

20th October, 1930.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR WILLIAM PEEL, K.B.E., C.M.G.).

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS (MAJOR-GENERAL J. W. SANDILANDS, C.B., C.M.G., D.S.O.).

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

THE ATTORNEY GENERAL (HON. MR. C. G. ALABASTER, K.C., O.B.E.).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. A. E. WOOD).

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

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

HON. MR. E. D. C. WOLFE, C.M.G. (Inspector General of Police).

HON. COMMANDER G. F. HOLE, R.N. (Retired) (Harbour Master).

HON. DR. A. R. WELLINGTON (Director of Medical and Sanitary Services).

HON. SIR SHOU-SON CHOW, K.T.

HON. MR. J. OWEN HUGHES.

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

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

HON. MR. J. P. BRAGA.

HON. MR. S. W. TS'O, O.B.E., LL.D.

HON. MR. J. J. PATERSON.

HON. MR. PAUL LAUDER.

MR. E. W. HAMILTON (Deputy Clerk of Councils).

MINUTES.

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

PAPER.

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid on the table the following paper:—

Regulations and exemptions under sections 3 and 35 respectively of the Motor Spirit Ordinance, 1930, Ordinance No. 4 of 1930, on 15th October, 1930.

FINANCE COMMITTEE'S REPORT.

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid upon the table the report of the Finance Committee, No. 14 of 16th October, 1930, and moved that it be adopted.

THE COLONIAL TREASURER seconded and this was agreed to.

THE BUDGET.

THE COLONIAL SECRETARY moved the second reading of "A Bill to apply a sum not exceeding Twenty-three million three hundred and sixty-five thousand three hundred and thirty-five dollars to the Public Service of the year 1931."

THE COLONIAL TREASURER seconded.

THE HON. SIR SHOU-SON CHOW.—Sir, It is my privilege for the third time to present the joint views of the unofficial members of this Council on the Budget, after which certain of my honourable colleagues will, as is customary, make some observations of their own.

This is Your Excellency's first budget; and although it is not one that can provoke our enthusiasm, since a considerable portion of the increased expenditure necessitating increased taxation is directly attributable to the general revision of salaries, we respectfully tender Your Excellency our congratulations on the able manner in which you have grappled with the unusual difficulties of its production.

The Hon. Colonial Secretary's speech, and the Hon. Colonial Treasurer's memorandum on the Revenue, have made clear the financial position of the Colony; and the summaries now added to each Departmental Estimate, as a result of representations made last year by the unofficial members, are an improvement, showing at a glance the total expenditure of each Department.

A Missing Document.

On the other hand, there is one important document which we have missed this year. It is the abstract showing the differences between the approved Estimates of Expenditure for 1930 and the Estimates of Expenditure for 1931. For about twenty-three years, except for one or two years during the Great War, this abstract has invariably been presented with the Estimates; it is a very useful document in that it not only accounts for the increases and decreases in the expenditure under each head, but also shows such differences in total under the title "Recapitulation." For instance, the abstract presented last year enabled us to tell at a glance how much of the total increase in Personal Emoluments was due to the creation of new posts, how much to stipulated increments, and how much to other emoluments, just as it enabled us to find out how much saving was to be effected by the abolition of posts, how much by reductions due to new appointments, and how much by other readjustments.

This year, in the absence of such a statement, we have not been able to ascertain these important facts, though it is more necessary now than in previous years for the public to know how the total of Personal Emoluments is made up, especially what total increase is entailed by the revision of salaries.

The scantiness of the footnotes was commented upon by the unofficials last year, and the then Colonial Secretary promised to repair the omission in future Estimates. This has been done in the Estimates of Expenditure, but in the Estimates of Revenue there is not a single explanatory note to account for the increases or decreases shown therein. The Hon. Colonial Secretary in his speech, and the Hon. Colonial Treasurer in his Memorandum, gave some explanations, but they covered only a few selected sub-heads, leaving unexplained innumerable items showing differences between the Estimates for 1930 and the Estimates for 1931.

Increased Taxation.

The proposed augmentation of existing taxes and the imposition of new taxes, though unfortunate in these bad times, seem to us unavoidable, when we consider that the Colony is at present living to an appreciable extent on its capital, and that resort has been made, and will have to be made, to public loans to finance certain public works of urgent importance. But while we speak of new taxation as being unavoidable, it must not be thought that we agree with the Government that the Colony is not as heavily taxed as some other colonies. It should be remembered that the cost of living in Hong Kong is higher than that of most places in and out of China. But whether our reasoning is sound or not, the additional taxation is very
u n f o r t u n a t e , c o m i n g a s i t d o e s a t a t i m e

when the Colony is suffering from a serious depression of trade, with little prospect of an early revival.

I will now proceed to examine individual items of the Estimates of Revenue.

Public School Fees.

On Page 9 we find that the vote "Public School Fees" shows an increase of \$22,000. Although, when last year's Estimates were before the Council, the Hon. Sir Henry Pollock on behalf of the unofficial members asked the Government to consider whether such fees might not be reduced, we do not demur to the present proposal, as we consider it not unreasonable. It affects only the upper forms of King's College and Queen's College and five other Government Schools where the fees in the past have been low in comparison with those of other schools.

Motor Vans.

On the same page, the vote "Use of Motor Vans" shows an increase from \$7,500 to \$25,000. We do not understand the purport of the item, nor can we conjecture the reason for its large increase.

Wireless Messages.

On Page 9, again, the item "Message" under "Post Office" is increased by \$170,000. We should like to know whether these messages are all transmitted by wireless or, if not, by what other means they are transmitted.

The public would be interested to know what revenue the Colony receives in return for the large and growing expenditure of the Wireless Sub-Department: for in addition to the annually recurrent charges shown under the Sub-Department proper, provision is made under the Public Works Department for special expenditure amounting to \$76,700.

Kowloon-Canton Railway.

The revenue from the Kowloon-Canton Railways shows a slight decrease of about \$1,000, as we see from Page 10: while on pages 97-106 under Expenditure we find that the staff of the Department has been augmented and a larger supply of coal and locomotive oil has been provided for.

A short statement of the position of the Railway would be interesting.

Other Receipts.

On Page 11 the item "Other Miscellaneous Receipts" shows a drop from \$200,000 to \$50,000, but no explanation is given as to why the Government expects this very considerable reduction.

In the absence of any explanatory note, we are similarly unable to tell why "Royalties on Wireless Telegraphy" shown on the same page, is expected to yield nothing in 1931.

These points, as well as innumerable others concerning the Estimates of Revenue, would doubtless have been made clear by short footnotes such as, until a few years ago, were inserted in the Estimates.

Afforestation Needs.

Turning now to the Estimates of Expenditure, we find on Page 20 that the money provided for "Afforestation" in the District Office, North, has been reduced from \$2,000 to \$500, and on Page 21 the sum provided for the same service in the District Office, South, has been entirely deleted.

Last year the Hon. Sir Henry Pollock, speaking on behalf of the unofficial members, suggested that the figures budgetted for afforestation work in 1930 might be doubled in future years. We recognise that in these times economy must be practised on every hand. but we hope that. as soon as funds permit, the figures standing in the current Estimates may be restored, for in our view the afforestation of the barren hills of the New Territories is a necessary work. Judicious planting would not only beautify the landscape but improve the quality of the soil, strengthen the ground against landslips, and make the Colony less dependent on outside sources for its fuel.

Refuse Launch.

A new launch for the Sanitary Department at a cost of \$62,000 is provided for on Page 28. We are glad to have the promise of the Hon. Colonial Secretary that if this expenditure is approved by this Council the Government will not authorise the outlay without further reference to the Council. Thus the unofficial members will have the opportunity of carefully considering whether the launch is absolutely necessary, and if so, whether the necessity is immediate.

Technical Institute.

On Page 74, under Technical Institute, the item "Lecturing Staff" has been raised from \$13,000 to \$19,470. We should like an explanation of this substantial increase.

Furniture Votes.

On Page 77, item No. 7, "Maintenance and Supply of Furniture" under Public Works Department is increased by \$31,500 from \$16,500 to \$48,000, with the explanation in a footnote that part of the increase was previously included in Public Works Extraordinary.

We are not informed how much of the \$31,500 was so included, nor are we given any explanation regarding any part of this sum that may not have been so included. We are glad that the Government has made provision for the maintenance and supply of furniture under "Other Charges" of the Department instead of under the Head "Public Works Extraordinary" which should be reserved for public works of a non-recurrent nature.

Military Contribution.

Concerning Military Contributions, shown on Page 108, the Hon. Colonial Treasurer, in reply to a question put by the senior unofficial member in 1929, stated that the Colony had not so far paid military contribution on any profit due to exchange, as the question was still under discussion with the Secretary of State for the Colonies.

We should like to be informed what decision has been reached in this matter.

Waterwork Schemes.

Though the financing of the Shing Mun and Aberdeen Water-works is by public loan and does not therefore strictly come within the Estimates, it is nevertheless a part of public expenditure, paid out of public money raised on loan, and we therefore consider this an appropriate occasion to speak on the subject.

We express the earnest hope that the Government will not allow the stringency of the economic situation to impede for one day the progress of these most urgent and important works. They are works which should take precedence of all others, and, in the words of Sir Cecil Clementi, should be pressed rapidly to a successful conclusion.

Administrative Expenses.

We have offered no comments on the present heavy expenses of the Colony's administration, because the Hon. Colonial Secretary has informed us that in its efforts at economy the Government had largely left the question of personnel to the Retrenchment Commission. We sincerely hope that the labour of the Commission will be productive of satisfactory results.

Finally I wish, on behalf of the unofficial members, to pledge to your Excellency our support of your policy of exercising as much thrift as is consistent with efficiency, and our co-operation in your difficult task of guiding the Colony through a period of depression which we hope will not be of long duration. Though we may be disquieted by the stormy weather, and even at times doubt the sturdiness of the ship, we have entire confidence in the skill of the man at the helm.—(Applause).

THE HON. MR. J. OWEN HUGHES.—Sir, The Hon. Senior Unofficial Member, in the address we have just listened to, has very

ably reviewed the speech of the Hon. Colonial Secretary in introducing the Estimates for 1931, and has presented the joint views of the unofficial members to this Council, but, as he has already indicated, his colleagues will as customary make their own observations. As Senior of the European members present, it is my privilege now to make some further observations. I do not propose to address the Council at great length, as my colleagues will also desire to take part in the discussion.

I would like first of all to associate myself and my European colleagues in the reference made by the Hon. Senior unofficial member to this, Your Excellency's first Budget, and further, if I may be permitted, to express our admiration of the manner in which you have dealt with the many important matters that have been brought before you since assuming the duties of your high office.

Personal Emoluments.

On the first occasion of your presiding over this Council just four months ago, my unofficial colleagues and I did our utmost to persuade the Government to cut its coat according to the cloth available, and pleaded for the appointment of a Committee to consider whether the Colony could afford the elaborate garment recommended by the Salaries Commission in view of the unprecedented fall in the value of the dollar. Our arguments and pleadings were of no avail against the Official majority vote, nor was the almost unanimous voice of public opinion behind us allowed to weigh in the balance, and we were overwhelmed.

The "Account" is now rendered, and a bill for no less than \$9,421,405 for Personal Emoluments is presented for payment on account of 1930, whilst it is estimated that under this heading alone, no less than \$12,854,727 for 1931 has now to be budgetted for at the very uncertain Exchange figures of 1/4d.

It is a first duty of Government to balance its Budget for the coming year, and we are asked to-day to approve the method by which it is proposed to do so—a most difficult task, as all must admit.

No good purpose can be achieved by making more reference than is absolutely necessary to what has been done in the past in respect of salaries: but the result of the revision looms so large on every page of the Draft Estimates for 1931 that reference to them cannot well be avoided, nor to the astounding increase in charges occasioned by the unprecedented fall in exchange. The Hon. Colonial Secretary at the outset of his speech refers to the above two considerations as seriously influencing the Government in their consideration of the Budget.

In percentage as compared with last year's heading, the figures disclose the following increases:

1931

H.E. the Governor	\$ 155,890	52,273	50.4
Cadet Service	566,221	203,627	56.15
Snr. Clerical & Acctg. Staff	334,113	92,036	38.
Junior Clerical Service	916,050	162,155	21.5
Col. Sec's. Dept. & Legislature	60,625	13,716	29.24
S. C. A.	19,629	4,249	27.6
Treasury	54,635	38,106	230.5
Audit Department	72,604	22,608	45.22
District Office, North	24,317	893	3.81
District Office, South	12,340	- 1,076	- 8
Post Office	408,405	99,570	32.20
Wireless Services	149,961	29,253	24.23
Imports & Exports Office	871,194	4,758	.5
Harbour Department	1,164,394	168,052	16.87
Air Services	154,568	- 46,512	- 23.13
Royal Observatory	71,012	33,910	91.4
Fire Brigade	326,479	- 54,085	- 14.21
Supreme Court	173,354	19,784	12.88
Attorney General	47,226	12,498	36.
Crown Solicitor's Office	50,322	15,040	44.1
Official Receiver	18,631	4,806	34.76
Land Office	36,754	11,610	46.17
Magistracy, Hong Kong	2,399	110	4.8
Magistracy, Kowloon	2,190	72	3.4
Police Force	2,710,962	551,727	25.55
Prisons Department	713,369	127,685	21.8
Medical Department	1,446,585	236,974	19.6
Sanitary Department	954,276	162,713	20.55
B. and F. Department	119,587	12,091	11.24
Education Department	1,739,708	390,017	28.89
Public Works Department	2,038,928	384,451	23.2
Public Works, Recurrent	1,536,150	- 251,500	- 14.06
Public Works, Extraordinary	2,500,000	- 1,340,750	- 34.09
Kowloon-Canton Railway	947,547	- 287,332	- 23.26
Volunteer Defence Corps	103,660	- 4,153	- 3.85
Miscellaneous	1,490,955	136,560	10.08
Charitable Services	142,295	30,591	27.38
Pensions	1,228,000	315,000	34.5

From the above it is at once seen there are enormous increases in almost every department, and only by cutting down drastically the vote for Public Works Recurrent, and P u b l i c W o r k s E x t r a o r d i n a r y

has it been possible to arrive at the balance forecasted, which means that much important and necessary work for the development of the Colony has to be left in abeyance, and as the Hon. Colonial Secretary states in his speech:—"Members will miss from the completed list one work or another which they would have liked included."

Coming now to the third factor which influenced the Government in the framing of the Budget for 1931, namely, the establishment of the Retrenchment Commission. At the fateful meeting of the 19th June, Hon. Mr. Southorn in moving the resolution that Council adopt the Salaries Commission Report, said (I quote from Hansard): "I am authorised to say that it has been decided to leave in abeyance the proposal to raise the Assessment Tax, though I must warn Hon. members that it may still be necessary to impose some increase later on in order to balance the budget for 1931,—unless the Retrenchment Committee, which my Hon. friend Mr. Owen Hughes is asking for...is able to effect such reform that further taxation can be avoided."

The warning given was quite unnecessary, for it was obvious to all that in accepting the Salaries Commission's recommendations an increase in Assessment Tax must be resorted to, and that quickly, and the taxpayer is now called upon (to start with) for the payment of an additional 4%, not to mention additional taxes on tobacco and stamps, and new taxes on petrol, amusements, etc. Extra taxation being unavoidable, my colleagues and I are of the opinion, after careful consideration, that Government in its decision has chosen the lesser evil.

Increased Shipping Fees.

It is proposed to raise further revenue from light dues, buoys, etc., which is expected to bring in a return of approximately \$364,832.

These last items will be strenuously opposed by all the Shipping interests in the Colony, and my Hon. friend Mr. Mackie will doubtless express his own, as well as the Shipping Companies' views on this proposal.

Retrenchment Commission.

Your Excellency very readily acceded to the request for a Retrenchment Committee, and with great promptitude appointed a Commission with, I think, ample terms of reference. The personnel of the Commission has met with very general approval, and I would like here to congratulate your Excellency on the selection you have made.

But Mr. Southorn on the 19th June was anticipating events, for no relief can be hoped as the result of the Commission's investigations and recommendations for several months to come.

The Hon. Colonial Secretary informs us: "The special effort at Retrenchment of Personnel now required needs close and prolonged study, with a perspective not limited to the inside of Government offices: the Commission as constituted is particularly well qualified for this work, and can be depended upon to do it thoroughly."

This is all to the good, and I am glad to learn that meanwhile close touch is being maintained with the Retrenchment Commission.

Leaving then salaries as settled (as unfortunately we cannot at present do otherwise), and leaving also the findings and recommendation of the Retrenchment Commission until their labours are completed, we have still the question of the uncertainty of exchange to consider, and what the effect will be if the figure of 1/4 dollar is not realised?

Exchange Factor.

During the last four months Exchange has but momentarily touched that rate, the average monthly rate has been:—June, 1/3½; July, 1/3.1/16; August, 1/3.9/16; September, 1/3.11/16.

This question, however, will be more fully dealt with presently by my friend the Hon. Mr. Lauder.

Miscellaneous Items.

I will now follow the example of the Hon. Senior Unofficial Member and draw attention to some of the items in the Estimates.

Included in "Other Charges" in most Departments is the item Conveyance and Motor Allowance, varying in amounts of \$130 under "Treasury" to \$50,000 for the Public Works Department. I make the total to be over \$116,000. I have no doubt the Retrenchment Commission will have this in mind as one for investigation,—the aggregate is a high one, and could in my opinion be considerably reduced.

Harbour office, Sub-head 2.—Coal and oil fuel for launches \$274,130, an increase of \$64,000. A more precise explanation than merely "considered necessary" is I think desirable, as also under Sub-head 12:—Repairs, Minor Improvements and Stores for Launches and Boats, an increase of \$40,000 is also "considered necessary." Under Sub-head 18, coal for offices, an additional \$1,000; does this mean more office fires, or can it be lower exchange? Under Sub-head 22, training expenses of Marine Surveyor in England, \$16,200. How much longer are these charges likely to appear?

May I commend to your Excellency and the Government's notice an article on the subject of education which appeared in the *Daily Press* of the 11th instant? I am at present not concerning myself with the relative claims of the institutions referred to in that

article, or any other Grant-in-Aid or non-Government school, but it is very clear that unless the system of grants to these Schools (which are staffed by British Masters and Mistresses) is changed, some of them will soon have to close their doors.

Fire Brigade.—Whilst all reductions in expenditure are welcome, I trust the Chief Officer is quite satisfied there will be no loss of efficiency in consequence of the reduction in the number of drivers and firemen.

Prisons Department.—It is to be hoped that work on the new printing shop approved by the Finance Committee early this year is being proceeded with, and that the new linotype machine will soon be installed and in working order, as printing is considered as likely to be a revenue earning industry in Victoria Gaol.

In conclusion, I repeat the pledge made by the Senior Unofficial Member, that Your Excellency will have our support in your present policy of thrift, and, wherever possible, retrenchment.—(Applause).

Increased Light Dues.

THE HON. MR. C. G. S. MACKIE.—Sir, I wish to associate myself with the remarks made by my Hon. friends, the Senior Unofficial Member, Sir Shou-son Chow and Mr. Owen Hughes, who have presented a very fair criticism of the Budget and the manner in which it is proposed to meet the heavy estimated expenditure. The levies to be imposed are in most cases reasonable, but the suggested taxes on shipping, in the form of increased light dues and hire of buoys are, I consider, wrong in principle. This form of taxation has been the subject of several debates in this Chamber in the past, and if one can judge from records of the meetings the official attitude has been that shipping should only be taxed for specific purposes from which a direct benefit is obtained. In the present instance this can scarcely be put forward as an argument in favour of the suggested levies.

Hong Kong owes its very existence to shipping and, its prosperity has been largely built up from the benefits derived from the advantages obtaining to a free port. This great asset should be maintained as far as possible at all costs.

Quite apart from the objections to taxing shipping in order to augment local revenue, it must be admitted by all that this particular trade is passing through a very hard time and it is only by the most rigid economy that many companies are able to carry on.

If it can possibly be done I would like to see the proposed taxes withdrawn. Failing that, Sir, I hope some assurance can be given that they will be considered in the nature of a temporary levy only and will be removed when the finances of the Colony are on a healthier basis. (Applause).

THE HON. MR. J. J. PATERSON.—Sir, My Hon. friend, Mr. Mackie, has dealt very fully with shipping, and I have really nothing to add to his speech except to say that I agree with it. Shipping, especially coast shipping, is going through a very serious time and a great deal of money has been lost lately—and we continue to lose money. I am very nervous of the future of shipping, and I therefore hope that if any reduction is possible it will be made. It could be said, of course, that the present taxation does not amount to a very great sum; that it is merely a straw; yet it was a straw that broke the camel's back. (Applause).

THE HON. MR. R. H. KOTEWALL.—Sir, It is my privilege to present the views of the Chinese members of this Council on the Budget.

Assessed Taxes.

The most important problem which engages the attention of the Council at this moment is how to find money to meet the increased expenditure for the coming year. The Government has proposed the imposition of fresh taxation in certain forms, among which is an increase of four per cent. in the Assessed Taxes, which, it is estimated, will yield an additional \$1,415,000.

This particular impost has caused grave concern among the Chinese who constitute about 95% of the tax-payers. Representations have been made to the Chinese General Chamber of Commerce and to us by public bodies as well as by individuals, urging us to request the Government not to increase this item of revenue.

Alternative Taxation.

On the 13th of this month, a very largely attended meeting of the General Committee of the Chinese General Chamber of Commerce was held, when the matter was discussed at great length, and the opinion was expressed that in view of the bad times, when cost of living is very high and the volume of trade abnormally low, any increase in the Rates would have an immediate reaction on the prosperity of the Colony. Means of raising revenue other than an increase in the Rates were suggested, such as the taxing of race sweepstakes, the taxing of luxuries including jewellery and other articles of personal adornment, the letting out of the ferry and bus services to public tender, the creation of a monopoly in pawnshops, the taxing of electricity and gas, and the increasing of the price of prepared opium sold by the Government.

A resolution embodying the first three suggestions was unanimously carried, as was a resolution expressing the opinion of the Chamber that the amount now payable for Military Contribution is excessive, and that representations should be made to the Secretary of State for the Colonies with a view to having the percentage reduced.

In addition to the suggestions put forward by the Chinese General Chamber of Commerce, another has been made directly to my Chinese colleagues and myself, namely, the imposition of a tax— estimated to yield about \$400,000 annually—on meals taken in restaurants and eating houses; the tax would be levied on meals costing over 50 cents a head, so that the poor would not be affected. Such a tax already exists in Canton, and is said to yield a large revenue to the Government of Kwangtung.

The proposal to tax race sweepstakes has met with general approval, for it would entail no hardship on anybody, while it would yield a substantial revenue and would be easy to collect.

It has been suggested that a tax on luxuries would also present no difficulty in collection, as the shops could include the tax in the bill of cost.

It is recognised that nothing can be done with the ferry and bus services until the existing concessions have expired.

We have been reminded that a monopoly in pawnshops existed about thirty years ago in Hong Kong, and that such a monopoly still exists in the Straits Settlements, where the system has been working satisfactorily.

Very few are in favour of raising the price of prepared opium, for such a step would encourage smuggling.

The suggestion of levying a tax on electricity and gas has received much favour in that it is considered to be taxation that would be most evenly distributed and would cause the least inconvenience to all concerned. It is true that cheap electricity and gas are no less necessary than cheap rental, but effects so grievous as are expected to follow an increase in the Assessed Taxes would not follow a tax on electricity and gas, although in both cases cost of living would thereby be increased. Here it is a case of choosing the lesser of two evils.

We have been assured that the interests of the electric and gas companies would not suffer because of the tax, which it is suggested should be one cent per unit, at which rate the tax is expected to bring in half a million dollars at least.

These, then, are the views expressed by the advocates of the various alternative schemes. We have not had time to examine them with the care which the importance of the subject demands, but we commend them to the careful consideration of the Government.

My Chinese colleagues and I agree that any increase in the Assessed Taxes is inopportune as, apart from the general stagnation

in trade, land development, after years of depression, is only just showing signs of revival, and any adverse factors such as this proposal would do much to set it back again. To the property-owner a 4% increase in the rates would mean a 4% decrease in his return, and the reaction would be general.

Already a case has come to my knowledge where the intending purchaser of a large property withdrew his offer to buy, immediately on hearing of the impending increase. It should not be supposed that the present activity in building operations is an unmistakable sign of returned and settled prosperity. Some houses have had to be erected because building covenants had to be fulfilled; others have/been and are being put up to meet the demand caused by unrest in the interior. As soon as peace manifests itself in the neighbouring provinces, a general exodus will ensue, as past experience teaches.

We submit that the Government should do everything in its power to encourage land-development, because more buildings will not only bring in more revenue, but relieve the congested parts of the Island.

However, my Chinese colleagues and I recognise that, since the general increase in salaries is an accomplished fact, increased taxation is inevitable, as long as the rate of exchange remains at the present level; and that in the absence of alternative schemes of revenue, an increase in Assessed Taxes is unavoidable as a final measure to enable us to balance our accounts for the coming year.

The point is whether or not there are alternative schemes. Several have been put forward, and we hope that the Government will thoroughly explore their possibilities with a view to adopting some of them. If the proposed increase in the Assessed Taxes is passed by this Council to-day, we ask that in the event of other forms of taxation being devised, or of the rate of exchange rising, or, again, of the financial position of the Colony improving generally, this 4% increase may be remitted or at least reduced proportionately.

The Military Contribution.

I would now proceed to examine Military Contribution, to which attention has been drawn by the Chinese General Chamber of Commerce. This item is increased from \$3,865,560 to \$4,784,290—a difference of \$918,730. It is an irony that while fresh taxation is about to be levied on it, the Colony is called upon to pay a further sum of nearly a million dollars, not because this sum is actually necessary to meet Military Services, but because we have to pay a prescribed percentage to the War Office, irrespective of the actual cost.

The community was greatly disappointed at the refusal of the Secretary of State to accede to Sir Cecil Clementi's request that

Military Contribution on fresh taxes, levied to meet additional expenditure caused by the general revision of salaries, be waived as an act of grace. I can understand the reason which actuated the Secretary of State to make his decision: that reason appears to be that, so long as the existing arrangement in regard to Military Contribution exists, the 20% must be paid on any items of revenue, be they new or old, provided they are of a permanent or recurrent nature; and the new taxation now proposed is in essence permanent, because it is levied to meet a permanent form of expenditure, namely, the increase of salaries.

It seems to me that the best way to tackle the problem is by way of a reduction of the percentage. I believe that some years ago a committee was appointed to enquire into the incidence of Military Contribution, and I am sure that a similar committee would be useful for the purpose of going into the question not only of the percentage to be paid, but also of the items of revenue which should be excluded from calculation. A reference to Appendix III of the draft Estimates will show how the present contribution is calculated.

Last year the honourable senior unofficial member enquired whether Military Contribution was paid on profits from the Colony's sales of investments, and the Hon. Colonial Treasurer in his reply said that contribution had hitherto been paid on profits which had accrued as the result of appreciation in the Sterling price of investments. This is one item of receipts on which, in my opinion, contribution should not be paid; and there may be other items that come within the same category.

Vernacular Schools.

On Page 71 of the Estimates, under the head "Education Department," the vote "Subsidies to Elementary Vernacular Schools in Hong Kong" is reduced from \$95,000 to \$80,000, a decrease of \$15,000. This vote has already dwindled, for it was reduced by \$5,000 last year, when the Chinese unofficial members drew attention to the reduction and expressed the hope that no further cut would be made in future Estimates. Necessary as economy is in these times, we consider that the limit has been reached in this direction, and that further reductions would prejudicially affect many elementary vernacular schools which afford education to thousands of children of the poorer classes.

Waterworks Schemes.

Though the honourable senior unofficial member has urged upon the Government the necessity of pressing on with all possible speed the waterworks under construction, I make no apologies for offering some observations on the subject, which affects the Chinese more than other members of the community. There is no need for me to recount here the great hardships
w h i c h t h e p o o r e r c l a s s e s o f t h e

Chinese had to undergo during the water famine last year, but I should like to refer to a peculiar incident of about two months ago in connexion with the water supply on the Island.

One morning the inhabitants of the Western section of the rider-main district suddenly found themselves deprived of the regular supply of water to their houses, and put on the street fountains, the reason given by the Government being that the storage of the Pokfulum Reservoir, which was the principal source of supply to that section, was getting dangerously low. The people affected could not understand how, when rain had apparently been plentiful, the reservoir could have behaved in that way.

To our knowledge, the Pokfulum Reservoir has the vagary of rapidly emptying and filling itself in some mysterious way. As a matter of fact, the full supply was restored only a few days after the restriction had been put on, as a good downpour of rain had providentially come to the rescue of the people. We sincerely hope that every step will be taken by the Government to render the people who now receive their supply of water from this reservoir less dependent on it in future. The Aberdeen Reservoir will very appreciably help in this direction, and we trust that nothing will be allowed to delay its construction.

My Chinese colleagues and I respectfully associate ourselves with the honourable senior unofficial member in assuring Your Excellency of our whole-hearted support and co-operation in your arduous task of administration in these times of extraordinary difficulties. Your Excellency has the reputation of an administrator who, in addition to his native ability, is blessed with a Lucky Star. When Your Excellency was guiding the destinies of the people of the Federated Malay States, you brought to them unprecedented prosperity which, curiously, began to dwindle on your departure. The Chinese believe in such a mystical attribute—the good luck of a ruler; and in your case their belief has been markedly confirmed by the overflow of our reservoirs which, only a few months ago, were large muddy tanks. May you, Sir, give us other blessings including the blessing of being a lightly-taxed community.—(Applause).

THE HON. MR. J. P. BRAGA.—Your Excellency,—The comments I am about to address to the Council on the Budget and the Honourable the Colonial Secretary's speech thereon, represent partly the expression of my own views and partly those of residents whom I have consulted. They are men who take an intelligent interest in civic affairs and on whose opinions I attach much weight.

Increased Taxation.

In all circles and among all sections of the community that part of the Colonial Secretary's speech that has aroused most discussion

is the one relating to fresh taxation. It is because in one form or another all pockets—with notable exceptions—are going to be touched.

Regarding the proposed new taxation, it has been asserted on the part of the Government that it is desired to ensure that the incidence of the new taxes will be fairly borne by the Colony, and the Colonial Secretary trusted that the members of this Council would agree that the Government's proposals should be adjudged equitable. The Colonial Secretary's hope applies with special reference to the augmentation of the general assessment rate by four per cent. The Honourable Spokesman for the Government regards this as "the fairest in its incidence of all forms of direct taxation."

I trust I shall not be misinterpreted in my criticism of the assertion when I question the fairness of the incidence of this taxation. The question of its fairness is arguable. It is not difficult to establish that, in the circumstances obtaining in the Colony at present, this form of direct taxation does not operate fairly at all.

I am not prompted by meanness or ungraciousness to a fairly large body of residents composing the administrative body of this Colony when I venture the statement that the conclusion is irresistible that the highest placed members of the Civil Service of Hong Kong escape taxation entirely when it is a question of an additional assessment rate being levied. I fail to see how the fairness claim can be defended when a \$40 clerk has to pay his 4% on the rental of his poor flat and the humblest among the population, whose daily wage is reckoned in cents, has to contribute his quota of the same percentage on the value of the cubicle he occupies over-night. I am not attempting to dispute the wisdom or the expediency of comfortably housing the civil servants of the Colony. That policy is sound and commendable. No great effort, however, is required to demonstrate how those employees of Government who occupy their houses rent-free will go "scot-free" when additional revenue is proposed to be raised out of house-rent.

Similarly, it can be shown that those members of the community, who represent the city magnates of this Colony and who occupy palatial residences free of rent, also escape the proposed form of contribution towards the Colony's increased expenditure when more revenue is sought out of the House Tax.

It is, therefore, seen that those best able to pay are just those who can look on complacently while their less favoured brethren have to contribute their quota for the larger administrative expenditure for which the Bill now before the Council confers legislative authority.

It should not be beyond the ingenuity of Government to ascertain the assessed value of the premises occupied by those enjoying the privilege of rent-free houses. If this privileged class could be—as they should be—made to contribute their share of the four per cent. additional rate, then, and only then, could the claim for equity for this form of taxation be substantiated.

Locally Recruited Staff.

We are well aware that a Retrenchment Commission is assiduously pursuing its investigations into the increasing cost of operating the Colony's administrative machinery. This fact does not preclude attention being drawn to the very high cost of transporting Government servants to and from the Colony. The fact is beyond dispute that this very subject has been exercising the Directorate of certain public companies in Hong Kong with the object of instituting drastic economy and so that what was once conceded as a privilege in the heyday of the Colony's prosperity may not be perpetuated into an extension of that privilege to the point of economic unsoundness.

The cost of transport of Government servants will increase from \$250,000 in 1930 to \$350,000 next year. This large increase calls for comment. I anticipate Government's reply that the greater the growth of the Colony, the larger must be the numerical strength of its personnel, hence the higher transportation cost. This being the case, Government should not be above accepting, *mutatis mutandis*, the hint contained in one of the recommendations of the recent Salaries Commission which reported upon the question of the salaries to the Shanghai Municipal Council's Staff, both foreign and Chinese. Regarding local applicants for Municipal Service the Commission recorded that:—"In view of the high cost of obtaining and maintaining foreign employees in the Council's service, including passages, long leave and other benefits, the Commission is of the opinion that local residents, foreigners domiciled in China and Chinese should be appointed wherever possible, provided that they possess the necessary qualifications and experience for the position to be occupied, thus reducing the heavy costs of appointments from abroad."

I deem it pardonable for giving prominence to this recommendation of the Shanghai Salaries Commission because there is so much excellent material obtainable in the Colony whose employment would mean a large saving in the cost of transport services alone. The Colony has founded and is maintaining a University of its own at some sacrifice. Why not find greater use for the products of our own seat of learning among the technical men whom the University is turning out in greater numbers each year? If the rumour is well founded that our graduates have to seek lucrative employment outside the Colony, then the truth of the saying is painfully forced upon one that "a prophet is not without honour save in his own

country." There has been too great a tendency for the "sons of the soil" to be passed over in Hong Kong. This tendency ought to be checked, and a new policy inaugurated whereby qualified local men be afforded facilities for advancement in the Colonial Service.

We have a shining and outstanding example from amongst the unofficials of this Council of the benefit and advantage accruing to the public service in its recruiting of local talent. I refrain from mentioning any name for fear lest I bring a blush on the cheeks of my honourable friend. In point of recognised ability, linguistic attainment and untiring energy there should have been no limit to his promotion; but the discouraging and discriminatory service regulations stood in the way. I may say that these regulations do not excite any great enthusiasm in local enlistment for Government service.

For a long period of years a position of trust and responsibility was held by another local officer who retired with a unique record of 55 years' service with the Government. His successor was another Hong Kong man who has honourably earned his retirement on pension after not many years short of 40 years in public employment. His place has been filled by a Cadet Officer drawing emoluments on a basis the computation of which affords evidence opposed to the clamour for retrenchment and still more economy.

Furniture in Schools.

I suppose there must be ready acceptance of the recommendation of the Board of Education "to raise slightly the fees for some of the higher classes in the public schools." While acquiescing in this recommendation, it may not be amiss to enquire if the Medical Officer for Schools is quite satisfied that the furniture in some of the Government schools is all that is desired. For instance, enquiry may be instituted to ascertain whether the desks and benches are of the standard type and so designed as to be free from danger of injury to the health of the little children attending certain Government schools.

Kowloon-Canton Railway.

On certain items of special expenditure under the Canton-Kowloon Railway vote, comments have been brought to my notice as representing the considered opinions of a number of residents living out in the New Territories. As they form fair criticism, no apology is needed for submitting them for consideration. In the first place, the Railway Administration is congratulated on its foresight in the provision of \$1,840 for the Approach Road to Fanling Station. It is very desirable that this road be placed in proper order.

In the absence of any explanatory note, the item of \$8,250 for a new air compressor and motor is queried. It is held that if the

apparatus is for paint spraying purposes the proposal should not be concurred in.

Criticism is rather more ungenerous when it comes to sub-head 41, "Sheung Shui Station, Extensions, \$43,100." I am not so great a user of the railway as to be in a position of being a fair critic; but if the presumption is true that the station is to be extended at a cost of \$43,100 for the benefit of a few golfers only, then the proposed expenditure requires more careful scrutiny.

Sub-head 45 is the re-appearance of \$40,000 for "new bodywork for four coaches." There are technical men who advocate that, before incurring this expenditure, enquiries might be made of, and tenders invited from, firms in the Colony capable of building railway coaches, of which there are several. In this connexion there are those who hold that the present third-class coaches are of an entirely unsuitable type for the traffic on this line.

The advantage of assisting local industries is obvious. While on this subject, I trust Your Excellency will kindly direct that the deliberations of the Empire Conference be closely watched in order that full benefit be taken of its recommendations, with special reference to Empire trade preference. Our local industries need all the assistance they can obtain for their maintenance and development. It has been regretfully observed that a few are struggling with intensive competition of heavily subsidised products.

It is an elementary obligation imposed upon the Colony to ensure that its industrial rivals enter this field upon a footing of equality and not upon terms so disadvantageous to local enterprises as to defeat all possibility of successful competition. The Colonial Secretary in his speech hinted that "the share market indicates that commercial undertakings are expected to prosper." It is sincerely to be hoped that there may be early fulfilment of this prophecy, to effect which Government can do its part by securing for our industrial undertakings a measure of freedom from unfair competition against which we have so strenuously to fight.

Colonial Development Fund.

In another direction also could Government assistance be most helpful. There is the Imperial Colonial Development Fund. Could not Hongkong petition for the allocation of its quota which might be utilised, among other purposes, towards promoting, fostering and developing private enterprises redounding to the benefit of Hong Kong?

The present appears to be the ideal moment for an appeal to be made to the Right Honourable the Secretary of State for the Colonies when a comparatively small round sum in sterling would represent a large amount when converted into Hong Kong dollars.

Tsun Wan Reclamation.

While on the subject of industries, I would not like to miss this opportunity of offering congratulations to the Department of Government concerned on the businesslike expedition displayed in pushing ahead with contingent works in connexion with the large private reclamation of the Tsun Wan foreshore. From an industrial point of view, with the advent of electrical power, I envision the genesis of a flourishing and important township in the Tsun Wan district of the New Territories with the completion of this important reclamation. Like the Shan Tseng Bay district, Tsun Wan enjoys the unenviable reputation of being very malarious; the workmen employed there are subject to this form of ailment in a malignant form. I can appreciate how research work has first to be undertaken before remedial measures can be undertaken on a large scale. However, in his counted desire to assist private enterprise, I trust the Honourable the Director of Medical and Sanitary Services will endeavour to take early and effective steps to rid Tsun Wan and Shan Tseng Bay of malaria, the extensive existence of which cannot but seriously retard the rapid development of districts that are so full of promise of becoming important industrial centres in the New Territories in the near future.

Kowloon Amenities.

I have carefully searched the Draft Estimates for a sum of \$1,000 which has been promised for forestry work in certain areas in Kowloon, and principally for ornamental trees in the parks and open spaces of Kowloon Tong. To my regret, I cannot discover any such item of proposed expenditure. This small sum of money would be very well spent and help to improve that part of New Kowloon as the "Garden City" on the mainland.

It is a matter of common knowledge that the series of open-air regimental band concerts which has just concluded were a source of infinite enjoyment to some hundreds of Kowloon residents during the few hot summer evenings when they were provided with excellent and thoroughly enjoyable music supplied by the military bands on the grounds of the Kowloon Football Club. The Finance Committee of this Council voted a sum of \$1,200 for band concerts during 1930. It is not such a large sum that it might not appear as a recurring item each year under Miscellaneous Services. I hope my suggestion will receive Your Excellency's favourable consideration.

New Territories Circular Road.

My hope of an initial vote for the preliminary construction of the first section of the Circular Road in the New Territories as far as Ma-Yue-Tong has been doomed to disappointment. I looked in vain for the re-inclusion of the item that first appeared in the Estimates for the current year. I am conscious of the fact that the

advisability of the construction of this road is debatable. Amongst the opponents of the project were ranged my unofficial colleagues of this Council. I draw attention to this subject not so much because I entertain any hope of success in these hard times, but that a scheme which, to my mind, will in the end prove remunerative will not be lost sight of entirely. I cannot appreciate the diffidence in embarking upon this project when it is known to the Government that there are a few prospective applicants for building sites as soon as a working plan of the new road should be available to them and likely residential plots shown on such plan.

Kowloon Aquarium.

Sir, leaving aside all contentious matter I turn to a suggestion which, if possessing no other merit, at any rate can claim that of originality. I hope I shall not be found guilty of temerity for bringing forward a proposal that involves some expenditure. The total outlay is not going to be very large, it will recoup itself in a few years and besides add to the amenities of Kowloon, which is fast growing into a large and beautiful city.

It was just a month ago that the Biology Buildings attached to the University were publicly opened by Your Excellency. It is only in the fitness of things that the thought suggests itself that a public Marine Aquarium be established in the not distant future. I hope I may be justified in the submission that this is an opportune moment for bringing forward the suggestion. Apart from the economic and scientific aspects of such an institution, the popular interest which the project will arouse is certain to be great. A suitable site for the Aquarium should be in the area reserved for a Public Park recommended by the Playing Fields Committee near the Police Training School. There are public aquaria in Manila, Batavia, Japan, and Honolulu. Your Excellency is probably better acquainted than anyone of us with the Public Aquarium in Singapore. I am given to understand that there need be no doubt as to the ultimate financial success of a well-established aquarium in a large centre of population, such as I have suggested in Kowloon. The Aquarium in Manila, though small, maintains most interesting exhibits. There were in June of this year 891 exhibits, which attracted a great deal of attention. It cost Ps.60,000 to build and less than Ps.8,000 for its maintenance in 1929. There were 30,000 visitors last year, and a small entrance fee is charged, elementary pupils being admitted free. It should not be difficult to plan an Aquarium for Kowloon on the Manila or any other improved model. In this connexion a short extract from the general report of Mr. David G. Stead, Fisheries Enquiry Commissioner, upon the fisheries of British Malaya is well worth consideration.

"I would even go so far as to suggest," Mr. Stead wrote, "that in a country of such mixed nationalities, where human interests are so diverse, a large well-established public aquarium

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of national benefit as well as of great assistance in municipal organisation and order." Mr. Stead moralises that "it has come to be recognised in most parts of the world, at the present time, that it is far more easy to control a people who are able to satisfy, by proper means, their natural desire for recreation and amusement."

He regards a public aquarium as "an essential institution" and argues that "even if it did not 'pay' from the strictly financial point of view it would still be a very 'cheap' means of granting to the public very valuable educational facilities." I share the view that there need be no fear that an aquarium at Kowloon will not pay, always provided that it is properly designed, constructed, and run.

Your Excellency, I apologise for the inordinate length of my speech. I justify it on the ground that this is the one occasion in the year when Unofficial Members of Your Excellency's Council have the opportunity of placing their views very fully before Your Excellency on matters concerning the administration, finance, and municipal needs of the Colony. Better far that criticisms be advanced openly in the honest conviction of their soundness than that there be tacit acquiescence in proposals with which one does not inwardly agree.—(Applause).

THE HON. DR. S. W. TS'O.—Sir, I rise to express my general agreement with the speeches made by the Senior Unofficial Member, the Hon. Sir Shou-son Chow and by my Chinese colleague, the Hon. Dr. Kotewall. The unprecedented fall in the exchange rate of the dollar and the general increase in salaries necessitate the increase of taxation in order to meet the commitments of the Government. While the whole community would loyally support the Government by paying these increases, yet there is a feeling of uneasiness in the mind of the people in that the extra burden which they are called upon to bear is not for any special work for the advancement of the Colony but merely to counterbalance the low value of the dollar and to pay increased emoluments.

Moreover, drastic cuts have to be made into the expenditure of essential works of the Colony. How long the present exchange value of the dollar will remain and how much lower it may still further drop no one can tell. To suffer the finance of the Colony to fluctuate with the caprice of exchange, I submit, is uneconomical. I urge, therefore, that the Government will leave no stone unturned to find out the possibility or feasibility of stabilising the currency of the Colony at an early date.

The Assessment Tax.

It is unfortunate that the Assessment Tax has to be increased in order to raise revenue to meet the Colony's expenditure. It is unfortunate because this form of taxation falls heavily upon the shoulders of the poorer class of the Chinese. During the great war

the assessment tax was increased by 7 per cent., but it was understood that the imposition was to be temporary; namely, during the period of the war. But Hong Kong was less affected by the war and trade depression was not then so much felt in the Colony as it is today; due, no doubt, to the fall of the value of the dollar and the internecine strife in China.

I trust, therefore, that the Government will see its way of declaring that the imposition of this tax is but temporary and it will be removed when the value of the dollar goes up or when the financial position of the Colony is improved.

Grants To Vernacular Schools.

Under Head 28, Education Department, in the Budget, I find that the item under Capitation Grant is reduced from that of last year by \$3,430 and as pointed out by the Hon. Dr. Kotewall, the item "Subsidies to Elementary Vernacular Schools in Hong Kong" by \$15,000. These grants and subsidies are a means of helping the carrying on of schools under private enterprise.

The more of these schools are established in the Colony the lighter will be the responsibility of the Government for providing Government schools for the education of the people. From an economic point of view the cutting down of these grants and subsidies, I submit, is not a good policy; particularly as the Government is paying, I understand, about 75 per cent. of the costs of maintaining its schools besides the heavy cost of erecting school building.

In view of the rapid development in the Kowloon City area the need of an Anglo-Chinese School there is very real. Although there is one in existence by private enterprise, it may have to close its doors soon for want of Government support. I would therefore urge that the Government will take the matter up seriously either to give support to this existing school or to provide a Government school for the inhabitants of Kowloon City.

I do not intend to criticise here the educational system of the Colony, but I do wish to express the gratitude of the poor to the Government for taking an interest in the establishment of trade schools by appointing a Committee to enquire into the feasibility or possibility of establishing such schools where the poor can learn a trade to enable them to make a living.

With these few remarks I wish to join with my Honourable Unofficial colleagues in pledging to Your Excellency my loyal support and co-operation.—(Applause).

THE HON. MR. PAUL LAUDER.—Sir, I have studied the Budget for the year 1931, also the speech by the Honourable the Colonial Secretary on this subject, with much interest.

The first thought which will occur to anyone in studying the Estimates is the heavily increased cost of administering the Government. A considerable increase, however, under present conditions is inevitable in that the Colony has important gold commitments which have to be paid for in silver. The price of silver having fallen to an unprecedentedly low figure with the consequent decline in the sterling value of the dollar the cost of these gold commitments turned into dollars must of necessity show a considerable increase.

Under all these circumstances, it becomes necessary for the Government to raise additional revenue and I have no criticism to offer of the suggested increased taxation which it is proposed to introduce except that I would mention that it seems to me the increase in the General Assessment Rate of 4% is a fair and reasonable method to adopt and as the honourable the Colonial Secretary has said this tax is an economical one to collect.

I am pleased that the Government have taken serious notice of the increased cost of administration and that they have in consequence brought into being a Retrenchment Committee which is at present carrying on its most difficult task. It is to be hoped they will be able to show some means whereby the heavy burden of expenditure can be lightened as there is no doubt there is a great and pressing need for economy.

Pay of Sterling Officers.

The fall in the price of silver and the consequent decline in the sterling value of the dollar to its present low level was quite unexpected, and in this connexion I would say that there must inevitably be certain conditions in such matters which it is not possible to foresee or allow for. It occurs to me that the increased number of dollars at present received by the sterling paid officers of the Government may more than compensate them for the increased cost of living due to the decline in exchange. If the Government are also of this opinion and in view of present conditions, I suggest that they might consider fixing some minimum rate of exchange for the payment of their sterling paid officers' salaries. If half these salaries were paid at a fixed rate of 1s. 6d. when exchange falls below this figure and half at the current rate, this might constitute a fair basis of payment and if exchange remains at its present level it would bring considerable relief in the matter of expenditure. I commend this suggestion to the Government for its consideration.— (Applause).

THE COLONIAL SECRETARY.—It must be very gratifying to Your Excellency to recognise the appreciative nature of the Unofficial comments on the difficulties of this, Your Excellency's first Budget in Hong Kong, and to find that their criticisms, while clearly evidencing the closest examination of detail, all reveal a genuine and helpful desire to co-operate in making the best of things as they are.

Your Excellency will yourself be dealing with the more important questions that have been raised, but there are a number of criticisms in detail which can be answered simply and of which it is desirable first to dispose.

Explanatory Notes.

The absence of the Explanatory notes in the Revenue Estimates is regretted. They had all appeared in the original Treasury draft, but for the most part they are self-evident, and are merely short references to the Treasury Memorandum on Revenue with its fuller explanations and that is already in Honourable members' hands. That memo is itself something of a new departure, considered to be more helpful than the missing notes. They read in this way:

CLASS 1.

Head I.

Light Dues	Increase in scale.
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Head II.

Amusement Tax.	New Tax.
Assessed Taxes	4% increase in rates.
Carriage, Chair, &c., Licences.	Transferred to Vehicle Licences.
Forfeitures.	Based on latest returns. Overestimated for 1930.
Motor Spirit Duties	New Tax.
Stamp Duties	Increased taxation. Including increased Estate Duties.
Tobacco Duties	Increased taxation. Including increased Estate Duties.

but the note to the last item will form the reply to one of the queries that has been raised. Other Miscellaneous Receipts, which show a reduction of \$150,000 carry the note "overestimated in 1930 and less profit on Exchange." The omission will be duly rectified next year.

Attention has very properly been drawn by the Senior Unofficial Member to the absence of the usual detailed Abstract of Differences between the Estimates of the current and of the coming year, and I can only apologise for the omission. The paper is one of

those which the instructions require should be sent to the Secretary of State with the Estimates, and it is now in hand, but there is no good reason why it should not have been completed earlier and circulated with the draft Estimates. May I be allowed to express the hope that its absence did not unduly hamper Hon. members in the work of examination which they have so conscientiously carried out?

For index, it is possible that attention has not been drawn to the Fly Leaf of the Estimates, to Page 5 and to Page 12. These pages form a complete index to the whole volume, and if Hon. members will make use of it, I venture to think that they will find it sufficient for all purposes.

Revenue From Motor Vans.

A question was asked concerning the item of Revenue "Use of Motor Vans \$17,500." A new method of conveying pork carcasses from Slaughter House to Stall has been introduced recently and special Sanitary Department Vans will now do the work under departmental control. A charge of 6 cents a carcass is made, and the estimated revenue is the sum given. The figure of 6 cents has been fixed with a view to reimbursing the Government for running costs on this account, but it remains to be seen whether any alteration will be called for.

Harbour Office Increase.

The member for the Chamber of Commerce has drawn attention to a number of increase under the Other Charges of the Harbour Office: for which the main reason is to be found in the difference in exchange. He will remember that the estimate for 1931 is based on a 1/4 dollar as against 1/10 for the current year. The contract price of coal in the Colony further tends to show an increase and the extra cost will provide for no luxuries such as he suggests in the way of extra warmth.

Post Office Message Fees.

The message fees are divided as follows:

Wireless messages	328,790
Semaphore messages	10
Advices of incoming ships	1,200
	\$330,000

"Royalties on Wireless Telegraphy" was the heading under which License fees for Ship Stations were previously entered. All Wireless Licenses are now merged in the one entry on page 7 Wireless Licenses \$11,240.

Kowloon-Canton Railway.

The Operating Expenses are now considerably greater than they were, owing to

- (I) Revision of Salaries and Wages.
- (II) Special revision of Enginemen's wages and allowances.
- (III) Rise in contract price of coal and oil and petrol.
- (IV) Higher cost of materials and stores owing to low exchange.

In 1931, when we hope to be able to bring the three new express engines into service on the Canton run, we shall be further burdened by depreciation on these engines amounting to a minimum of \$18,000 per annum.

Thus in 1931 Operating Expenses are likely to be more than 15% over the figures for 1929. In order to cover this additional outlay, it is under consideration to raise the Local and Joint Sectional Fares (of which the last revision was in May 1929) from the 1st January, 1931, to a rate which will bring the fares per mile more into line with those charged on the Chinese Section.

Local and Joint Sectional earnings are, however, only about 45% of our total earnings, so there will still be a heavy decrease in net earnings, until we are in a position to raise the Through Fares also. This is not considered advisable until the track on the Chinese Section is put in a condition suitable for the safe and proper working of the new express engines, when the duration of the through journey is anticipated to be reduced to a little over 3 hours.

Technical Institute.

The increase referred to is entirely due to the adoption of the recommendations of the Salaries Report in the form in which they were accepted by this Council.

Vote For Furniture.

The reply to the question on the Furniture Vote requires some detail. It is contained in the following figures.

Furniture:			1930
(a)	Head 29. S/H.	7	\$16,500
(b)	Head 31. S/H.	30 (Hong Kong)	\$22,000
		62 (Kowloon)	\$ 5,000
		97 (New Kowloon)	\$ 1,000
		112 (New Territories)	\$ 3,000
(c)	Supplementary Supply:—		
	F/M	8. Item 78	\$4,500.00
		9. 91	\$1,190.00
		13. 110	\$2,000.00
			7,690
			<hr/>
			\$55,190

In 1931 there is one vote only. Vote under Head 29. S/H. 1. for all services \$48,000.

It will thus be seen that the total Estimate for 1931 is considerably less than the 1930 expenditure; and the increase of \$31,500 to which attention has been drawn is an increase only over one part of the original vote for 1930.

It is now considered more satisfactory to group all Furniture items under the one head and in future one account with departmental sub-divisions only will be necessary as against five main accounts with relative departmental allotments.

A number of the smaller points raised by my hon. friend Mr. Braga must be met by the reply that however ready the Government may be to admit the desirability of his suggestions, economy must be our first consideration for the time being. They will, however, be borne in mind.

He would seem to be labouring under a misapprehension in his belief that the city magnates of the Colony who occupy palatial residences free of rent escape assessment. The properties concerned are liable to assessment with the rest of the Colony and the Government cannot be further concerned with the precise incidence of the tax as between the firms concerned and their staffs. The hon. member couples the "Highest placed members of the Civil Service" with the city magnates in this connexion: but Government property is by law not amenable to the assessment procedure.

The arrangement of salary conditions as between Government and its servants is a matter apart, and the latest ruling on that question is the Report of the Salaries Commission as adopted. That report sets out very fully the housing conditions of the service, though it may be of interest to state that rent is now to be paid at the current rate instead of at the privileged rate of \$10=£1. The Government servant can be made to bear his proportion of the burden in other ways than through the assessment and there is no intention of letting him off too lightly.

Cost of Transport.

I think the honourable member must have misread the entry under Transport of Government Servants. The increase entered is from \$250,000 to \$300,000 only: not \$350,000 as he has it. The difference in the exchange rate alone would bring the figure to some \$345,000, but Government hopes to secure certain economies which will keep the expenditure within the estimated figure. It must be admitted, however, that in a matter as uncertain as passages, the effort may fail; but it will be honestly made.

Sheung Shui Station.

The honourable member voices a protest against the expenditure of \$43,100 on Sheung Shui railway station for the benefit of a few golfers only. Here again I fear he has been misinformed. During the last three months there has been an average per month of over 6,000 passengers (excluding golfers) utilising the station, which besides effecting a junction with bus services on the important cross road between Un Long and Sha Tau Kok, has had an important effect in the revival of the market at Shek U Hui. The revenue from this source has averaged over the period about \$2,300 a month. The golfers bring in at least an extra \$10,000 per annum; and in addition again there are freight and goods charges. The station has, in fact, become an important one to the system; and there was no real choice between the alternatives of abandoning or rebuilding.

Colonial Development Fund.

I would only mention further that the Government has not lost sight of the opportunities that may be offered by the Colonial Development Fund. But assistance from it is not to be had for the asking: it is hedged round with necessary conditions which are being carefully explored in the interests of some of the larger developments—such as the Government Civil Hospital and the Gaol which the Colony has in view.

H.E. THE GOVERNOR.—Honourable Members, The subject has been so exhaustively dealt with that there appears little left for me to say. In the first place, I wish to thank the Colonial Secretary for his able exposition of the Budget, and both him and his officers

for the great help that they have given me in the final preparation of it. I also thank the Senior Unofficial Member, and through him the other unofficial members, for their congratulations on the efforts made to deal with what is admittedly a very difficult Budget. In the circumstances, the tribute is generous. I also thank the members for their careful consideration of it, and for their helpful comments and criticism. In view of the difficulties involved and the necessity for increasing taxation, I feel gratified that there has been so little criticism.

In spite of the lucky star which my honourable friend, Mr. Kotewall, suggested I am blessed with, it has been my misfortune in two successive years, in Malaya and here, to submit a Budget in which it has been necessary severely to restrict expenditure with a view to reducing the deficit on the year's working. In both places prosperous years have been succeeded by lean ones, with the result that serious need for economy has arisen. In spite of the most careful pruning of the estimates for 1931, it is impossible to avoid extra taxation unless there is to be a dangerous loss in efficiency.

Coming to Hong Kong a little over five months ago, I was struck by the fact that here, as in Malaya, the country possesses considerable amenities, which it has been fortunate enough to acquire on a low basis of taxation. This high standard was attained in both places as a result of prosperous years, and now that we have happened on lean years it is a question whether that standard should be allowed to deteriorate or whether, in order to maintain it, some measure of additional taxation should be imposed. I cannot believe that the Colony would choose the former alternative. Any increase of taxation is unpleasant, but if high standards are to be maintained, and I do not believe that this Colony cannot afford to maintain them, it is unavoidable. It has been argued that the cost of living is high in Hong Kong, and therefore an increase of taxation is not justified. I doubt whether any Chancellor of the Exchequer would be prepared to accept such an argument. It is necessary to consider to what such high cost of living is due. Is it due merely to an increase in the cost of necessaries and a certain measure of luxuries, or is it due to people having adopted a more luxurious style of living? If, as I believe, the latter is largely responsible for the present high cost of living, I cannot possibly accept the argument as a reason for imposing no further taxation.

Hong Kong Lightly Taxed.

Comparisons are proverbially odious, especially if they refute one's own arguments. After 32 years of Malaya, I am convinced that the cost of living is higher there than here, and that taxation, though far from burdensome there, is markedly higher than in this Colony. To take one important form of taxation which looms large in the discussions on this bill, the municipal assessment and rates both in Singapore and Penang total 22 per cent., inclusive of general water rate and education rate. In Singapore there is in addition

a 2 per cent. improvement rate, but, of course, this is earmarked for special purposes. The revised figure for Hong Kong of 17 per cent. inclusive compares, therefore, very favourably with this class of taxation in Malaya. I confess that I had made up my mind that it should not be raised by more than 3 per cent., and steadily resisted suggestions to adopt a greater rise. After combing the estimates very carefully, however, I was forced to the conclusion that, if any lower rate were imposed, the deficit on next year's working would be higher than is justified, and I reluctantly came to the conclusion that a 4 per cent. rise was necessary. Before deciding on this increase I explored other possible sources of revenue, but there appeared to be none which would produce the necessary amount required, or the incidence of which would be equally equitable.

Alternative Taxation.

The difficulty of finding a more equitable form may be gathered from the unofficial reports of the recent meeting of the General Committee of the Chinese General Chamber of Commerce. Three sources were recommended:—a tax on betting: this has some merit and need not be irrevocably turned down, but I think that it is advisable to see the effect of it in England. In any event 20 per cent. would kill it and a reasonable percentage would not bring a huge amount. Meanwhile, the amusements tax will be applied to racing clubs. I consider that the proposed tax on jewellery would be almost impossible to enforce and any attempt to do so would in my opinion be doomed to failure. The proposal regarding buses and ferries entails the raising of the cost of essential services, so also raising the cost of living. It must be remembered that we tax seats in buses and if the services were let for tender, this would have to be taken into account. In a Colony where there is no income tax, assessment seems a fair form of taxation. In this connexion, it must be remembered that the military contribution is high, and that of the 4 per cent. additional rate, we only actually receive 3.2 per cent. directly for revenue purposes.

Military Contribution.

As regards the military contribution it has been suggested that we should try to get the percentage reduced. Efforts have been made in the past to get a revision but with little success and I may say at once that in my opinion there is not the slightest chance of inducing the stony hearted Home Treasury to agree to any material reduction. I may remind you that we only pay 20 per cent. so long as the cost of the garrison costs more than that. It must also be remembered that the cost is almost entirely on a sterling basis and that the sterling value of our contribution is adversely affected by the low dollar. The reply to the question of the profit on exchange is that the matter is still under consideration. Meanwhile favourable consideration has been given to the suggestion that capital expenditure on certain undertakings should be taken into account with a view to exemptions.

Increased Shipping Charges.

As regards the increase in shipping charges, I fully appreciate that it is undesirable to make such charges unduly heavy in a port like this, which depends so much on its shipping for its prosperity. At the same time, the argument can be overdone, and there is no reason either why fair charges should not be imposed, or why the imposition of such fair charges should have any marked influence on the shipping using this port. I realise that shipping, in common with trade, is passing through a time of depression, but the additional amount to be paid, when spread over the large number of ships affected, will mean a very small average increase. The present charges were imposed when the dollar was 2s. 6½d., and the revised rates are no more than is fair in view of the fall in the dollar. It may be an exaggeration to say that most of the dollar companies have raised their rates, but some undoubtedly have, while a large number of the ships using the port belong to companies working on a sterling basis, which certainly cannot reasonably complain of what I am convinced is a perfectly equitable rise. I have not considered whether it is possible to discriminate in respect of buoy charges between coastal and ocean-going steamers. I doubt it, but will go into the matter.

As regards the suggestion that the fees be reduced if the position at some future date justifies it, I can only say that I cannot possibly give an undertaking which would fetter my successors, but of course it is always open to reconsider any form of taxation at any time, should it appear to be either too onerous or impolitic. I hope that the shipping industry's back will be sufficiently strong to carry the extra straw that has been placed upon it.

Cost of Personal Emoluments.

As regards expenditure, naturally there have been considerable increases to meet the increased dollar cost of sterling salaries, and of purchases made in sterling. I can assure honourable members, however, that the greatest economy consistent with efficiency is being exercised. In this connexion I should like to make reference to what I consider to be fallacious comparisons between the figures of establishments for 1930 and 1931. The tendency is to take the cost of personal emoluments based on 1s. 10d. to the dollar for 1930, ignore the vote of \$420,000 for high cost of living and make the smaller figure the basis of comparison with the figure for 1931, which was estimated on a 1s. 4d. dollar and in which estimates no figure appears for high cost of living allowance. I have not seen any figures and I do not know if the Colonial Treasurer has them, but I think if figures were got out, showing what the late system of salaries would have cost, with the approved high cost of living allowances, and at 1s. 4d., the new basis of salaries would not show nearly as high an increase as is generally believed to be the case.

I can get figures taken out if necessary and I think they would be rather illuminating.

The Retrenchment Commission.

Apart from a decision not to fill certain posts which are at present vacant, the question of actual retrenchment of posts must await the recommendations of the Retrenchment Commission. The members of that Commission are dealing with the question very thoroughly, and Government is most grateful to them. I trust that their enquiries will lead to further economies.

I may say, with reference to the suggestion of my honourable friend Mr. Braga regarding local recruiting, that it is a question that I have had under consideration ever since I came here, and I have not only asked the Retrenchment Commission to consider it, but I have instructed several departments to see how far it is possible to achieve something on these lines.

Education Policy.

Education costs us a good deal, but if the present policy is to be maintained, the cost is unavoidable. At the same time, I have given a great deal of thought to the question of our policy, and confess to some doubts whether it is entirely justified. I have been struck by the high age of a number of the pupils at our schools. It seems to me that, owing to our present system, they stay there for three to four years more than is justified. Naturally the longer the boys are kept at schools, the fees at which are admittedly too low to cover the cost, the greater is the expenditure incurred by Government. Further assistance to the vernacular schools and also to grant-in-aid schools might be considered if economies can be effected in other directions. I think that the whole of our educational policy must be overhauled, and I propose to seek the advice of the Education Board.

The Medical Department.

With regard to the Medical Department, I am sorry that our financial position does not enable Dr. Wellington to go as far as he had hoped in his work of improvement and extension of this department. Certain new appointments were, however, approved in connexion with this year's estimates, and some have actually been made. It is proposed to defer others for the present. The appointment, however, of a venereal disease specialist will be proceeded with, and I trust will be made in the near future. We applied to the Secretary of State some time ago, some months ago, in fact, to get one, but we have not got one as yet. I am particularly anxious that this branch should be improved, as there is no doubt that, in the matter of social hygiene, Hong Kong is distinctly backward.

Public Works Department.

In the Public Works Department certain votes under annually recurrent expenditure have been reduced, but I am satisfied that the reduced votes should be sufficient to maintain the necessary amount of efficiency. As regards Public Works Extraordinary, as the Colonial Secretary pointed out in his speech, very little new work is contemplated, apart from that, the cost of which is to be paid for from loans. Although the amount allotted for Public Works Extraordinary has been restricted to 2½ millions, I am in hopes that it will be possible to spend the whole of this during the year. The amount usually provided is rarely if ever entirely spent. No doubt some of you may be disappointed that it has not been possible to commence further desirable works, and I share in that disappointment. In particular for instance I was very anxious to see a new wing added at the Kowloon Government Hospital, and had made up my mind to make provision for this; but I am afraid that I must defer my hopes for another year. Meanwhile, the maternity hospital there, which is a large work, will be proceeded with. While it is not proposed to start any new road of importance, considerable sums have been entered for general extensions and improvements to roads. Hong Kong is fortunate in having considerable mileage of excellent roads, though I cannot but feel that some have proved mere additions to the amenities of the place, rather than of a developmental nature. No doubt the hopes of development in certain directions have been retarded, owing to general depression.

The Colony appears to me to have greater needs in the matter of such institutions as the Government Civil Hospital, the gaol, the female prison and the mental hospital. It is proposed to provide for the new Government Civil Hospital and the gaol out of loan funds, and an application will be made for assistance for these works from the Colonial Development Fund. I trust that the application will be successful.

My honourable friend Mr. Braga's suggestion regarding an aquarium no doubt has attractions. I should be quite glad to see one, but I am afraid it is an institution which will have to wait for better days.

The Water Supply.

The Colony has passed through many anxious times in respect of its water supply, but I have been greatly impressed by the success with which this essential problem has been tackled. I need hardly say that there is no intention of slowing down on approved schemes, and provision will be made for them out of loan funds. The further extensions of the schemes have been submitted to the Secretary of State, and I expect a special expert to arrive here early in the forthcoming year to assist us with his advice. This is considered desirable, in view of the magnitude of our proposals, and it is possible to arrange for this advice at a lower fee than would ordinarily be

possible, owing to the visit of such an expert to Singapore, who will be able to combine his work in the two colonies in one visit to the East.

Exchange Rate of Sterling Salaries.

The burning question of Government salaries was only discussed last June and has been touched on to-day. It looms large in the public eye. I am satisfied that the basic proposals were on the whole equitable, but feel that the abnormal rate of exchange is perhaps unduly favourable. I considered the question of putting a low limit on the rate of conversion of sterling salaries into dollars, but was of opinion that it was unwise to do this at once. On the one hand, local cost of living might have increased in proportion to the fall in the dollar, while the dollar itself might have gone up. Neither of these eventualities has occurred, and it is necessary to review the position. I am prepared, subject to the Secretary of State's approval, to agree to the suggestion regarding the bases of conversion of sterling salaries into dollars. Half will be converted at the current rate, or more properly speaking, the Treasury rate, of exchange, and the other half at 1s. 6d. to the dollar. The estimates next year have been prepared on the basis of a 1s. 4d. dollar, and it is estimated that the adoption of this proposal will effect a reduction of \$388,888 in the expenditure, thus reducing the estimated deficit to a more reasonable figure. It is too late to make the necessary alterations in the estimates without causing undue delay in submitting them to the Secretary of State, but I give you an assurance that this basis will be adopted, subject to the Secretary of State's approval. I trust that this step will go some way to meeting the criticisms regarding the increase of the dollar emoluments of Government officers.

I thank the unofficial members for their assurance of the continuance of their whole hearted support. I felt confident of such support, but it is none the less gratifying to receive the assurance given.

I am sorry that my first Budget in this Colony is not a more pleasant one, but with the restricted resources at my disposal, I have endeavoured to provide for adequate maintenance and for the upkeep of efficiency to a reasonably safe level. We have, so to speak, a good deal in hand, and will not suffer much if the rate of progress, which must naturally be commensurate with our resources, is somewhat slowed down. Meanwhile, I look forward with confidence to improved conditions, and am convinced that we need have no fear as regards the future prosperity of this Colony.—(Applause).

The Bill having been read a second time the Council went into Committee to consider the Bill clause by clause.

H.E. THE GOVERNOR.—I do not propose to go through each item unless any Honourable member intimates that he wishes to move an amendment in regard to Clause 2.

HON. MR. KOTEWALL.—In regard to the Military Contribution, although Your Excellency has just told us that you held out no hope that the Secretary of State would consent to a reduction of the percentage, I would, nevertheless, ask you to transmit the request of the Chinese community to the Secretary of State.

H.E. THE GOVERNOR.—I will go into the question as to whether there is any objection by the Secretary of State to publishing the correspondence between my predecessor and himself on the subject. I think that is the best way to take it at the moment. That was done in the Straits Settlements in connexion with the Military Contribution and I think that the whole of the correspondence was laid upon the table. If there is no objection, that will be best in the first instance.

HON. MR. KOTEWALL.—I take it, Sir, the Secretary of State will be made acquainted with our views on this subject.

H.E. THE GOVERNOR.—The Secretary of State will have copies of all speeches that have been made to-day, but as the Colonial Secretary has just pointed out to me the Military Contribution is not part of the Bill. That is a legal obligation.

Upon Council resuming,

The Colonial Secretary reported that the Bill had passed through Committee without amendment and he moved the third reading.

THE COLONIAL TREASURER seconded and the Bill was read a third time and passed.

ADJOURNMENT.

H.E. THE GOVERNOR.—Council stands adjourned *sine die*.
