

*31st May, 1934.*

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**PRESENT:—**

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

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

THE COLONIAL SECRETARY (HON. SIR THOMAS SOUTHORN, K.B.E., C.M.G.).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. N. L. SMITH).

THE COLONIAL TREASURER (HON. MR. E. TAYLOR).

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, C.M.G., (Director of Medical and Sanitary Services).

HON. MR. R. M. HENDERSON, (Director of Public Works).

HON. SIR WILLIAM SHENTON, KT.

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. T. N. CHAU.

HON. MR. W. H. BELL.

HON. MR. J. OWEN HUGHES.

MR. R. A. C. NORTH, (Deputy Clerk of Councils).

**ABSENT:—**

THE ATTORNEY GENERAL (HON. MR. R. E. LINDSELL).

**MINUTES.**

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

**PAPERS.**

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

Regulation under section 5 of the Prospecting and Mining Ordinance, 1906, relating to conditions of mining licences.

Rescission of the Order declaring Shanghai an infected place.

Amendment of Regulations under section 4 of the Midwives Ordinance, 1910.

Report of the Director of the Royal Observatory, Hong Kong, for the year 1933.

**QUESTIONS.**

HON. MR. J. P. BRAGA asked:—

1.—In view of the fact that pigs and poultry are capable of being raised in the New Territories and in view of the further fact that the Colony spends on imports under these categories (including eggs) no less than about \$12,000,000 annually, will Government study the question of taking measures to stimulate intensively their production in the New Territories?

2.—With the view of studying this question would Government consider favourably the suggestion that experts be invited to the Colony to report:

- (a) on the most suitable types of pigs and poultry that it would be best to raise having due regard to the less exacting requirements of the Chinese population;
- (b) on the methods to be adopted for greatly increasing the production of eggs; and
- (c) on the most suitable foods that could be raised locally for the feeding of pigs and poultry, having regard to the nature of the soil and the climate?

3.—With the view of giving effect to Question 2 would Government consider the practicability of inviting the assistance of experts from Shanghai, Manila or Ling Nam University, Canton?

THE COLONIAL SECRETARY replied:—

1.—This matter has been carefully considered by Government on numerous occasions in the past, but it has not been found possible to take any official action which would be of practical utility sufficient to justify the expense involved.

2.—The breeding of an improved type of pigs and poultry has been undertaken in recent years by a number of private individuals and enterprises. Where these undertakings are able to show a profit it is considered that New Territory producers will not be slow in following the example shown them. His Excellency the Governor has, however, discussed the question with the District Officer, North, and made suggestions which are being further explored.

3.—The Superintendent, Botanical and Forestry Department and the Colonial Veterinary Surgeon are at all times prepared to consider requests for advice on such matters, and it would appear to be unnecessary at the present time to seek advice from elsewhere.

HON. SIR WILLIAM SHENTON asked:—

1.—Will Government inform this Honourable Council:—

In respect of the new Government Civil Hospital, the Kowloon Hospital, the New Central British School, Kowloon Tsai Garden City Development, the New Stanley Gaol, Dragon Back Water Catchment Scheme and the Harbour Dredging Scheme,

- (a) What progress has been made up to date?
- (b) Whether such progress is in accordance with Government's Scheme of progress, whether in advance of time or behind time?
- (c) Whether the staff of the Public Works Department is sufficient to cope with the work?

- (d) Whether the surplus balances are sufficient to meet demands of the public works extraordinary programme as it at present progresses. Is there a substantial surplus which could properly be expended in speeding up the present progress?

2.—Will Government inform this Honourable Council:—

In respect of the combined Post Office and Government Office Building at Kowloon, the Magistracy at Kowloon, the New Mental Hospital, the Government Employees' housing schemes and Anti-Malarial work in the Colony,

- (a) What is the present position?
- (b) Whether the staff of the Public Works Department is sufficient to cope with the work?

3.—As regards the New Government Civil Hospital would it not be desirable to take early steps to deal with the possible problem of Malaria?

4.—Whether some of the public works extraordinary cannot usefully, and to the advantage of the Colony, be given to private firms in the Colony?

THE COLONIAL SECRETARY replied:—

Replies to questions 1 (a), (b) and (c), and 2 (a) and (b) have, owing to their length, been given in writing and each member has been furnished with a copy of the replies.

*Question 1 (d).*

The demands of the Public Works Extraordinary programme as it progresses can be met from the general revenues and surplus balances of the Colony. All the works mentioned in Questions 1 and 2 are being carried out as expeditiously as possible and provision of additional funds would not materially affect progress. Supplementary votes will be applied for as occasion arises. It is the intention of Government to introduce a Supplementary Budget at an early date.

*Question 3.*

The site has been under close observation for some time and mosquito surveys are frequently made. Up to date there

has been no indication of any outbreak of malaria among the labourers employed on the site. Such anti-malarial measures as may be considered necessary will be carried out as the work proceeds.

*Question 4.*

As will be seen from the answer to Question 1 it is the intention of Government to engage a firm of outside Architects for the construction of the new Central British School.

**Tabled Replies.**

*Replies to Questions 1 (a), (b), (c) and 2 (a) and (b) asked by the Honourable Sir William Shenton.*

*QUESTION 1.*

Item	(a) What progress has been made up to date.	(b)	(c)
New Government Civil Hospital	Site preparation is about three-quarters completed. The steelwork is expected to arrive in the Colony about July when erection will be commenced.	Yes. Progress is satisfactory and within Govt's time schedule.	Yes.
Kowloon Hospital.	"C" block, Nurses Quarters and Medical Officers' House are completed. Site preparation for the Outpatients' Department has been completed and work has now commenced on the erection of the building.	—do.—	Yes.
New Central British School.	To expedite this work steps are being taken to provide for its execution by a firm of non-Government Architects. Site formation in progress.	Progress slightly behind schedule.	No.
Kowloon Tsai Garden City Development.	Approximately half the amount of the work covered under the present contract has been completed.	Yes. This work is very considerably in advance of Govt's time schedule.	Yes.
New Stanley Gaol.	Site preparation is well advanced and is expected to be completed early in October.	Yes. Progress is satisfactory & within Govt's time schedule.	Yes.
Dragon Back Water Catchment Scheme.	The first section of this Catch-water has been completed and the survey for the second section is in hand.	—do.—	Yes.
Harbour Dredging Scheme.	The dredger for this work arrived in the Colony on 8th May and will have commenced dredging by 4th June at Kun Tong where it will be employed for three weeks after which period the dredging of the Harbour itself will be commenced.	Yes.	Yes.

## QUESTION 2.

Item.	(a) What is the present position.	(b) Whether the staff of the P.W.D. is sufficient to cope with the work.
Post Office and Government Office Building at Kowloon.	Sketch plans have been prepared and forwarded to Government and the question now awaits consideration with the 1935 Estimates.	Yes.
Magistracy at Kowloon.	Site preparation is in hand and good progress is being made.	Yes.
New Mental Hospital.	Sketch plans have been prepared and are now under consideration by Government.	Yes.
Government Employees' Housing Schemes.	(a) Senior Officers' Quarters, May Road. Working drawings have been prepared and a contract for site preparation will be let in about six weeks time.	Yes.
	(b) New Quarters at Peak Wireless Station. A contract will shortly be let for this work.	Yes.
	(c) New Quarters for the Director of the Royal Observatory.  This work is completed and the house occupied.	—
Anti-Malarial Work.	Good progress generally is being made in the following areas: —  Stanley Peninsula, Taikoo, Sookunpoo, Lyemun and Kowloon Tong.	Yes.

HON. MR. R. H. KOTEWALL asked:—

Will the Government be good enough to state:

1.—What are the existing postal facilities for the New Territories, and in particular for Taipo Market, Un Long, Tsun Wan, Castle Peak, Kam Tin, Sheung Shui and Shatin?

2.—If the existing facilities are inadequate, will the Government establish small post offices at all or some of these places, or devise other means whereby the inhabitants thereof may be enabled to send and receive letters and other postal matters with greater convenience and less delay than they do at present?

THE COLONIAL SECRETARY replied:—

1.—The only direct departmental services maintained in the New Territories are furnished by a postman attached to the office of the District Officer, North, Taipo, who serves Taipo

Market, and by a travelling postman who proceeds by train daily to Sheung Shui and thence by bus to Un Long where he effects local delivery, collection and sale of stamps. Otherwise the New Territories are served from the various Police Stations which exchange closed mails with the General Post Office daily and which effect district deliveries and sale of stamps in addition.

The particular districts referred to other than Taipo Market and Un Long namely Tsun Wan, Castle Peak, Kam Tin, Sheung Shui and Sha Tin are served by the Police Stations.

2.—Post Offices are shortly to be established at Un Long and Taipo Market. In this year's Estimates provision has been made for the renting of suitable premises and for a staff of one clerk and two postmen for each office. In due course the present system will be progressively replaced by direct service from the Postal Department. It is also proposed to erect pillar boxes at Tsun Wan, Castle Peak and at five other points in the Territories. Many residents in the New Territories have their correspondence intercepted at the General Post Office and delivered at their town addresses.

#### **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. 6 of 17th May, 1934, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

#### **HONG KONG DOLLAR LOAN ORDINANCE, 1934.**

THE COLONIAL TREASURER moved the first reading of a Bill intituled "An Ordinance to make provision for a loan of twenty-five million dollars for the carrying out of certain public works for the redemption of certain inscribed stock and for other purposes". He said: Honourable members have during the last four years agreed to resolutions providing moneys for various public works and have approved the expenditure on these being charged as advances from the surplus balances of the Colony pending the raising of a loan. During the whole of this period the date on which this loan should be raised has received very careful consideration and in the opinion of the Government the time has now arrived when an issue should be made. Interest rates have fallen to a point never seen before by this generation, especially in Hong Kong where it was considered impossible until quite recently for Government to raise money on a 3½ per cent basis.

Fortunately the Treasury cash balances have been so large that the necessity for borrowing money was never pressing and Government has financed these loan works from its cash surpluses

thereby saving a higher rate of interest, which would assuredly have been demanded by lenders. Interest rates may fall lower, but they may also rise, and it is the considered opinion of Government endorsed by our financial advisers at home that advantage should be taken of the present state of the money market.

Honourable members are of course familiar with all the works enumerated in the Schedule to the bill which have been explained when the various resolutions were taken in the past. The figures opposite the items denote the amounts at present estimated to be spent to complete the works.

As, however, expenditure on each item cannot be foreseen provision is made in the bill for the transfer of money from one item in the schedule to another, subject to the approval by resolution of this Council and by the Secretary of State.

There is, however, one new item in the Schedule, No 7 Redemption of Hong Kong 3½% Inscribed Stock 1918/43—\$3,400,000. The total sterling inscribed stock outstanding amounts to £1,485,733 and it has been decided to repay this on 15th October, 1934, notice to this effect having been given in the *London Gazette*, dated 13th April, 1934. Although Government are under no obligation to redeem this stock before 1943 the conditions of the London Stock Market are such that it is most desirable to do so. Gilt edged stocks are now at a higher price than they have been for the last 30 years consequently the securities forming the sinking fund of the Sterling Loan will, when realised, produce a larger amount than is required at this date to be set aside.

In other words the sinking fund is more than saturated. It is estimated to yield £998,000. Then there is the Sinking Fund of the old 6% Public Works Loan, 1927, which will yield £147,000 and the invested surplus funds of the Colony amounting to £114,000, a total of £1,259,000, leaving £226,733 to be found from the proceeds of the present loan. Under item No. 7 of the Schedule \$3,400,000 is provided for this purpose reckoning exchange at 1s. 4d.

The total advances from surplus balances on account of loan works at the end of this year were estimated when the 1934 Estimates were prepared at \$11,168,307. Assuming that the whole of this sum is spent this year, which I do not anticipate, the total money required to liquidate the advance account and to supply the balance of funds for redeeming the Sterling loan amounts to \$14,568,307.

It will be observed that Government is taking power to borrow the full \$25,000,000, but it is proposed in the first instance to issue bonds to an amount of \$14,000,000 only, the remaining \$11,000,000 will be issued on one or more occasions on some future dates as required.



The price of issue has been fixed at 99%, the bonds giving a flat yield of 3.535% or allowing for redemption over the full period of 25 years of 3.565%. The issue of \$14,000,000 has been under-written without expense to the Government, and of this amount \$9,000,000 has already been taken up leaving \$5,000,000 to the public from whom subscriptions will be invited in about two weeks.

The bonds will be in bearer form and in amounts of \$1,000, \$5,000 and \$10,000 with interest coupons attached. No sinking fund will be established, but amortization is provided by annual drawings of 1/25th of the amount issued. The first drawing will take place next year when bonds to the face value of 1/25th of \$14,000,000 will be repaid on the 15th July, 1935. It will be seen, therefore, that the whole of this issue will be paid off in 25 years.

With the Sterling loan paid off the Colony's public debt at the end of this year will stand at \$4,838,000 in 4% bonds (redemption loan 1933) repayable at par in 1953 and \$14,000,000 in 3½% bonds repayable as above in 25 years, a total debt of \$18,838,000 which is only a little more than one half of the Colony's present yearly revenue.

Particulars as to method of application, deposit required, together with forms of application for the bonds will be issued when this bill is passed. The loan will be domiciled at the Hong Kong office of the Chartered Bank of India, Australia and China.

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

### **Objects and Reasons.**

The "Objects and Reasons" for the Bill were stated as follows:—

1. The Object of this Ordinance is to empower the Governor to raise a loan of \$25,000,000 for the purposes specified in the Schedule. It is estimated that by the end of 1934 between ten and eleven million dollars will have been advanced out of surplus balances on account of public works, while a further \$3,400,000 approximately will be required to pay off the Hong Kong Sterling 3½% Inscribed Stock 1918/1943. Thus by the end of 1934 some \$14,000,000 will be required to liquidate the position. The remaining \$11,000,000 will be expended in the following three or four years in completing the various schemes.

2. As it is obviously impossible to foresee the exact expenditure that will be incurred on each item, provision is made in section 3 (2) for the transfer of money from one item in the

Schedule to another, but no such transfer can be made unless it has been approved by a resolution of the Legislative Council and by the Secretary of State.

3. Sections 4, 6, 7, 10, 12, and 13 are reproduced, *mutatis mutandis*, from the corresponding sections of the Public Works Loans Ordinance, 1927, Ordinance No. 14 of 1927.

4. Section 5 provides for the redemption of the bonds issued at the annual rate of one twenty-fifth of the amount of each issue of such bonds. It is intended to raise about \$14,000,000 forthwith and the balance by a further issue or issues as required. The bonds of each separate issue are to be redeemed at the rate of one twenty-fifth in each year starting in the year after that in which the issue was made.

5. Section 8 makes provision for the appropriations from revenue for the redemption of the loan.

6. Under Section 9 interest on the loan is to be 3½% which is payable half yearly.

7. The bonds drawn for redemption each year and the half-yearly interest are payable at the Hong Kong office of the Chartered Bank of India, Australia and China, to which also, under s. 11, the bonds drawn are to be delivered for cancellation.

8. Section 12 makes this loan a trustee investment.

9. No provision is made for the establishment of a sinking fund as the system of annual drawing provides for the redemption of the loan.

10. Section 13 exempts all appropriations for the payment of interest and for the redemption of the loan from liability to military contribution.

#### **ADJOURNMENT.**

H.E. THE GOVERNOR.—Council stands adjourned until Thursday next, June 7th.

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