

26th February, 1931.

PRESENT:—

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

THE HON. THE OFFICER COMMANDING THE TROOPS, (COLONEL R. B. COUSENS, 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. McI. 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. W. E. L. SHENTON.

HON. MR. J. OWEN HUGHES.

HON. MR. J. P. BRAGA.

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

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

HON. MR. J. J. PATERSON.

MR. N. L. SMITH (Clerk of Councils).

ABSENT:—

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

MINUTES.

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

NEW MEMBERS.

The Hon. the Officer Commanding the Troops (Colonel R. B. Cousens, D.S.O.) took the oath of allegiance and his seat as a member of the Council.

The Secretary for Chinese Affairs (Hon. Mr. A. E. Wood) took the oath of allegiance and his seat as a member of the Council.

PAPERS.

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid upon the table the following papers.

Report of the Standing Law Committee of the Legislative Council.

Regulation under section 7 of the Suppression of Piracy Ordinance, 1868, on 10th February, 1931.

Regulation under section 3 of the Vehicles and Traffic Regulation Ordinance, 1912, on 11th February, 1931.

Regulations under section 3 of the Census Ordinance, 1931, on 12th February, 1931.

The Census Order.

Regulation under section 3 (1) of the Opium Ordinance, 1923, on 12th February, 1931.

The Merchant Shipping (Convention) Act, 1914.

MOTIONS.

Liquor Duties.

THE COLONIAL SECRETARY.—Recent statements by you, Sir, in this Chamber have foreshadowed the necessity for additional taxation if exchange failed to improve: and the action taken a week ago in connexion with duties on alcohol and tobacco can hardly have come as a surprise. The action then taken by Your Excellency by and with the advice of Executive Council now needs confirmation: but before I put the Resolution formally, some explanation is necessary.

The Estimates for 1931 as approved by the Legislative Council showed a deficit of \$2,299,000, the dollar throughout being calculated at 1/4d. The sterling commitments of the Government for 1931 amount to £677,000, and the dollar at an average of 1/- throughout the year will mean that a further \$3,388,000 must be added to the deficit—making a total deficit of \$ 5 , 6 8 7 , 0 0 0 . T h e m e t h o d o f p a y i n g

Government salaries one half at 1/6d. and one half at the current rate is calculated to reduce this figure to \$4,200,000; and an effort is being made to economise still further by the exclusion or postponement of approved items of expenditure, to result it is hoped in a saving of a further \$1,000,000. The deficit would thus be reduced to \$3,200,000.

Had the dollar remained at 1/4d. the estimated deficit of \$2,299,000 would have been reduced to \$1,900,000 by the half and half method of paying salaries to which I have already referred, and which was introduced after the approval of the Estimates. The added deficit at the average rate of \$1 equals 1/- over the deficit at \$1 equals 1/4d., is therefore \$1,300,000: and it is this sum that the Government considers it necessary to provide, with a view to restoring the position that was contemplated when the 1931 Estimates were framed and approved.

To meet this requirement, an increase in the opium prices has been already approved and published: and it is estimated that \$200,000 in a full year and \$166,000 in 1931 will be derived from this source. The resolution before you now represents an increase in the rate on beer and kindred liquors from 40 cents to 60 cents a gallon, and a reversion for the rates on tobacco to those obtaining before the last increase which was effected in 1930. Liquors excepting beer, but including Chinese liquor imported into the Colony keep their rates as set out in silver currency unchanged, but the ten cents per gallon rebate allowed on the export of locally distilled liquor is withdrawn.

In the cases of all alcohol and tobacco, however, the duties are to be payable on the basis of \$1 equals 1/8d: and it is estimated that beers and liquors should provide an additional \$350,000 during 1931, and tobacco \$928,000, making due allowance for decreased consumption in both cases.

These figures, however, will still not meet the bill, and an increase in Postal Rates is under consideration, estimated to yield \$166,000 in the course of 1931. The totals then become:

Postage.....	\$166,000
Opium.....	166,000
Beer and Alcohol.....	350,000
Tobacco.....	928,000
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	\$1,610,000
From which has to be deducted Military Contribution of 20%	322,000
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Total.....	<u>\$1,288,000</u>

a sufficiently close approximation to the desired total to stand for the time.

It is right to warn the Council that if the Colony is to continue with its waterworks scheme, admittedly an urgent necessity, and other works almost as pressing, the money will have to be procured by means of a loan; and supply will be needed for the interest and sinking fund. The Community has been, I believe, in a spirit of resignation expecting some increase in the Assessed Taxes, but it is proposed to keep this as a first reserve against the service of the loan when it is floated. The intention is not to raise the loan in one total sum, but to begin on an issue of Treasury Bills until it can be more clearly seen what the ultimate needs of the Colony will be.

I beg to move the resolution, which stands in my name on the agenda paper.

"Resolved that pursuant to section 41 of the Liquors Consolidation Ordinance, 1911, Ordinance No. 9 of 1911, on and after the coming into operation of this resolution the duties to be paid upon intoxicating liquors heretofore or hereafter imported into, distilled, made or prepared in the Colony shall be assessed as in the following Table provided that, in the case of dutiable liquors heretofore or hereafter imported into the Colony the dollars and decimals thereof stated in the Table shall be conventional dollars reckoned as the equivalent of one shilling and eight pence sterling; and that consequently to arrive at the actual amount payable in Hong Kong currency the conventional dollar stated in the Table shall be multiplied by 20 and divided by a figure settled by the Colonial Treasurer from time to time representing the average opening selling rates for the previous month of the Hong Kong and Shanghai Banking Corporation for demand drafts on London and until so settled the figure shall be 11.37.

TABLE.

PART I.

EUROPEAN TYPE LIQUOR.

	per gallon.
On all liqueurs, and on all champagnes and other sparkling wines.....	\$10.00
On all brandy, gin, rum, whisky and other spirituous liquors	6.00
On all port, sherry and madeira	4.00
On all other still wines.....	3.00
On beer, porter, cider, perry and stout	0.60
On all intoxicating liquors above the strength of 18 degrees under proof, for every degree above such strength, in addition to the appropriate duty as above.....	0.07

PART II.

CHINESE TYPE LIQUOR.

	per gallon.
On all Chinese type spirits containing not more than 25 per cent of alcohol by weight	\$1.20
For every one per cent of additional alcohol strength by weight	0.05

PART III.

JAPANESE TYPE LIQUOR.

	per gallon.
On all sake containing not more than 25 per cent of alcohol by weight	\$1.20
For every one per cent of additional alcoholic strength by weight	0.05

PART IV.

OTHER LIQUORS.

	per gallon.
On any intoxicating liquor which is not specifically mentioned or referred to in the foregoing Parts I., II. and III.	\$10.00

Provided that it shall be lawful for the Superintendent of Imports and Exports, in his discretion, to assess the duty on any such intoxicating liquor at such lower rate as is provided in Parts I, II and III above for the liquor which the Superintendent shall deem to approximate most nearly to such intoxicating liquor.

And further resolved that the resolution of this Council of the 15th day of October, 1926, published in the *Government Gazette Extraordinary* of the 15th day of October, 1926, by Government Notification No. 558 shall cease to have effect."

THE COLONIAL TREASURER seconded.

THE HON. MR. J. P. BRAGA.—It is not my desire to address the Council in opposition to the resolution moved by the Colonial Secretary. The statement which honourable members have just heard from the Hon. Colonial Secretary makes it perfectly evident that some form of taxation has to be imposed in order to meet the deficit arising out of this very severe problem of exchange question. I have been approached to address Your Excellency and this Council in the interests of small consumers of wine and tobacco, as they have

felt it a hardship by dealers and retailers in shoving up prices in anticipation of the operation of the new scale of taxes. With only very few exceptions among the largest stores, store-keepers, both in Hong Kong and Kowloon, have raised prices to make them inclusive of the new duties which do not come into operation until passed by this Council.

H.E. THE GOVERNOR.—If I might correct you at this point, the increase in the duties has already taken effect.

HON. MR. BRAGA.—Yes, but somehow or other, even before, they had apparently anticipated the duties, and when consumers went into the stores the extra cost was put on to the old price. The only suggestion that has been submitted to me is that a distinctive form of label might be adopted by the Imports and Exports Office, making the new charges for the wine or tobacco as the case may be, as distinct from the wine and tobacco taken out of bond before the coming into operation of the new rates. I think this is a suggestion which might commend itself to the Government, and if it receives Your Excellency's approval, I submit it very respectfully for the consideration of the Government.

H.E. THE GOVERNOR.—I have seen the suggestion already made in the papers, but I think it is quite an impracticable one. So far as this operation is concerned the higher rates took effect upon the issue of the Orders which were published a week ago to-day. I do not think it would be at all practicable to carry out such a proposal in future, as to issue such labels would show the hand of the Government from the very start and cause a large withdrawal of stocks from bond and so defeat the object for which the Orders are made. I am afraid I do not consider it practicable for future occasions, just as it has been impossible to do it on this.

HON. MR. BRAGA.—I should like to make the point that wines bearing old labels should not be surcharged with the extra duty such as is happening to-day.

H.E. THE GOVERNOR.—I think that what is going on is just the usual course. It always happens. The raising of duties must take effect and dealers must protect themselves at once. They will probably find themselves in a corresponding position on a future occasion when the duty is dropped or raised again. I am afraid I am quite unable to accept the suggestion.

The motion was agreed to.

Tobacco Duties.

THE COLONIAL SECRETARY.—I beg formally to move the second resolution, covering tobacco duties, standing in my name:

"Resolved that the duties set out in the Resolution passed by this Council on the 19th June and published in the Government *Gazette* of the 20th June, 1930, by Government Notification No. 380 be varied and that subject to the provisions of subsection (3) of section 6 of the Tobacco Ordinance 1916 (Ordinance No. 10 of 1916) as enacted by section 7 of the Tobacco Amendment Ordinance 1929 (Ordinance No. 3 of 1929), the duty payable

- (i) upon all tobacco imported into the Colony after the coming into operation of this resolution, and
- (ii) upon all dutiable tobacco already in the Colony at the coming into operation of this resolution

shall be as stated in the following table per pound weight: Provided that the dollars and decimals thereof stated in the Table shall be conventional dollars reckoned as the equivalent of one shilling and eight pence sterling; and that consequently to arrive at the actual amount payable in Hong Kong currency the conventional dollar stated in the Table shall be multiplied by 20 and divided by a figure settled by the Colonial Treasurer from time to time representing the average opening selling rates for the previous month of the Hong Kong and Shanghai Banking Corporation for demand drafts on London and until so settled the figure shall be 11.37.

TABLE.

A. On unmanufactured tobacco:—	
(1) If unstripped:—	
(a) containing 10 pounds or more of moisture per 100 pounds weight thereof.....	\$0.50
(b) containing less than 10 pounds of moisture per 100 pounds weight thereof.....	\$0.56
(2) If stripped:—	
(a) containing 10 pounds or more of moisture per 100 pounds weight thereof.....	\$0.60
(b) containing less than 10 pounds of moisture per 100 pounds weight thereof.....	\$0.66
B. On manufactured tobacco:—	
(1) Cigars.....	\$1.50
(2) Cigarettes.....	\$0.75
(3) Other manufactured tobacco, including snuff and cigar cuttings.....	\$0.75"

THE ATTORNEY GENERAL seconded and the motion was agreed to.

ESTATE DUTY AMENDMENT ORDINANCE, 1931.

THE ATTORNEY GENERAL.—I beg to move that the Council go into Committee of the whole Council to consider the report of the Standing Law Committee and to consider the Estates Duty Bill clause by clause. Under Standing Order No. 27, section 14, I ask the permission of the Council to substitute for the Bill which was read a second time a fortnight ago the Bill recommended by the Standing Law Committee which has been published in the last Government *Gazette* and which is already in the hands of honourable members, and that this Bill be considered clause by clause.

Council went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment and moved the third reading.

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

ADJOURNMENT.

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

FINANCE COMMITTEE.

Following the Council, a meeting of the Finance Committee was held, the Colonial Secretary presiding.

Votes totalling \$37,594 contained in message No. 3 from H.E. the Governor, were considered and approved.
