giving the Crown Agents power to use the Sinking Fund monies to repurchase and cancel any part of the Inscribed Stock Issues of 1893 and 1906 whenever the loan is below par, have the Government drawn the attention of the Crown Agents to the matter since the last Budget Debate and, if so, what answers have they received?

THE COLONIAL SECRETARY replied—
The Government has not drawn the attention of the Crown Agents to this matter since the last budget debate, and it does not consider that any useful purpose would be served by the purchase and cancellation of the Colony's inscribed stock issues. It is believed that the greater part of the stock is held by other Colonies and by persons holding for investment who would not readily sell, and, if the Government began to buy against the market, the price would at once go up.

PUBLIC WORKS DEPARTMENT EXPENDITURE

HON. MR. LOWE asked—

(5.)—To enable the Council to obtain a comprehensive grasp of the cost of the Public Works Department services will the Government lay on the table a Statement showing, in parallel columns, the following particulars for the decade ending 1920, and also up to date, viz:—

1. Personal emoluments and other charges
2. Annually recurrent works

3. Total emoluments and recurrent charges
4. Estimates for Extraordinary Works
5. Actual cost of Extraordinary Works
6. Percentage of actual to estimated extraordinary works

and also instruct the Director of Public Works to incorporate such information in his annual report in future.

THE COLONIAL SECRETARY replied—
The schedule, as requested, is in the hands of Hon. Members. With regard to the concluding paragraph of the question the Director of Public Works will be asked to include in his annual report such information of this nature as he may think advisable but it is considered that no useful purposes will be served by the constant reproduction of these columns of figures.

SCHEDULE

Year Personal emoluments and other charges. Annually re-current works. Total emoluments and re-current charges. Estimates for Extra-ordinary Works. Actual cost of Extraordinary Works. Percentage of actual to estimated extraordinary works.

1911	308,408.12	486,940.80	795,348.92	1,080,400.00	807,181.09	74.71%	
1912	314,590.96	447,636.14	762,227.10	1,147,980.00	1,051,840.43	91.62%	
1913	367,544.52	599,843.24	967,387.76	1,693,300.00	1,247,689.34	73.68%	
1914	414,510.57	567,100.18	981,610.75	2,130,800.00	1,639,594.72	76.94%	
1915	399,700.76	558,448.03	958,148.79	2,229,785.00	1,839,882.01	82.51%	
1916	401,205.44	624,872.51	1,026,077.95	1,279,400.00	1,246,871.75	97.45%	
1917	402,772.20	609,308.45	1,012,080.65	1,545,400.00	1,612,835.28	104.36%	
1918	375,202.62	712,675.37	1,087,877.99	1,685,800.00	1,578,149.12	93.61%	
1919	391,382.64	822,509.87	1,213,892.51	26,104.50	2,235,002.95	85.62%	
1920	468,987.78	806,254.37	1,275,242.15	3,973,700.00	2,555,877.69	64.32%	
1921	651,599.00	938,582.38	1,590,181.38	4,967,400.00	3,053,525.11	61.47%	
1922	821,674.89	1,074,646.30		1,896,321.19	6,611,300.00	3,575,635.19	54.08%

Papers

THE COLONIAL SECRETARY, by command of H.E. The Governor, laid upon the table:—

1. Order under section 7 of the Rating Ordinance, 1901, on the 27th September, 1923.
2. Abstract showing the differences between the approved estimates of expenditure for 1923 and the estimates of expenditure for 1924. (Sessional paper No. 8/1923).
3. Financial statements in connection with the estimates for 1924. (Sessional paper No. 9/1923).
4. Report of the Housing Commission. (Sessional paper No. 10/1923).
5. Quarterly return of excesses on subheads met by savings under heads of expenditure (Sessional paper No. 11/1923).

Finance

THE COLONIAL SECRETARY, by command of H.E. The Governor, laid upon the table Financial Minutes Nos. 82 to 85 and moved that they be referred to the Finance Committee.

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

THE COLONIAL SECRETARY, by command of H.E. The Governor, laid on the table a Financial Minute relating to the redistribution of unexpended balances of Public Works Department votes for the year 1923, and moved that it be referred to the Finance Committee.

THE COLONIAL SECRETARY, also by command of H.E. The Governor, laid on the table Report of the Finance Committee (No. 11) and moved that it be adopted.

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

The Budget

THE COLONIAL SECRETARY moved the first reading of a Bill intituled, An Ordinance to apply a sum not exceeding \$19,897,302 to the Public Service of the year.

THE COLONIAL TREASURER seconded.

H.E. THE GOVERNOR — Honourable Members of Legislative Council,—I have the honour to submit for your consideration the

Estimates of Revenue and Expenditure for the year 1924, and I feel sure you will agree with me that they disclose a most satisfactory condition in the finances of the Colony.

When the estimates of revenue and expenditure for the year 1922 were revised on the basis of the actual revenue and expenditure during the first half of the year 1922 it was anticipated that we should open the year 1923 with a credit balance of \$7,631,965, whereas the actual figure is now shown as \$12,658,642. This increase is partly accounted for by the fact that expenditure was less by some one million dollars than was anticipated, while the revenue from opium, stamp duties, and land sales was underestimated to the extent of rather more than one million dollars. The balance of the excess is due to a change in the method of account-keeping in connection with the Colony's sterling assets. The accepted rule has hitherto been that the original amount of dollars invested continues to be shown, while the amount of sterling stock held, its actual cost, and its market value on the last day of the financial year, are given in separate statement. There has been introduced in the Financial Statements now in Honourable Members' hand a heading "Exchange Fluctuation Account," showing a credit balance of \$2,451,835 at the end of 1922. This sum represents the sterling amounts, originally invested or placed on deposit, reconverted into dollars at the average rate of exchange obtaining between the 15th November and the 15th December, 1922, and it is included in the Statements of Assets under the headings "Crown Agents' Deposit Account" and "Investment Account." Appreciation or depreciation of sterling investments is not taken into account until an investment is realised and an actual profit or loss results.

While on this subject of the form of our accounts I may mention that at last year's budget meeting the Honourable Mr. Lowe criticised the form in which the Railway accounts are kept. The Government has accepted the position that for statistical purposes and because we run in conjunction with a Chinese railway we should keep certain accounts in the same form as that used on the Chinese Railways. The Manager, Railway, has been in communication with Mr. Lowe, who has not yet been able to assist with the advice which he

has kindly promised, and therefore, although the matter is in hand, it has not been possible to introduce any change in the present estimates.

EXPANDING REVENUE

Revenue for this year is now expected to exceed our original estimate by over \$4,400,000, the revised estimate being \$22,982,474. The difference is mainly due to the continued high return from the Opium Monopoly which, as I mentioned last year, was not taken into account in framing our Estimates, and to largely increased land sales, *premia* from which are now expected to total \$2,800,000. I will refer to these two matters later.

The original estimate of this year's expenditure was \$22,583,835; the revised estimate is \$21,579,530, the decrease being due to the inability of the Public Works Department to spend all the money allotted to it for public works extraordinary. Recurrent expenditure in the Public Works Department shows an increase of over 3 lacs, partly on account of heavy repairs necessitated by typhoon weather. Increased revenue had caused an increase of \$200,000 in Military Contribution, while under Miscellaneous Services an increase of nearly a million is expected. To this heading has been debited \$300,000, being the payment of the balance of the Endowment Fund promised to the University: a sum of 2 lacs for redemption of subsidiary coin; also the sum of \$250,000 voted for relief in Japan and \$250,000 towards the Colony's expenses in connection with the British Empire Exhibition.

NEXT YEAR'S ESTIMATES

For 1924 the revenue is estimated to amount to \$21,369,934, the principal increases over the original estimate of revenue for this year being under the heads of Assessed Taxes, Stamp Duties, Interest, and Land Sales.

The expenditure for next year is estimated to amount to \$24,924,667, being an increase of over two million dollars over the original estimate for this year and three million dollars over the revised estimate.

The various increases and decreases in each department and the reasons therefore are set out in the Sessional Paper which has been laid out on the table, and I will refer only to the more important items.

The rate of exchange adopted for these estimates is 2/2 as against 2/4 in respect of this year. Salaries continue to be paid at a fixed exchange.

Under the heading "Governor," two telephone clerks have been added to the establishment for Government House to replace two Chinese Constables who formerly performed these duties.

The addition of two new Unpassed Cadets and the ordinary annual increments of officers account for the increase under the Cadet Service.

CHILD LABOUR

An Industrial Sub-Department has been formed in the Secretariat for Chinese Affairs for the regulation of the employment of children under Ordinance No. 22 of 1922. Excellent progress has been made, due largely to the willing co-operation of the Chinese employers, and abuses in connection with the conditions under which children work are rapidly disappearing.

In the Harbour Department a branch Office for the better control of junks and similar boats, recently opened at Shaukiwan, has necessitated the appointment of an assistant inspector. This work at outstations was formerly done by the Police, who were unable to devote the necessary time to it. The increase in fees resulting from direct Harbour Office supervision more than covers the cost of the additional staff.

In the Imports and Exports Department three additional European Revenue Officers and one additional Senior Chinese Revenue Officer has been included for the better supervision of the staff generally and on account of the increased attention now paid to the importation of Chinese liquors. The increased price of charcoal used for boiling opium and of the opium pots has necessitated increases of \$7,000 and \$8,000 in fuel and packing expenses. It is proposed to purchase a new Motor-truck to replace the one at present in use for the conveyance of the opium to and from the factory.

In the Royal Observatory the salaries of the European staff have been somewhat increased, and two new posts of a lithographer and a printer added in connection with the publication of the various reports. In accordance with the suggestions made

by the Chamber of Commerce an evening weather report is now issued.

Miscellaneous Services show a large increase. \$300,000 has been inserted for the Hongkong Section of the amount promised by Government. A sum of \$20,000 has been included to cover the cost of possible visits to the Colony by Foreign Squadrons. In this connection I would mention that the Government is under great obligation to the Chamber of Commerce and its Secretary, Mr. Blair, for their assistance in supervising the entertainment of such visitors.

GEOLOGICAL SURVEY OF THE COLONY

Honourable Members will notice a vote of \$14,000 for a Geological Survey of the Colony. Arrangements have been made for the survey to be undertaken by officers of the University of British Columbia; one officer is arriving shortly for this cold season; another will continue the survey next year; while in the third season, the Dean of the Faculty, Professor R. W. Brock, who has recently passed through the Colony and spent a few strenuous days obtaining an insight into the problems to be solved, will come himself and complete the work. Three additions have been made to the Scientific Institutions to which this Colony subscribes, namely the British Engineer Standards Association; the Institution of Civil Engineers, Committee on Deterioration of Structures exposed to Sea Action; and the Colonial Advisory Medical and Sanitary Committee; and in the case of the Tropical Diseases Bureau the grant has been materially increased. As Honourable Members are aware, work has been going on for some time in the preparation of a revised edition of the Laws of Hongkong and a vote of \$17,500 has accordingly been inserted to cover the expenditure likely to be incurred next year. It is anticipated that more than half the cost will be recovered by sales to the public.

In the Legal Departments provision has been made for an additional law officer to cope with the general increase in work, more particularly in the Attorney-General's and Land Officer's Departments. The post has been inserted in the Estimates in the Crown Solicitor's Department, but the holder will be required to give assistance wherever his services may be required.

POLICE AND FIRE BRIGADE

In the Police Department two additional posts of European Officers have been added to the staff of the Accounts and Stores Branch for the better supervision of the many financial transactions of this large department. The effective strength of the Force has been fixed at 220 European Officers, 450 Indian, and 745 Chinese, the latter including the Weihaiwei contingent which will eventually total about 190 men. Additional officers have also been appointed to the Police Training School, now an integral part of the establishment. The approved strength in 1913 was Europeans 168, Indians 435, Chinese 344; total 947; and in 1920 Europeans 174, Indians 447, Chinese 426; total 1,047. In the latter year the total was raised to 1,100, namely Europeans 180, Indians 450, Chinese 470; and the total is now 1,415—a very big and also a very expensive increase, more especially when the improved rates of pay and pension are considered.

The increase in the vote for ammunition is due to a decision that all members of the force shall receive adequate training in revolver-firing, and steps are being taken to equip the miniature range attached to Volunteer Headquarters to enable it to be used for this purpose. Three more motor cycles are required for outlying stations, and it is proposed to purchase a second prisoners' van for the conveyance of prisoners in Kowloon.

In the Fire Brigade it is proposed to appoint four non-Chinese sub-officers to act as leaders of groups of firemen in the larger stations and in due course to take charge of the smaller stations and fire-floats; they will act at fires as interpreters and intermediaries between the European Officers and the Chinese firemen. Ten additional firemen are also required for the new machine to be purchased and for new Sub-stations which it is proposed to open at Kennedy Town and at Mongkok. Provision has been made for the purchase of a Dennis First Aid motor to be stationed at Kennedy Town, and for a new and powerful fire-float costing about \$180,000. the machinery of which will be ordered from England, while the hull will be constructed locally.

In the Prison Department it has been found necessary for the efficient staffing of Victoria Gaol and the Branch Prison at Lai Chi Kok to

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Warder and 2 Warders to the European establishment. The grading of the Indian staff has been slightly altered, and two senior posts of Principal Warders and four new Assistant Warders have been added. Provision is made for the purchase of a Prison Van for the conveyance of remand prisoners from the Gaol to the Supreme Court.

MEDICAL DEPARTMENT

The opening of new wards in the Government Civil Hospital, the extension of the Victoria Hospital, and increased work throughout the Medical Department have necessitated an increase in the staff generally. Two new appointments are those of a Medical Officer and an Assistant Medical Officer in charge of Native Hospitals, who will deal primarily with women and children. With the large increase that has taken place in recent years in the work of the Medical Department, it has now become necessary to afford the Matron some assistance. It is proposed, therefore, to appoint an Assistant Matron who will act as Home Sister in the Sisters' Quarters and assist the Matron generally in other ways. Seven additional sisters and seven probationers are also to be appointed. The increased number of patients now treated in the Civil Hospital has caused a considerable increase in the recurrent charges of the Hospital. One Chinese Medical Officer and eight additional public vaccinators have been added to the establishment of the Health Officer of the Port for work under the Vaccination Ordinance.

The continuous expansion of the Colony renders necessary a somewhat large increase in the Estimates of the Sanitary Department. The appointment of a third Medical Officer of Health has become necessary; a Chief Inspector has been appointed for general supervision of the staff of Inspectors; while the Inspector in charge of Refuse Disposal has been raised to the rank of Senior Sanitary Inspector in view of the increasing responsibilities of his post. With the appointment of a Cadet Officer as Assistant Head of the Sanitary Department and Secretary to the Sanitary Board, the separate post of Secretary has been abolished and a First Clerk and Assistant Secretary has been appointed. Three additional Second Class

Sanitary Inspectors have been inserted for new Health Districts and for the supervision of scavenging in Kowloon. An additional post of Storekeeper has been created for the better supervision of the large quantity of stores used. A considerable number of posts has been added to the subordinate outdoor personnel owing to the expansion of the activities of this large department. Large sums have been inserted both in recurrent charges and in Special Expenditure for exhaustion, which is being carried out on the recommendations of the Town Planning Committee. It is proposed to extend the use of motor vehicles for sanitary purposes, and provision has, therefore, been made for two motor watering-carts, an additional motor refuse-lorry and three more motor meat-vans. An additional teakwood lighter and two refuse junks are also required.

EDUCATION STAFF

In the Education Department personal emoluments show an increase of over \$95,000, due mainly to the provision of more teachers to meet the growing demand. A Second Inspector of English Schools has been added to the Administrative staff, and nine additional masters and fifteen additional assistant mistresses to the School staffs. It is proposed as these new appointments are filled to dispense with most of the temporary assistant mistresses at present employed. Several teachers, both men and women, have recently arrived from home to fill these vacancies and more are expected before the end of the year. Increases are also made in the non-British staff.

PUBLIC WORKS STAFF

In the Public Works Department seven additional engineers are provided for, and arrangements have already been made for their selection in London at an early date. Eight more overseas are also to be appointed. A considerable number of surveyors, draughtsmen, and foremen has also been added to the establishment.

It will be seen that Cape d'Aguilar Wireless Station has been placed under the Public Works Department, the Post Office being now concerned solely with the receiving of messages over the

counter and with the receipt of money therefor. The Government has not hitherto had any officer possessing the technical knowledge necessary for the supervision of the station and apparatus, and arrangements have accordingly been made for the appointment of a fully qualified electrical engineer with wireless experience who will have charge of all electrical and wireless work under Government. In the meantime, the work of the station is being satisfactorily carried on under the supervision of the Electrical branch of the Public Works Department.

The increase in Public Works Recurrent amounts to over \$180,000, rendered necessary by the general expansion of the Colony. Street lighting, in particular, has been extended and improved.

Small increases have been made in the Estimates for the Post Office on account of normal expansion and an inspector of postmen has been appointed for the better supervision of the outdoor staff.

EXPENDITURE ON THE RAILWAY

Special Expenditure for the Railway, which includes a very large sum for new locomotives and rolling-stock, is very heavy but I fear that the expenditure cannot be avoided. The Railway has great potentialities, and if it were given a fair chance, it would undoubtedly pay its way and addition. The disturbances in South China bring in a growing margin of profit and have for the time being practically put an end to through traffic, but this state of affairs cannot last for ever, and it is necessary for the line to be in a position to deal efficiently with the traffic which must come to it with the restoration of order. It is well known that the rolling-stock and equipment of the Chinese Section have suffered very material depreciation, which it will require some considerable time to repair, so that it is doubly necessary that our section should be adequately equipped for the work which it will have to do.

A sum of \$17,000 is included for the completion of Bridge No. 4 over Waterloo Road. The necessary girders and steel plates for the sidespans are in the Colony and it is proposed to complete the bridge. The existing sidings in the Locomotive Yard are inadequate to accommodate all the rolling-stock at present building and under repair, and provision has

therefore been made for their extension and also for the provision of new sidings in Locomotive Yard East for the accommodation of the new 30-ton wagons now on order. A new water-tank and tower for Kowloon Station; concreting of coal bunkers; a small siding for ashes; improvement of the interlocking at out-stations, the side-walling of Taipo Tunnel rendered necessary on account of the softening of the rock walling of the tunnel; are among the remaining items.

PUBLIC WORKS EXTRAORDINARY

Our programme of Public Works Extraordinary has been drawn up in such a manner as to meet as far as possible the criticism that the budget raises too many hopes of development that are doomed to disappointment. It has hitherto been the practice to insert against each item the full sum which, on an optimistic view, the department might expect to be able to spend on it, but as has often been pointed out in this Council, it has never been possible to expend the full amount voted in respect of every work in the programme. In framing the present estimates we have taken a different line. We estimate that it will be possible for the P.W.D. to spend the sum of approximately \$7,000,000, but we admit that we cannot foretell with accuracy exactly all the items which can be dealt with during the year. All items in respect of which there is a reasonable certainty of work being done are adequately provided for, but in other cases a more or less nominal sum is inserted, the intention being that at a later stage, when it is possible to see more clearly which items can be proceeded with and which must for one cause or another be postponed, this Council will be asked to agree to such readjustment of the votes as will enable the various works to be carried on according to the order of their urgency.

The new Public Works Offices which have recently been opened and a further extension which is being put in hand enable us to house a considerably larger staff under better working conditions than hitherto, and I am satisfied that the methodical addition of new posts to the establishment, which has been going on for some time past and still continues, is amply justified by the large and ever-increasing programme of works which lie before us.

I may refer briefly to the more important works which it is proposed to undertake next year.

Item No. 1.—The building of quarters of officers is being steadily continued. The Government proposes to participate in the Kowloon Tong Scheme, and it has permitted certain responsible officers to build houses for themselves at Government expense and on land provided for the purpose, on the understanding that, while the officer has the first claim to occupation on the customary rental, the house belongs to the Government, which may dispose of it as it thinks fit.

Item No. 4.—The Yamen quarters in Canton, where cadets learning Chinese are housed, had become past repair, and a new building is being put up at the joint expense of the Governments of Hongkong, the Straits Settlements and the Federated Malay States.

Item No. 7.—The new block at the Victoria Hospital has been completed and the main building is now to be reconstructed. When this work is completed the hospital will be thoroughly up to date, with a well-equipped maternity wing which is much needed at the Peak.

Item No. 16.—Small-pox during the past twenty odd years has been treated in a building at West Point, which was intended for a Police Station, and in certain Chinese buildings adjoining. Not only is the Police Station urgently required for its proper uses, but the growth of the neighbourhood renders it most desirable in the interests of public health to remove the Infectious Diseases Hospital further afield. It is proposed to build as soon as possible on a site at sea-level to the north of the Naval Signal Mast on Victoria Road.

Items 20, 22, 26, 71, 72, 110, 111, 115, 118, 119 refer to new Police Stations and increased accommodation necessary to house our growing Police Force. The new Stations at Yaumati and Mongkoktsui are nearly ready for occupation, and new stations are about to be built on behalf of the Government by private firms at Shamshuipo and Kowloon City. A number of quarters for married Chinese and Indian Police are in course of construction or are to be erected.

Items 28 and 29.—The growing demand upon the Government Civil Hospital will necessitate considerable extensions, and the Government is under obligation to make certain provisions in this Institution in connection with the munificent donation of the Rockefeller Foundation to the Hongkong University.

ANOTHER MOTOR ROAD TO THE PEAK

Items 61, 92 and 123.—The programme of roads is designed to keep pace with and anticipate the expansion of the Colony, and it has been drawn up largely on the advice of the Town Planning Committee.

Items 31 (j) and (m) refer to a proposed road for motor traffic starting from the Police married quarters in Caine Road and running up to Hatton Road, and thence eventually to the Peak. The Government had under consideration the starting of this road at the bottom of Battery Path, but at present-day prices the cost puts this lower section out of the question. The two sections now proposed will give access by motor-car to Conduit Road.

With regard to *Item 92 (b)* steps are being taken to remove forthwith the hill which blocks the junction of Nathan and Coronation Roads at Kowloon.

Item 92 (f) provides for a new thoroughfare, which will give, among other facilities, a direct route to Ho Mun Tin and the Kowloon Hospital.

Item 23 (i) provides for a road to take the place of the light railway which at present runs from Fanling to Sha Tau Kok. It is thought that road motor transport will furnish a better means of communication, and road will be more useful than the railway from a military point of view. At p.95 of the Estimates provision is made for two small locomotives for this line. It is the intention to keep them on the line while the road is building and then to transfer them and the rails to construction work in connection with the Colony's various reclamations.

Item 39 makes tentative provision for the proposed big ferry between Jubilee Street in Hongkong and Jordan Road in

Kowloon. The matter is awaiting the return of the Harbour Engineer, who is on leave, when it is the intention to push on the work as fast as possible.

Harbour Development

Another matter of far greater importance is also awaiting the return of the Harbour Engineer.

It will be observed that under *Item 45* a nominal sum has been entered in respect of the scheme of harbour development. The report of the Consulting Engineers has been referred to the Hongkong General Chamber of Commerce, and they wish to put certain questions to the Harbour Engineer, of which perhaps the most important is the practicability of laying out new wharves in the form of a wet dock in which large steamers could shelter during typhoon weather. In the meantime no decision has been come to either as to the work which will be undertaken or as to the method by which it will be financed.

Items 44 and 88 provide a more or less nominal sum for laying out Chinese cemeteries. The Government is considering the possibility of removing the main cemeteries to an adjacent island.

Item 48 refers to the Kennedy Town Reclamation which should shortly be put in hand. A merely nominal sum is provided, as it is the present intention to let the work out to private enterprise on the condition that the Government keeps the marine lots and the wharves, and the successful tender retains the land behind.

Items 53-57 and 66 cover expenditure on catch-water designed to enlarge the catchment areas of our existing reservoirs.

Tramways for Kowloon

Item 78 (g) provides a sum of \$10,000 in respect of the laying of tramways in Kowloon. The proposal is that the Government should lay the track and that the undertaking should be worked by private enterprise, and tenders have been invited accordingly. The great demand which has sprung up in connection with the recently established motor-bus services is proof, if any were needed, of the necessity for finding an early solution for the traffic problem in Kowloon, and, if it should happen that satisfactory tenders in respect of a tramway service are not forthcoming, steps will be taken to establish a reliable service of

motor vehicles, running to schedule and at fixed fares to all parts of Kowloon and New Kowloon.

Item 99 provides \$100,000 for the laying out of practically the whole of King's Park for recreation purposes. Additional playing grounds are urgently needed, and it has not hitherto been possible to develop the potentialities of King's Park to this end because of the rifle-range, which is now closed. On the advice of the Town Planning Committee, large areas further afield have been definitely set aside for future playing grounds.

Item 100 provides a nominal sum in respect of the Kai Tack Company's Reclamation at Kowloon City. The Company for various reasons has been unable to proceed with the full scheme with sufficient expedition, and the Government has undertaken to complete the reclamation on the Company's account, holding all the unsold land as security for full reimbursement of money expended. The expenditure will, in the first instance, be from public funds, but repayment will be made as land is sold. This arrangement is advantageous to the Government, which is thereby in a position to control all the reclamation work and earth and stone cutting which is going on on a very large scale in the back part of the Kowloon Peninsula.

Item 117 provides for the commencement of a new Lunatic Asylum, for which alternative sites are being considered—one near Kowloon City, and one on the hill immediately above the new tanks of the Standard Oil Company at Laichikok.

Item 132 refers to new junk building and repairing yards beyond the Glass Works near Kowloon City. This industry has been mainly carried on along the foreshore at Cheungshawan, where it is being driven by the reclamation works. It is proposed, on the advice of the Town Planning Committee, to establish these yards permanently in their new situation, with security of tenure, in the hope that greater efficiency and economy will thus be secured.

Big Waterworks Project

Items 137 and 133 (g) refer to the new Shing Mun Valley water-works scheme. The proposal is to dam the Shing Mun river and to tap practically the whole of

the Eastern and Southern slopes of Tai Mo Shan, and it includes 8,500 acres, or 13 square miles, of catchment area, a large proportion of which will be drained by means of catchwaters. The total catchment area on the Island is 2,650 acres and in Kowloon 849. It is proposed eventually to build nine storage reservoirs, varying in size from 55 million to 1,700 million gallons and having an aggregate capacity of 4,500 million gallons, of which 2,400 million gallons, or rather more than the whole storage capacity in the Island of Hongkong, will be stored in gravity, and the remainder will be in pumping reservoir. The water will be conveyed through the Kowloon hills by open conduit and two tunnels, the latter being 2,400 and 4,350 feet in length, respectively. The water will be brought down from the Filtered Water Reservoir by 24-inch trunk mains, which will be laid in the bed of the harbour from Kowloon Point and will discharge into a Service Reservoir, which will probably be built under the Public Gardens.

The gravity portion of the scheme should give a supply of 11 million gallons a day throughout the driest recorded period, and the pumping reservoirs will add another 6 million gallons a day.

Every effort will be made to press on with this work, and it is hoped that, given favourable conditions, it will be possible to bring the first water to Hongkong in the spring of 1927.

It is impossible from available information to give any accurate estimate of cost for the complete scheme, but on the basis of the existing supplies, which have worked out at approximately one million dollars for each million gallons a day available, the price will be at least \$17,000,000. Whatever the sum may prove to be, I am sure that Honourable Members will agree that no price is too big to pay for the assurance of a really adequate water supply for many years to come.

To return, now, to the financial situation as a whole. If the Estimates of Revenue are not exceeded and if the Public Works Department are able to expend the full amount voted, we may expect to end the year 1924 with a deficit of some 3½ million dollars. Our balances are ample to meet any possible call upon them,

and the longer I live in this Colony the more firmly am I convinced of the wisdom of the policy of expending on works of development as large sums as can be adequately employed during the year.

It is, however, extremely difficult in present circumstances to estimate revenue with any approach to accuracy, since so large a portion of it is derived from two sources—Opium and Land Sales—and the probabilities of revenue from those sources depend to a very great extent on circumstances outside our control.

THE OPIUM REVENUE

In the case of opium, we have estimated the revenue at \$3,500,000. That is the same figure as was taken for the estimates of the current year, during which, however, a very much larger sum will be received.

Whether our experience in 1924 will be the same is a matter of surmise. It depends not on economic but on political conditions external to this Colony. For a long time past it has been recognised that the Colony must make up its mind to lose eventually any income from opium, and side by side with its efforts to reduce consumption—efforts which, it must be admitted, have not been attended with very great success—the Government has taken steps for the gradual substitution of other sources of revenue by broadening the basis of taxation and increasing taxation in various directions, as, for instance, by the introduction of a tax on tobacco and the imposition of new and higher stamp duties; with the result that during the last year or two the Colony's revenue has exceeded its immediate needs, and, although Hongkong is probably as lightly taxed as any place in the world, we are to-day in a position in which we could face the loss of all revenue from opium without becoming involved in serious financial difficulties.

The questions at once arise of when we may expect revenue from this source to cease and why we do not, since we can afford to do so, dispense with it at once by closing down the opium department. The answer to both these questions is the same. It depends upon China. We could abolish our opium monopoly at once and prohibit the use of opium, but we could not under present conditions stop

opium-smoking. Even now, although we provide for the requirements of opium-smokers by enabling them to purchase the Government manufactured drug, though admittedly at a price which makes excessive smoking impossible to any but a rich man, and although we do our utmost by maintaining a costly preventive force and giving handsome rewards for seizures, to prevent the introduction of opium from outside the Colony, enormous quantities of smuggled opium are continually being found here. If the legitimate supply were withdrawn it is certain that illicit supplies would take its place. We might, perhaps, be able to deal effectually with opium from India and Persia, especially if the efforts of the League of Nations are directed to the reduction of cultivation of the poppy in those countries, but we cannot so deal with the opium which is being produced in China in such enormous quantities that it can be sold here at a mere fraction of the price which we charge for Government opium.

The rigorous methods of search which we already employ and the severe punishments which we inflict have not proved adequate to prevent smuggling even when the opium-smoker can satisfy his desires by legitimate purchase. If it became a question of using smuggled opium or doing without opium altogether, I fear that there would be little doubt as to the alternative which the majority of smokers would adopt, and to exclude an article which is of such small bulk that enough can be hidden on the person to supply the requirements of the most inveterate smoker for weeks would require methods of search and inquisition to which no community could be expected to submit.

So long, therefore, as China continues to grow opium in great quantities I see no prospect of our being able to abandon the Government monopoly, but in the meantime we frame our estimate in a spirit of optimism in the hope that perhaps the coming year may see the end of the long-drawn-out struggles of China and that that great nation may be able to devote to the eradication of its national vice some part of the energies and resources which have for so long been wasted in useless and fratricidal strife.

THE LAND BOOM

In the case, also, of another very important source of revenue, the political situation in China is a factor of very great importance.

The estimate of the probable revenue from land sales is a matter largely of conjecture at the best of times. In present circumstances, it is the merest guess-work. The demand for land is enormous and much in excess of the supply, as it takes time, considerable time, to open up new areas and to prepare them for building purposes, with roads, nullah-training, water-supply, lighting and so on. It is agreed on all sides that this demand is the direct result of the unfortunate dissensions in South China, which have resulted in great sums of money being brought to the safe refuge of Hongkong instead of being employed, as they should be and in normal times would be, in the operations of trade. It is, therefore, by no means a healthy development and, useful though we find the large sums which accrue from land sales in present circumstances, we should be glad to see a falling off in the demand if it meant that money were flowing back into the channels of legitimate trade.

There can be no doubt that this boom in land cannot last indefinitely. The question is whether it will end during the coming year. The end may come for two reasons. Order may be restored in the neighbouring provinces of China and trade may resume its normal course. This is what we all hope may happen, but if, on the other hand, the present deplorable state of disorder continues it cannot be long before Southern China reaches a stage of complete exhaustion, with the result not only that no more Chinese money will seek investment in Hongkong but that the prosperity of this Colony, whose interests are indissolubly bound up with those of its neighbours, will suffer a severe check. Optimistic and pessimistic views alike, therefore, lead us to place the revenue from Land Sales in 1924 at a considerably lower figure than will be realized in 1923.

THE HOUSING PROBLEM

I have already exercised the patience of this Council for so long that I will not now discuss the interesting subject of the bearing of high prices for land on the question of housing accommodation, which is one of the most important problems of the Colony at the present day.

A report by the Commission which I appointed earlier in the year to consider this question has been laid on the table to-day, and I am sure that Honourable Members will join with me in expressing on behalf of the community great appreciation of the arduous work of Mr. Pollock, Mr. Kotewall and Mr. Bailey. The report will be most carefully considered, but I may say that while the Commission has been busy the Government has not by any means been idle. I will not occupy your time by specifying the various measures which have been devised to alleviate the difficulties of the situation, but I would refer in passing to the experiment known as the "forty years lease scheme," which owes its origin to the fertile brain and inexhaustible activity of the Acting Colonial Secretary and from which we hope great things, as the demand for land in accordance with its provisions has exceeded our most sanguine expectation. The primary object of this new method of leasing is to put land at the service of the community generally without the burdensome conditions of an excessive competitive price, while at the same time the investor who is willing to build is assured of a safe and reasonably profitable investment.

THE MILITARY LANDS QUESTION

In conclusion, I would refer to that perennial and troublesome subject of discussion—the Military Lands. This question is still, I regret to say, unsettled, but I believe that there is now a real prospect of an early solution. In the spring of last year an agreement was come to between this Government and the local Military Authorities as to the value of the lands to be surrendered, but, while the matter was still under consideration at the War Office, the land boom supervened and for the time being values have risen greatly. In these circumstances, the Army Council have decided that the figures need further consideration and

they have accordingly sent out Sir John Oakley, an eminent authority on such matters, to investigate the situation. Sir John Oakley arrived recently, and every facility is being given him to pursue his enquiries. If a price is fixed which the Colony finds itself able to accept, a commencement will forthwith be made with the building of barracks at Gun Club Hill for the British battalion, and, as soon as these barracks are ready, Murray Barracks and Murray Parade Ground will be handed over to the Colony. I feel now, what I confess I have never felt before, that I am not taking too optimistic a view in thinking that my term of office may be marked by the removal of this serious obstacle to the proper development of the City of Victoria.—(Applause.)

Prevention of Fire

THE ATTORNEY-GENERAL moved the second reading of the Bill intituled, An Ordinance to make better provision for the Prevention of Fire in premises where Raw Celluloid or Cinematograph Film is stored or used.

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

The Council went into Committee to consider the Bill clause by clause, and on Council resuming the third reading of the Bill was formally moved and seconded, and agreed to, the Bill passing into law accordingly.

Closing of Streets

THE ATTORNEY-GENERAL moved the second reading of the Bill intituled, An Ordinance to provide for the closing, narrowing and diverting of streets, and for the alteration of the levels of streets.

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

The Bill was afterwards considered in Committee clause by clause and on Council resuming the Bill was read a third time and passed into law.

The Adjournment

H.E. THE GOVERNOR—Gentlemen, It is customary to leave some time for consideration of the Finance Bill before reading it a second time. A fortnight is the usual time. There would be no objection to three weeks, if desired, but any period beyond that would cause slight inconvenience. There is quite an amount of minor business to be disposed of and I propose, therefore, we meet at 2.30 this day week. The Bill dealing with fraudulent transfers of businesses will be ready for consideration next week. If members agree we can take the Finance Bill the following week.

HON. MR. POLLOCK—I think a fortnight will be sufficient.

H.E. THE GOVERNOR—The Council will adjourn until this day week.

FINANCE COMMITTEE

A meeting of the Finance Committee was afterwards held, the COLONIAL SECRETARY presiding.

A Botanical and Forestry Department Vote

The Governor recommended the Council to vote a sum of \$640 in aid of the vote Botanical and Forestry Department, Other Charges, Maintenance of Gardens and Grounds.

THE CHAIRMAN—This is for relaying the tennis court at the Puisne Judge's house on the Peak.

Approved.

The Yaumati Ferry Service

The Governor recommended the Council to vote a sum of \$85,000 in aid of the vote Miscellaneous Services, Other.

THE CHAIRMAN—This is in respect of the old Yaumati Ferry. When it was decided to control these ferries that service was put up to tender and the Company which was then running it was dispossessed. There has been considerable correspondence since as to damage done, as to depreciation of launches in

particular and the price we paid for the piers. The piers were their property, but on temporary permit, and we had the right to resume them. The matter has been to the Secretary of State and thoroughly thrashed out and this amount (\$85,000) has been accepted in full settlement.

Approved.

Bonuses For Interpreters and Translators

The Governor recommended the Council to vote a sum of \$500 in aid of the vote Miscellaneous Services, Bonuses for Interpreters and Translators.

THE CHAIRMAN—There is an annual vote of \$1,100. The younger Clerks in the service are encouraged to qualify for these posts, and there has been a very good response and this sum is required.

Approved.

The Volunteer Camp

The Governor recommended the Council to vote a sum of \$4,500 in aid of the vote Military Expenditure, B.—Volunteer Defence Corps, Other Charges, Camp Expenses.

THE CHAIRMAN—This is the Camp which was held in January. It exhausted the vote of \$4,000 and this is for the Camp to be held this November.

Approved.

P.W.D. Unexpended Balances

The Committee considered the Preliminary List embodied in the Financial Minute relating to redistribution of unexpended balances of Public Works Department votes for the year 1923.

THE CHAIRMAN said—The Department now know what works they can carry out and approximately what they can spend and the money has been redistributed accordingly.

Approved.