

September 20th, 1928.

PRESENT:—

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT (HON. MR. W. T. SOUTHORN, C.M.G.).

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS (MAJOR-GENERAL C. C. LUARD, C.B., C.M.G.).

THE COLONIAL SECRETARY (HON. MR. E. R. HALLIFAX, C.M.G., C.B.E.).

THE COLONIAL TREASURER (HON. MR. C. McI. MESSER, O.B.E.).

HON. MR. H. T. CREASY, C.B.E. (Director of Public Works).

HON. MR. R. A. C. NORTH (Secretary for Chinese Affairs).

HON. SIR SHOU-SON CHOW.

HON. MR. R. H. KOTEWALL, C.M.G., LL.D.

HON. MR. A. C. HYNES.

HON. MR. J. OWEN HUGHES.

HON. MR. C. G. S. MACKIE.

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

ABSENT:—

THE ATTORNEY-GENERAL (HON. SIR HENRY EDWARD POLLOCK, K.C.).

HON. MR. E. D. C. WOLFE, C.M.G. (Captain Superintendent of Police).

HON. MR. B. D. F. BEITH.

MINUTES.

The minutes of the previous meeting of the Council were confirmed.

ACCIDENT TO SIR HENRY POLLOCK.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT— Hon. Members of the Legislative Council: Before we proceed to the business on the Agenda I am sure Hon. Members will wish to join with me in expressing their sympathy with Sir Henry and Lady Pollock on Sir Henry's recent serious accident. This accident seems likely to involve Sir Henry's absence for several weeks and we shall all feel acutely the loss of the assistance and advice of the oldest and most experienced unofficial member of this Council. The loss is enhanced just now by reason of the fact that Sir Henry was acting as Attorney-General during the absence on leave of Sir Joseph Kemp and the Government can ill afford to lose the legal assistance of these two distinguished Members of Council at the same moment. I move that this Council desires to express its sincerest sympathy with Sir Henry and Lady Pollock on Sir Henry's accident and its earnest hope for Sir Henry's speedy restoration to health.

HON. SIR SHOU-SON CHOW—In seconding the motion, I beg, on behalf of the unofficial members of the Council, to associate ourselves with Your Excellency's sentiments and to join in the expression of sincere sympathy with Sir Henry and Lady Pollock. We all earnestly hope that Sir Henry will soon be restored to complete health.

The motion was passed unanimously.

PAPERS.

THE COLONIAL SECRETARY, by command of H.E. The Officer Administering the Government, laid upon the table the following papers:—

Notification under section 90 of the Public Health and Buildings Ordinance, 1903, on July 30th, 1928.

Resolution under the provisions of section 3 of the Public Works Loan Ordinance, 1927, on August 2nd, 1928.

Rescission of the Order declaring Saigon to be an infectious disease place, on August 7th, 1928.

Rescission of the Order declaring Pakhoi to be an infectious disease place, on August 8th, 1928.

Order under section 22 of the Education Ordinance, 1913, on August 9th, 1928.

Regulations under section 4 of the Factory (Accidents) Ordinance, 1927, on August 15th, 1928.

Colonial Auxiliary Forces Long Service Medal.

Colonial Auxiliary Forces Officer's Decoration.

Order under section 2 of the Evidence Ordinance, 1889, on September 5th, 1928.

Order under section 2 of the Evidence Ordinance, 1889, on September 5th, 1928.

Regulation under section 4 of the Midwives Ordinance, 1910, on February 17th, 1928.

The Amendment of the Pension Minute.

Notification under section 90 of the Public Health and Buildings Ordinance, 1903, on September 13th, 1928.

Rules under section 4 of the Suitors' Fund Ordinance, 1896, on August 14th, 1928.

Abstract showing the Difference between the Approved Estimates of Expenditure for 1928 and the Estimates of Expenditure for 1929. (Sessional Paper No. 5 of 1928).

FINANCE COMMITTEE REPORT.

THE COLONIAL SECRETARY, by command of H.E. The Officer Administering the Government, laid upon the table report of the

Finance Committee No. 9 of August 2nd, 1928, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

EXEMPTION FROM ASSESSMENT FOR RATES.

THE COLONIAL SECRETARY—The Chinese Recreation Ground, Hollywood Road, has for many years been administered by a Committee consisting of the Secretary for Chinese Affairs and the two Chinese members of the Legislative Council and a certain revenue is derived from the letting of stalls. This revenue is utilised for the conservancy and the special policing of the area and the balance forms a subscription towards charitable funds administered by the S.C.A. Office. No rates have ever been paid. Recently the Yaumati Public Square has been brought under the same conditions and stalls have been erected from charitable funds and are let at a rental. The money received in both cases is fully accounted for and duly audited and the method has generally proved satisfactory. Attention has recently been drawn to the fact that as the stalls are rented both areas are liable to the payment of rates unless specially exempted by the Legislative Council. Approval is therefore sought for a resolution that will regularise existing practice, and I beg to move the resolution standing in my name on the Agenda paper:

Resolved by the Legislative Council that the following areas,—

- (a) The Chinese Recreation Ground; and
- (b) Yaumati Public Square, be exempted from assessment for rates notwithstanding occupation thereof, or of any portion or portions thereof respectively for pecuniary profit.

THE COLONIAL TREASURER seconded, and the resolution was passed.

BILLS POSTPONED.

THE COLONIAL SECRETARY—In view of the unavoidable absence of the Attorney-General I beg leave to move the postponement of the first readings of the Bills to amend the Larceny Ordinance, 1865, and the Magistrates Ordinance, 1890.

THE COLONIAL TREASURER seconded, and this was agreed to.

FINANCIAL REVIEW.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT — Honourable Members of the Legislative Council: Before the Colonial Secretary rises to move the first reading of the Supply Bill for 1929 I desire to place before you a brief résumé of the financial situation of the Colony which may help to explain the basis on which the estimates of expenditure have been framed.

When I introduced the Budget for 1928 I set before the Council an estimate of our position at the end of 1927 and at the end of 1928. Now Budget-making has not yet been reduced to an exact science and events have a trick of falsifying the most careful estimates. It is therefore natural for Budget-makers to err on the side of caution, for should events prove their prophecies to have erred on the side of optimism the result may well be disastrous to the financial stability of the Colony, while the errors of caution, if not pushed to excess, are likely at the worst to lead only to delay in the execution of works which, however desirable, cannot be classed as essential.

Leaving out of account for the moment the sum of \$1,963,358 which is due for repayment to surplus balances from loan funds we anticipated an actual surplus of assets on the working of the year 1927 of \$2,184,033 of which some \$500,000 would be liquid.

The actual result for 1927 falsified our predictions in that the revenue instead of being below our estimate exceeded it by \$337,139, while our expenditure fell short of our estimate by \$1,469,637, and instead of finishing the year 1927 with an over expenditure of \$1,307,305 as originally estimated, or of \$1,302,257 as estimated this time last year, we actually had a surplus of \$499,471 to add to our surplus balances, and we were able to start the year 1928 with surplus assets of \$3,985,761, of which some \$2,025,000 were liquid, instead of \$2,184,033, of which \$500,000 would be liquid, as we anticipated when we framed our Budget for 1928. To these figures remain to be added the sum of \$1,963,358, repayable from loan funds.

In considering this favourable result it must not be overlooked that our original estimate of revenue was only exceeded by \$337,139 and the principal cause of our surplus was the not altogether satisfactory one of under-expenditure to the extent of nearly three-quarters of a million dollars on Public Works Extraordinary. In this connection moreover we must remember that the Public Works Department expended \$1,537,261, from loan funds in 1927 which but for the flotation of our Public Works Loan must have been met, as in more prosperous times, from Revenue and Surplus Balances, while the Department can also point to many activities on behalf of the Military Authorities in connection with the arrival of the Shaforce which were inevitably reflected in some diminution of its own spending power. Our estimates for 1928 were framed to show a revenue of \$20,103,390, and an expenditure of \$22,183,045, an over-expenditure of \$2,079,655, and to meet this estimated deficit we had surplus assets on January 1st, 1928, of \$3,985,761 of which \$2,025,000 were liquid without counting the repayment from loan funds.

Unless some unforeseen catastrophe should occur to disturb the even tenor of our way between now and the end of the year there is every prospect that we shall complete the year 1928 with a surplus on our estimates of just over \$1,000,000 instead of a deficit of just over \$2,000,000.

The year opened with a good many clouds on the political horizon owing to the December upheavals in Canton, but a new era of improved relations with Kwangtung began with the interchange of visits between Marshal Li Tsai Hsin and His Excellency Sir Cecil Clementi in the early part of this year, and this Colony and the neighbouring provinces of China owe much to Sir Cecil's untiring labour for the re-opening of friendly intercourse between Hong Kong and its great neighbour, the city of Canton. It cannot be expected that trade should recover in a bound the position from which it had receded. China has been too long rent with civil strife to be able at present to trade with its former freedom. It can neither produce nor absorb the volume of its peace time trade. But at any rate in Kwangtung and Kwangsi, under their present rulers, signs of returning prosperity are by no means lacking. Piracy and banditry are being suppressed, roads and other means of communication are being opened up, communism is being kept in check and a general feeling of security is being fostered.

We welcome these signs and venture to offer our congratulations and good wishes to the Governments of these provinces in the great endeavour they are making to restore prosperity to the areas over which they rule.

But we have a long way to go before the volume of the Colony's trade will reach the figure of more prosperous times; at present I am advised that trade is improving but that the improvement is very slow and is hampered by a lack of confidence in the future on the part of the Chinese merchant leading to excessive caution in his business transactions. He is inclined still to adopt a hand-to-mouth policy to which he is encouraged by his uncertainty as to the taxation which will be imposed by his Government.

Bearing these facts in mind we cannot but congratulate ourselves on the position in which the Government Treasury finds itself to-day.

The revenue has shown a remarkable recovery. Without any alteration in our fiscal system beyond the two almost trivial items of school fees and ship survey fees to which reference was made last year our estimate of \$20,103,930 seems likely to be exceeded by \$2,571,020 and we now estimate our revenue for this year at \$22,674,410. There are increases under almost all heads, the most noticeable being the increase of over \$1,000,000 in land sales due to the resumption of land purchase in the Colony during the last few months. There is no doubt that the population of the Colony has been increasing during the year and as the vacant houses are occupied an impetus is given to building operations and land purchase for which considerable funds seem to be available. This increase in population accounts largely for the increase of nearly \$1,000,000 under licences and internal revenue not otherwise classified.

There is however one item which does not show the increase which we might have expected, *viz.*, liquor duties. New regulations for the control of Chinese Distilleries were introduced during the year and have had some effect in improving the returns from liquor
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Government cannot but feel that the Treasury still fails to receive the full amount to which it is entitled under the law from the excise on Wines and Spirits and it may become necessary to tighten the regulations still more in order to prevent illicit evasion of the duty. The honest distiller and dealer would not suffer if the way of the transgressor were made a little less easy.

Expenditure for this year we have now estimated at \$21,672,500, an under-expenditure on our original estimate of \$510,545, and if our estimates prove correct we shall finish the year with a surplus of revenue over expenditure of \$1,001,910, instead of a deficit of \$2,079,665. This surplus added to our balance of assets at the beginning of the year should give us a Balance of Assets over Liabilities on December 31st next of \$4,987,671 without the repayment of the money due from the loan account or, with that sum added, \$6,951,029 of which just over \$5,000,000 may be regarded as liquid.

From this total however must be deducted a sum of \$444,000 which is being advanced this year from surplus balances to meet an expenditure on Loan Works beyond that provided in the Loan Ordinance to which I shall refer later, leaving an estimated liquid balance of \$4,722,910 available for 1929.

In framing our Estimates of Revenue for 1929 we have given due consideration to the sudden expansion this year and have placed our revenue for next year without any change in taxation at \$22,278,600, the details of which are given in the printed estimates. This amount is \$395,810 less than our revised estimate for the current year but in these uncertain times we have not felt justified in assuming that the sudden increase of this year will be more than maintained, while, when the immediate demand for land has been satisfied, it is possible there may even be a slight falling off under the head of land sales.

We thus anticipate that to meet next year's expenditure, exclusive of Loan Works, we shall have available a revenue of \$22,278,600 and a liquid surplus balance of \$4,722,910 making a total of \$27,001,510. The Colonial Secretary will shortly lay before you the Estimates of Expenditure for 1929 which amount to a sum of \$24,799,650 and exceed by \$2,616,605 the original estimates of expenditure for the current year. This estimate shows a deficit as against the revenue of \$2,521,050 but will still leave us an estimated balance of assets over liabilities of \$3,985,979, and a liquid balance of \$2,201,860.

As Honourable Members are aware we passed the Public Works Loan Ordinance authorizing a Loan of \$5,000,000 towards the end of last year and raised with almost embarrassing ease the sum of \$3,000,000 out of the total authorized. Detailed statements of the Loan Expenditure appear in the Appendices to the Printed Estimates.

When the Loan was under discussion it was anticipated that the sum of \$5,000,000 would more than cover the cost of the then approved portion of the Shing Mun Valley Water Scheme and the Aerodrome and Harbour development schemes. Our estimates however have

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found incorrect owing to the inability of His Majesty's Government to contribute more than £100,000 towards the cost of the Aerodrome. From the figures published in the Appendices it will be seen that as regards the Shing Mun Scheme the sum of \$3,500,000 will more than cover the expenditure exclusive of the cost of supplying the water to the Hong Kong side of the harbour, but that a further sum of \$676,124 will be required if the cross harbour pipe and Garden Service Reservoir are carried out.

The cost to the Colony of Harbour Department is estimated at \$547,916 and of the Aerodrome at \$1,539,467 making an excess of \$587,383 over the amount provided by the Loan to be charged to Surplus Balances pending the floating of a further loan. Had His Majesty's Government paid three-quarters of the cost of the Aerodrome as was hoped this time last year this excess would not have occurred. We are for the moment financing these loan works from Surplus Balances but it will be necessary before long to raise the balance of our authorized loan and then again to finance from Surplus Balances until it is decided to raise further loan funds. It is necessary to take a vote of \$444,000 to finance the Harbour Development and Aerodrome Works this year (the matter will come before you in Finance Committee to-day) and a further sum estimated at \$145,000 will be required next year as an advance to Loan Funds which will be a charge against our estimated liquid balance of \$2,201,860.

It will be noticed that we have made no specific provision for increasing the water supply of Hong Kong Island. The question, as Honourable Members are aware, is one which has been engaging the most earnest consideration of this Government, and it was only on the 2nd August last that I made a statement to the Council on the present position. The Sessional Paper on the Aberdeen Water Scheme, promised when the Budget was introduced last year, was published early this year and was followed by a further Sessional Paper on the Colony's water supply generally. The views of the Unofficial Members have been communicated to the Secretary of State and his reply is awaited. The urgency of some additional water supply on this side of the harbour has already been brought home to us by the early introduction of restrictions on the supply to certain parts of the town owing to the insufficiency of the rainfall and the increased consumption, and we do not wish to minimize the seriousness of the situation should there not be a generous rainfall before the dry season finally sets in. Whatever scheme may be decided upon will be pushed on with the utmost vigour. The cost it is proposed to charge ultimately to a new loan but it will be possible in the meantime to finance the expenditure from the unallocated surplus balances which we are holding in reserve.

I commend, gentlemen, to your earnest consideration the estimates of expenditure which are about to be laid before you and I know that I can rely on you now, as always, for that co-operation in all measures for the welfare of this Colony without which good government is impossible. (Applause.)

THE SUPPLY BILL FOR 1929.

THE COLONIAL SECRETARY—In rising to carry out Your Excellency's instructions to introduce the Supply Bill for 1929, by the statement Your Excellency has just made I find my task lightened to to the point of dealing only with Expenditure. Further the expenditure I have to consider does not cover matters connected with the Public Works Loan, which is a matter apart, and concerns the revenue of the Colony only to the extent of its service and of the possibility of financing the works concerned from the surplus balances of the Colony pending such time as it may be found desirable to offer a further sum for public subscription.

The estimated revenue for 1929 reaches a total of \$22,278,600 and in addition to that there will be available an estimated net liquid surplus balance of \$4,722,910 making in all a total of \$27,001,510. Of the total of the surplus balances plus the annual revenue given above, the Government has aimed to leave approximately \$2,000,000 intact. Provision has also to be made for Military Contribution \$3,978,388 and for the service of the Public Debt \$1,332,298, the details of which will be found on pages 101 and 105 of the draft estimates. Subtracting from the total available these sums we are left with a total which covers the expenditure of the \$19,478,964 estimated as required to meet the needs of the Colony for 1929. This sum with the Military Contribution and the Service of the Public Works Loan exceeds the estimated Revenue for the year 1929 by \$2,521,050, but it is considered justifiable to provide this amount out of surplus balances and without resort to increased taxation provided that the reserve of \$2,000,000 can still be maintained. It should be noted that the rate of exchange has been estimated at \$1=1/11d., as for last year.

A complete explanation of the Estimates of Expenditure allowing for proper comparison with previous years involves a great mass of detail: and the example of last year when the items of Public Works Extraordinary were presented fully in written form, has been followed with a view to including all the details of Department Expenditure. The tabular statement circulated with the draft estimates is complete and it is hoped in a form which is clear and which will provide an easy method of reference. The tables should result in economising the time of the Council, and with permission, Sir, I propose to omit matters which can be easily found in the statements, and confine myself as far as possible to broader lines of explanation.

The salaries of a large part of the Government service have been under review for some time and in accordance with Sir Cecil Clementi's recommendations to the Secretary of State it is anticipated that a Revision Commission will shortly sit to consider the matter comprehensively. Meanwhile certain temporary provisional additions have been approved by the Secretary of State and have been entered in the draft estimates. All these additions were put to the Finance Committee of the Legislative Council before the recommendations were sent

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and received their approval. The largest addition of this kind is the grant of allowances on a sliding scale to compensate for the fall of the dollar below half-a-crown to Government servants ordinarily recruited at home. The total which it is estimated is involved is to be found on page 100 under Head 34, s.h. 47, Miscellaneous Services— Exchange Compensation Allowances, \$350,000. Further it has been deemed necessary to meet recruiting difficulties which were being encountered by raising the scale of salaries for the earlier years of service: the differences on this account will be found under the separate heads.

The initial salaries of Cadets have been raised from £350 to £375, of Police Probationers from £325 to £350 and of Schoolmasters from £400 to £425, with increments so arranged that the salaries fit again to the existing scale in the latter stages.

When the publication of these concessions was recently made, much criticism was aimed at the apparent neglect of the claims of the rest of the Government servants and a Petition by the Junior Clerical Staff appeared in the local papers. The reply to that Petition was also published and in this connection I would add that reference to Appendix 2 page 104 will show that the new organisation of the Junior Clerical service is estimated to cost \$726,021 in 1929 as against \$621,867 in 1928. We thus get an expenditure on this service increased by \$104,154 of which \$25,050 is due to necessary increase in numbers, \$19,565 to stipulated increments and \$42,250 to the creation of more higher grade posts so as to allow of more rapid promotion.

I would observe that the \$42,250 for higher grade posts is in addition to \$17,000 applied to this purpose during 1928, over and above the establishment shewn in the estimates for that year.

A scheme has been drawn up to provide for further proportionate increases in the higher ranks for some years ahead. In this connection I would also refer to the fact that lodging allowances equivalent to an increase of salary of from 10 per cent. to 15 per cent. were granted in 1924 to members of this staff and that the whole scheme of salaries is open to revision by the Revision Commission.

The Senior Clerical and Accounting Staff also is connected with all departments of the Government service. An important alteration, which should make for elasticity and efficiency, has been made in this section by grouping under it all Lady Stenographers, arranged in two classes. The higher will be composed of Confidential Assistants and Stenographers on a salary of £300-£400 a year, and it is hoped thus to attract to the higher class candidates with English training and qualifications who are well suited to fill the confidential posts for which it is desired to recruit them.

It is probable that recent events in the Colony which have led to a careful review of all our financial methods may result in a recommendation for considerable expansion of the Senior Clerical and Accounting Staff to secure closer control in accounting and finance.

The enquiries necessitated however are not yet complete and it has not been possible to enter any sum in the 1929 estimates to meet this contingency. When the recommendations are clear cut the matter will be put before the Finance Committee of the Council for their consideration, with a request for supplementary supply as may be necessary.

We pass now to the details under the separate Heads of the Estimates. The Departmental Estimates are fully annotated in the abstract of differences, but there are a number of matters to which attention should be particularly directed.

Honourable Members will notice under the Cadet Service vote, Head 2, an item of special interest to myself. Sir Cecil Clementi recommended to the Secretary of State an increase in the salary of the post of Secretary for Chinese Affairs and the Secretary of State directed that the Council should be invited to approve of a fixed salary of £1,500 per annum for the post of Secretary for Chinese Affairs and of a personal allowance of £300 for myself.

Under Head 11, Post Office, it will be noticed that transfers have been made to the department from the Senior Clerical and Accounting Staff. This has been done because it is considered that the work of the Post Office is so highly specialised that the prospect of transfer of officers to and from other departments is small, and they will as far as possible be expected to look for promotion in the Post Office.

The postal Franker is an experiment with a machine which obviates the necessity for adhesive stamps and can be utilised elsewhere than in the Post Office itself. It is thought that local business houses will be glad of the opportunity of seeing how the experiment works.

Head 13, Harbour Department—this Head shows a very large reduction of \$117,415 as against 1928. This sum is almost entirely accounted for by the special expenditure which was necessary this year. The new launch to replace the *Victoria* and two other new launches for the department appear in the special expenditure of this year and the expense does not, of course, recur.

Supreme Court, Head 16. Provision has been made for the restoration of the second post of Deputy Registrar, Supreme Court, and it is intended to fill the post by attaching to the Registry one of the officers appointed under the title of Assistant Crown Solicitor. These officers are appointed on the understanding that they are liable for service in any of the legal departments as the Government may from time to time decide.

Head 23. The Police Estimates show a decrease as compared with 1928 of \$44,765. The fullest possible notes have been appended to this Head so that Honourable Members may be fully informed of all details. Expense is not spared to keep the Force efficient, as it must be, but it is always a matter for congratulation when a reduction in the expenditure can be secured without the necessity of having to refuse any of the requisitions of the Captain Superintendent.

Head 25, Medical Department. Much consideration has been given recently to a scheme which will bring the Medical more closely into touch with the Sanitary Department. No reduction of the duties or the responsibility of the Sanitary Department or the Sanitary Board is contemplated, the object in view being to co-ordinate these two departments more closely and to give the Sanitary Board the advantage of the experience of the Medical Department.

The alterations in the titles in the Medical Department are a first step in the direction indicated. "The Principal Civil Medical Officer" becomes "The Director of Medical and Sanitary Services" and will be responsible for the technical side of the work of the Medical Officers of Health and for the advice that they will give to the Sanitary Board. It is hoped too that this arrangement will make it possible to follow the principles on which the Colonial Office has recently laid so much stress, and to pay more attention to methods of prevention, for which the best technical advice available is necessary, and under this scheme will be made available.

During the year the Government has made continued efforts to recruit a malariologist but so far without success. It is hoped that the post may be filled in the near future.

The Nursing Staff has been considerably increased. It was found that the nursing sisters were not infrequently without the amount of leisure always conceded to others in less exacting professions. It is now possible to secure for the sisters four days clear off duty in every month.

Head 26, Sanitary Department, shows a large increase of which the major part is accounted for by the special expenditure necessary for the better disposal of refuse. The item for exhumation under this Head is due to the necessity for re-opening a long closed cemetery at Cheung Sha Wan.

Head 28, The activities of the Educational Department have during the last few years been widened very considerably and the increase of \$30,814 for 1929 is almost entirely due to increase in personal emoluments. An extended staff is required to keep pace with our developments and as I have already explained the initial salaries have had to be revised to attract recruits of the desired standard.

Item 29 under Head 28 shows a large reduction. Comparatively little authorised building which might become a charge on the building grants vote is in view and it will be necessary to make it clear that grants during the year will not be considered unless full authority has been given in advance.

In connection with Education I would refer Honourable Members also to the vote on page 100, Head 34, Item 25, of Miscellaneous Services, an increased subsidy to the University. This increase is to cover a grant to the School of Chinese which it is hoped to establish, and is intended to be an annual grant for the few years that may

be required before the School can be expected to become financially independent. The increase is \$32,200, and the vote has been entered after a discussion of the point with the Finance Committee.

Public Works Department, Head 29, calls for no additional comment under the Head of Personal Emoluments and Other Charges. The fullest explanations are given in the notes.

Recurrent Public Works, Head 30, shows an increase of \$78,900. During the last few years economy has been enforced to the lowest point consistent with efficiency. We are now, it is hoped, in a position to return to the high standard normally maintained by our Public Works Department and to make good matters which it was possible to leave over for the time.

Head 31, Public Works Extraordinary. No notes appear under this Head but the details are exhaustively dealt with in the special memorandum over the signature of the Director of Public Works which has been already circulated. In attacking this difficult problem the Government was as usual faced with a very wide choice. The whole of the Extraordinary works suggested by all departments would have gone quite near to eating up the total revenue for the year. It was found possible after dealing with departmental needs to allocate approximately $3\frac{1}{2}$ millions to this Head and the selection made from the very large list submitted by the departments constitutes the estimate for the coming year on page 81 and following under Head 31. This larger total which it is hoped to provide next year is a promising sign as compared with the totals for 1927 and 1928. The expenditure for 1927 was under \$3,000,000 and it is estimated that in 1928 it will reach \$2,271,000 only. These totals are a very great reduction on those expended on Public Works Extraordinary in the days before the depression of trade, and it may be a long time before we shall reach again times so prosperous as to enable the Colony to return to that high standard of expenditure. It is felt, however, that matters are sufficiently improved to justify the beginning of an attempt to make up leeway and assistance for the revenue from available surplus balances has been invoked.

In making a selection of the works to be done the Government necessarily gave first place to works already in progress. They become unavoidable commitments and they are clearly indicated in the tabular statement appearing in the estimates.

In this category is to be included the money recommended for the extension of the Peak Wireless Station. The Council during the course of the current year has already voted large sums for the development of radio, recognising the essential nature of the development and the importance of keeping in step with the times. It was explained, at the time that the money which could be expended this year was asked for, that these further sums would be consequently necessary in 1929.

The second principle adopted in guiding Government's choice was to select a number of small works, such as bath houses and latrines, the requirements of the Sanitary Department, which are easily overlooked in times of pressure but are in fact matters of first importance. It will be noticed that the Sanitary Board and its requirements have been treated with considerable generosity in this respect.

We were left then with a choice of a number of very large and expensive works. The Saiyingpun Market has been for some years on the list of urgencies and I think there will be none to gainsay its importance. It has at last been decided definitely to undertake the work and \$200,000 out of a total estimated cost of \$400,000 has been entered for expenditure next year. If we wish to look beyond sanitary necessity for a justification of the expenditure of this large sum, it can be found in the fact that it becomes a revenue producing investment.

The increase of the Police Force has resulted in an ever growing pressure on the accommodation available, and the provision of new and improved stations is a matter that has grown in urgency. It is considered that the best beginning can be made by providing a large modern Police Station on the Praya East where a sufficiently roomy site can be made readily available, for accommodation which, it is hoped, will do for many years to come. \$150,000 of a total estimate of \$300,000 is accordingly entered on page 81, Item 8.

\$70,000 Item 44, page 82, has been allocated to the transfer of Public Works Department Workshops to Wood Road. The present Public Works Department Workshops are all more or less of a temporary and provisional nature. With the completion of the reclamation it will be necessary in any event for these workshops to move elsewhere as the area on which they stand is partly required for roads and is partly privately owned ground. Wood Road at the foot of Morrison Hill provides a satisfactory site. A part of it is already available and building can proceed. It is unfortunately not possible to give any reasonably precise estimate of the total cost of the completed development as considerable site formation is still required and a level of considerable area has to be reduced several feet through rock. The expenditure of the \$70,000 will involve a commitment in the following years for the continuation of the work but the Director of Public Works informs us that while it is impossible as yet to be accurate, the total cost of the store should not exceed two lakhs.

The expenditure of \$75,000 for the resumption of the work connected with item 27, on page 81—the Tai Hang Road, may be taken as evidence that the Government believes it is now in a position to attempt to return to the conditions of some years ago and to carry out the development arrangements which were then contemplated, but have had to be left in abeyance.

On the Hong Kong side, three other items call for special remark. The work of laying large principal mains in the City which will incidentally enable a larger supply of water to be

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end from our main reservoirs is being continued with all possible expenditure, Item 58, page 83, and arrangements for more economical distribution are in contemplation under item 57, the installation of hydraulic and pump at Bowen Road Filter Beds. Similarly the claims of the North Point and Shaukiwan District have been considered in the provision of \$50,000 out of a total of \$100,000 required to complete the Balance Tanks at North Point.

On the Kowloon side, Item No. 69, Hung Hom, New Government Store, \$50,000 out of a total required of \$100,000 marks the beginning of a better organisation of Government Stores in general. It is hoped to concentrate all Government stores at this centre, and by improved organisation to make possible an economy which will in time more than justify the expense of the store itself.

\$60,000, item 72, has been allocated for the much needed maternity block of the Kowloon Hospital and \$30,000 for Children's Playgrounds: Item 73.

In New Kowloon, market extensions hold a prominent place, Shamshuipo, Kowloon City and Kowloon Tong all receiving an allocation: Items 98, 101 and 102.

Item 104, married quarters, Laichikok Prison, has become a matter of necessity as the provision of a new Central Gaol is a matter which must wait at least some years yet, and Laichikok, therefore, loses some of its temporary nature. The Gaol Authorities are finding that their proportion of unmarried warders is growing less and in the absence of married quarters at Laichikok the difficulties of transfers when choice is limited to a comparatively few remaining unmarried warders, have made it necessary for the Government to come to the assistance of the Department. These quarters at Laichikok will take the place of some of the outside accommodation in Hong Kong which it has become necessary to rent to make good the shortage in Government married quarters.

Item 124, page 85, Kowloon Tsai Resumptions, is necessitated as a consequence of the works already done by the Government in this vicinity. The natural water courses have been altered to such an extent that Kowloon Tsai is in danger of being uninhabitable during a period of heavy rain and resumption has become necessary. Continued work on the important development areas of Kowloon has been provided for and I would draw particular attention to Item No. 128, the filling in of areas North-West of Nam Chang Street, which is a much needed Sanitary improvement.

Before passing to the more obvious omissions that will be noticed in the list of Public Works Extraordinary proposed, it is right to draw attention to an item of expenditure which though not before us this year will inevitably be necessitated in the near future even if it has not to be included in the budget for 1930. Government Office accommodation has become unduly cramped and the erection of new buildings (probably on the Beaconsfield Arcade site)

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matter requiring early and anxious attention. It may sound strange that a demand of this nature should be put forward so soon after the completion of the large new offices on the Harbour front, and while the extension of the Colonial Secretary's Office building is actually in hand. The extension of the Colonial Secretary's Office was, however, long overdue and the accommodation provided in Connaught Road did little more than replace accommodation elsewhere. Meanwhile the demands of the Post Office grow daily and it can safely be anticipated that radio will take a very important place in the life of the Colony almost at once, and accommodation will have to be found for the working of a largely increased staff. All this is in addition to normal increase of Government work during the last 30 years, with which accommodation has hardly kept pace. Even now the Government is paying \$34,196 a year for rent of office quarters and as further accommodation becomes essential, it is obvious that building will have to be undertaken.

A new Government Civil Hospital and a new Gaol are also expenditure which has been under consideration and which must surely be faced in the near future. On matters of such large importance the most careful consideration of all the circumstances is clearly required before any scheme is accepted which can be put before the Council with a request for the approval of expenditure. Both these improvements to the Service of the Colony are under consideration and expenditure for beginning the Government Civil Hospital at least will, I expect, be asked for in the estimates for 1930.

Little need be said on Head 32, Kowloon-Canton Railway. We are doing everything that is possible to assist the Canton section and to ensure safe and continuous through running of trains, and further we undertake considerable work in the way of upkeeping the rolling stock of the Canton section. This work is paid for and we receive hire for the loan of such engines as are used to draw trains on through runs. The running expenses in general promise to be met by the returns.

Head 33—Volunteer Corps. The Government is anxious to encourage the Corps in every way and evidence of this is to be seen in the votes put before you. Facilities are given for training selected Officers and Non-Commissioned Officers in England. Largely increased allowances are made for ammunition and a vote is entered for the purpose of encouraging the Volunteer Band which has been so successfully started. Special expenditure provides material which should make the Volunteers a Force to be reckoned with in any emergency.

Under Head 35 is entered a vote of \$4,800 for the St. Louis Industrial Institution which is doing excellent work and may lead the way to filling a long felt need in the Colony by giving instruction and education to boys who might otherwise find themselves among the ranks of the criminals.

Finally it will be noted that under Head 36 allowance is made for Interest and Sinking Fund for the whole \$5,000,000 loan authorised by the Legislature. It will be remembered that \$3,000,000 only has so far been floated.

The Budget as framed and now put before you represents, therefore, an expenditure of \$24,799,650 with a possible call on liquid reserves of \$2,521,050 and a reserve balance of \$2,056,860, a position which compares well with the position as foreshadowed when the Budget for 1928 was introduced and when the figure for expenditure was \$22,183,045, involving an anticipated drain of \$2,079,655 on our surpluses, and a liquid reserve balance of only some \$500,000.

This is no time for extravagance and every item of expenditure has been carefully reviewed, but neither is it the time for pessimistic economy. Trade as a whole is far from good but the horizon is not as dark as it was a year ago. The tide of Civil War has rolled northward and it may be that the war fever will wear itself out without again showing south of the Yangtze. It is earnestly to be hoped that that will be the case and signs are not wanting in Kwangtung of a feeling that some other occupation than War must be taken up if the prosperity of the country is not to be entirely destroyed. A serious and effective effort is being made to deal with the pirates in Bias Bay and in the West River. In this connection reference to Head 34 sub-head 5 will show a reduction in the cost of armed launches for the West River Patrol: and it is hoped that conditions have so far improved as to make it unnecessary to extend the charter of these launches beyond the Spring of 1929. The effort to suppress brigandage is not limited to the waterways but is reflected in the much improved conditions throughout the neighbouring provinces. Kwangsi is going ahead fast with road construction: and perhaps more than all it would appear that the Southern Government has at last realised the necessity of asking advice from the merchants, whose voice has for so long been quite unheard. Whether the advice will or will not be taken remains to be seen. I put the point as a promising sign of: the better times to which we are justified in looking forward.

Poor trade has however resulted in much capital being idle and unemployed and finding its way to Hong Kong. The openings that are taken here result in a definite advantage to our revenue and though we would be better pleased to see the money used in trade with China on the old lines, it remains that the Government is in a position to carry on the work of the extension of the Colony almost as in our best days. The optimism you confessed to last year, Sir, when you introduced a Budget with a deficit, has been justified, and I think we are still justified in introducing a second Budget of the same nature, but involving even an increased expenditure, with the same optimism: for there is a firm and general confidence in the future prosperity of the Colony, a confidence with but a poor foundation if it does not rest on the belief that the fostering of industry and commerce must within a measurable distance of time assume its due prominence in the programme of those who direct China's destinies. (Applause.)

I beg to move the first reading of the Ordinance to apply a sum not exceeding nineteen million four hundred and seventy-eight thousand nine hundred and sixty-four dollars to the Public Service of the year 1929.

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

Council adjourned until October 4th.

FINANCE COMMITTEE.

Following the Council, a meeting of the Finance Committee was held, the COLONIAL SECRETARY presiding.

Votes totalling \$826,429, contained in message No. 10 from H.E. the Officer Administering the Government were considered.

All the votes were passed.
