

*27th September, 1934.*

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**PRESENT:—**

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

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

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. W. B. A. MOORE, (Acting 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. 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. H. R. BUTTERS (Deputy Clerk of Councils).

**ABSENT:—**

HON. MR. J. P. BRAGA.

**MINUTES.**

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

**NEW MEMBER.**

Hon. Dr. W. B. A. Moore, Acting Director of Medical and Sanitary Services, took the oath of allegiance, and assumed 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:—

Regulations under section 9 (1) of the Police Force Ordinance, 1932.

Regulations under the Public Places Regulation Ordinance, 1870.

Order under section 4 (a) of the Importation and Exportation Ordinance, 1915, prohibiting the exportation of war material to Bolivia and Paraguay.

Resolution under section 6 (1) of the Betting Duty Ordinance, 1931.

Order made by the Chief Justice under section 114 of the Bankruptcy Ordinance, 1931.

Regulation under section 25 (4) of the Merchant Shipping Ordinance, 1899.

Report of the Director of Public Works for the year 1933.

**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. 12 of September 13th 1934, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

**ESTATE DUTY AMENDMENT ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Estate Duty Ordinance, 1932". He said: The necessity for this amending Bill is made clear in the Objects and Reasons. Clause 2 empowers the Chief Justice to appoint commissioners for oaths for the purposes of the principal Ordinance and clause 3 validates all previous such commissions and everything done under colour thereof.

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. Appointments of commissioners to administer oaths, etc., for the purposes of the law relating to Estate Duty have hitherto been made by former Chief Justices under section 702 (1) of the Code of Civil Procedure Ordinance, 1901.

That sub-section reads as follows:—

"702.—(1) The Chief Justice may, by a commission signed by him, appoint fit and proper persons to be commissioners to administer oaths and take declarations, affirmations and attestations of honour in the court. ...."

2. The present Chief Justice has held that the words "in the court" in this sub-section qualify the words "to administer oaths" as well as the following words, and that he has therefore no power to issue a commission appointing a Commissioner of Estate Duty, who administers oaths outside the Court, to be a commissioner for oaths.

3. The amendment of the Estate Duty Ordinance, 1932, effected by the present Bill gets rid of this difficulty, and also validates all commissions by previous Chief Justices issued to Commissioners of Estate Duty, and all proceedings taken under colour of such commissions.

### **EVIDENCE AMENDMENT ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Evidence Ordinance, 1889". He said: This Bill introduces into the principal Ordinance the provisions of section 30 of the Children Act, 1908, which made the unsworn evidence of a child receivable in certain circumstances in criminal proceedings. The need for this provision in our local law was shown in the recent Nullah murder case. At the time of the second trial a child witness, whose evidence was of considerable importance to the Crown case, was in hospital. The Crown was unable to use her statement made at the Magistracy because it was unsworn.

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:—

This Ordinance inserts in the principal Ordinance a section based upon section 30 of the Children Act, 1908 (8 Edw. 7, c. 67) providing

for the reception in criminal proceedings of the unsworn evidence of children of tender years who in the opinion of the Court understand the duty of speaking the truth, but not the obligation imposed by an oath.

Section 7 (3) of the Protection of Women and Girls Ordinance, which makes a like provision in cases under sections 6 and 7 of that Ordinance, is repealed.

### **LIQUORS AMENDMENT ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Liquors Ordinance, 1931". He said: The effect of this amending Bill is twofold. Firstly by clauses 2, 3, 4 and 6 it introduces certain minor amendments of the principal Ordinance suggested by the Secretary of State. Secondly, by clause 5 it remedies certain defects and omissions in the provisions of the principal Ordinance governing the transfer and cancellation of publicans' and adjunct licences.

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. When the Liquors Ordinance, 1931, was submitted to the Secretary of State, he suggested in his dispatch of the 1st April, 1932, that certain minor amendments were desirable when a suitable opportunity of amending the Ordinance occurred. His suggestions (with one exception) are carried out in Clauses 2, 3, 4 and 6 of this Bill.

2. Clause 2 inserts in section 2 of the principal Ordinance a definition of "distillery licence" which has been drafted after consultation with the Superintendent of Imports and Exports.

3. Clause 3 provides for meetings of the Board, annually in November and on other occasions when necessary.

4. Clause 4 by adding the words "address and" in section 15 of the principal Ordinance gives persons living in the vicinity of premises in respect of which application for a licence is made a better opportunity of identifying the premises in case they wish to oppose the application or to appeal to the Governor in Council against a decision of the Licensing Board under section 13.

5. The effect of the words added by clause 6 to section 61 of the principal Ordinance is to remove a conflict between that section and section 4.

6. Clause 5 substitutes for section 18 of the principal Ordinance a new section the provisions of which have been found by experience to be necessary.

The law as it stands precludes the transfer of a licence without the consent of the original licensee, and hence the licensed nominee of a firm or company owning licensed premises could, if dismissed, bring the whole business to a standstill by refusing his consent to any transfer of the licence. Again, if a licensee leaves the Colony in breach of a condition of his licence the same impasse arises, since the Ordinance makes no provision for forfeiture of a licence except under section 85 on a second or subsequent conviction of the licensee by a magistrate.

The new section by sub-section (1) empowers the Board on good cause shewn to direct the transfer of a licence; by sub-section (2) further empowers the Board, on the breach of a term or condition thereof, to order the cancellation of a licence; and by sub-section (3) the right of appeal to the Governor in Council against a decision of the Board under this section is given to

- (a) an aggrieved applicant for transfer under sub-section (1);
- (b) a licensee whose licence is directed to be cancelled under sub-section (2); and
- (c) in either case, to twenty interested householders living near the licensed premises affected.

#### **THE BUDGET.**

THE COLONIAL SECRETARY moved the second reading of a Bill intituled "An Ordinance to apply a sum not exceeding \$26,324,219 to the Public Service of the year 1935." He said: I have Your Excellency's authority for saying that should it be the wish of the Unofficial Members, I am authorised to propose an amendment in Committee which will enable the sum of \$80,000 to be inserted under Public Works Extraordinary for continuing the work on Wanchai Market.

THE COLONIAL TREASURER seconded the motion.

HON. SIR WILLIAM SHENTON.—Your Excellency,—It is my privilege this year to speak, on behalf of the Unofficial Members of this Council, and deal with matters of general concern, arising out of the Estimates for the coming year, leaving to my Colleagues the subjects in which they are individually, or particularly interested.

It has been the practice in the past, not only to deal with the items of the Estimates as presented, but to take a general survey of the past, a scrutiny of the Departmental Reports, Memoranda and Notes, and a consideration of the future. My Colleagues desire that a similar procedure be followed this year.

### **Budget Position.**

We wish to record our real appreciation of the clear and concise way in which Your Excellency has placed before us the Estimates for the year 1935. An exhaustive fund of information has been made available to us, and we have had no difficulty in following the mass of figures.

The speech of the Honourable Colonial Secretary was an excellent guide, and has been of great assistance to us in following the ramifications of the Budget.

The Memorandum on the financial position 1933, 1934 and 1935, placed before us by the Honourable Colonial Treasurer, is an illuminating document, and has been much appreciated by us.

The abstract of differences between the approved Estimates of Expenditure for 1934 and for 1935, is indeed useful, and enables us with ease to follow the variations in the respective Estimates.

The Notes on the 1935 Estimates, prepared by the Honourable Director of Public Works, have given us an excellent insight into the many and varied works under his supervision.

The many Departmental Reports for the year 1933, which have come into our hands from time to time, have kept us constantly in touch with the Government of this Colony, and are most useful.

We congratulate Your Excellency, and the Members of the Government concerned, on the healthy position of the Colony's finances. In these days of depression, stress and strain, we look for an orthodox Budget. The present is not the occasion for flights of high finance, nor monetary experiments, nor do we regard the time as at all appropriate, for new extensive, and unproductive Public Works Extraordinary. We believe that something along the lines of a solid Yorkshire Budget is more in keeping with the present circumstances.

An estimated deficit for 1934 of \$1,222,366, thereby reducing the excess of assets over liabilities to \$12,601,259, and for 1935 of \$1,390,452, thereby reducing the excess of assets over liabilities to \$10,710,807, is not a position which we regard with anxiety especially when we consider that the figures are based on a 1s. 4d.

dollar. We do not think it requires a Daniel to prophesy, that at the end of 1934, and again in 1935, we shall find the balance is on the right side.

We realise that a favourable exchange has been a most important factor in the preparation of the Estimates, and this becomes strikingly apparent when one reads the abstract of differences, or peruses the footnotes of the Draft Estimates. For a continuance of this satisfactory position, we must look for similar or higher rates in the future.

When all is said and done, a reduction in Expenditure for the year 1935 of \$774,093, is a novel experience in this Colony in recent years.

### **Crown Colony Budgets.**

We have noted from a speech made in the House of Commons in England on the 12th July last, by the Right Honourable Sir Philip Cunliffe-Lister, that several of our sister Crown Colonies have been able in the immediate past, to produce favourably balanced Budgets, which they have not previously done for some years, and we hope that this is a good augury for the future prosperity of our Colony.

### **Future Prospects.**

It would not be correct for us to state that we view the immediate future with optimism. The Colony for a considerable period escaped from the general world depression, owing to a number of circumstances, which I need not go into here. It is incontestable that we are now feeling the full blast of the depression, and until there is a real and solid improvement in the general world conditions, we cannot look for a substantial improvement in our present position.

It is, however, the considered view of Unofficial Members that, although the immediate future is depressing, nevertheless, the great recuperative powers, which this Colony has always evidenced in the past, will re-assert themselves, and that, taking a long view of the future, we unhesitatingly state that Hong Kong holds out even greater possibilities of prosperity than in the past.

Looking over the past few years, we consider that the merchants and other business elements in the Colony have derived considerable benefits from the stability of the value of our dollar, and although there have been fluctuations from time to time, such variations have not been so violent as they might have been; in addition to which the premium on the Hong Kong dollar, which was so detrimental to Hong Kong, has practically disappeared. For these favourable positions, we are indebted to the Hong Kong and Shanghai Banking Corporation.

### **Declining Revenues.**

The empty houses and flats, the declining land sales, the fall in the collection of stamp duties, and Government fees, the diminishing river and coastal steamer traffic, are matters of grave concern, but as so clearly pointed out by the Honourable Colonial Secretary in his speech, Hong Kong's troubles are largely external, and until those external conditions improve, Hong Kong cannot look for better times.

History teaches us that the nationalistic policies now pursued by the nations of the world are no new phenomena, but an economic phase of which there is plenty of precedent. In Europe in the pre-Christian era and the days of Sulla, and again after the wars of Napoleon, similar positions existed, and there are many other examples.

We are fully aware that the value of our manufactures, though small in volume, is far greater than many people realise. I do not propose to deal with this subject in detail, as several of my Honourable Colleagues will speak on this aspect of our Colony's economic position.

No one can deny that China is passing through a very critical time economically. Since she obtained tariff autonomy in 1928, duties have been ever on the increase, and with an unfortunate degree of uncertainty in every direction, making trading most difficult. It is to be hoped that China, and the rest of the world, will realise that what is needed is an interchange of commodities, freed from taxation and restrictions, other than such as are necessitated by a genuine revenue policy.

### **Quotas.**

We have noted with satisfaction, that this Colony has so far been excluded from the Empire Quota System. We thank Your Excellency for the consideration you have given to our interests in this respect. The matter is of vital importance to this Colony. On the 29th November, 1895, the Right Honourable Sir Joseph Chamberlain, when writing to His Excellency, Sir William Robinson, then Governor of this Colony, said: "I am aware that the trade of the Colony under your Government is of a special character," and the Right Honourable Sir Philip Cunliffe-Lister made a similar statement in the House of Commons this year. In our opinion, if the Quota System were applied to Hong Kong, much trade which would otherwise pass through Hong Kong, would be diverted elsewhere.

### **Trade Commissioner.**

For many years this Colony has felt the need of some official connecting link with  
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now been met by the appointment of a Trade Commissioner in the person of Mr. G. C. Pelham. We welcome his presence here, and his activity has already been appreciated on several occasions. (*Government Report Chap. I, page 3.*)

#### **Economic Commission.**

Owing to the prevailing depression, Your Excellency has seen fit to appoint an Economic Commission to enquire into the cause of the depression and make recommendations as to the future. We have every confidence in this Commission. It is now sitting, and we eagerly await the report.

#### **3½% Loan.**

We congratulate both Your Excellency, and the Honourable Colonial Treasurer, on the success of the New Public Works 3½ per cent. \$25,000,000 Loan, of which \$14,000,000 was floated in July last. It shows the confidence of the public in this Government, and the fact that there is plenty of money available at a low rate of interest when sound security is offered.

#### **Debenture Issue.**

The recent offer of Debentures by one of our leading Land Companies is a step in the right direction, and should have the effect of getting more money into circulation, and the finding of a useful outlet for some of our idle capital. It is also a clear indication that this important concern has every confidence in the future prosperity of this Colony.

#### **Retiring Government Servants.**

We learn with deep regret of the impending retirement of the Honourable Mr. E. D. C. Wolfe, C.M.G., who has for so many years honourably served the Colony, in many capacities, and latterly that of Inspector-General of Police and in charge of the Fire Brigade. He has performed his duties with meticulous care and the greatest enthusiasm. His office is one that brings him in direct contact with the public; in fact, he is often the intermediary between them and the Government. We have no hesitation in stating that he has performed his duties to our entire satisfaction, and we shall part with him with great regret. (Applause).

Mr. H. K. Holmes, C.B.E., is also shortly leaving us. He comes of an old Hong Kong family, whose connections are bound up with the history of this Colony. He is perhaps not so much in the public eye as some other Government servants, but there is no one in this Colony who has such an intimate knowledge of our laws, or whose advice is not only taken but followed on innumerable occasions. No one is more ready than Mr. Holmes to  
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at the service of all who seek it, and we are not exaggerating when we state that when Mr. Holmes goes he cannot be replaced. If Your Excellency were able to induce Mr. Holmes to stay on in harness a few more years, a real service would be rendered to the Colony. (Applause).

### **Ordinances and Regulations.**

The last revision of our Ordinances was in 1923, since when a mass of legislation, both new, or by way of amendment, has been passed. For the assistance and guidance of all who are connected with, or have occasion to refer to, the Laws of this Colony, a new revision should now be taken in hand.

Another matter of a similar nature, which is almost of as great importance, is some codification of the Regulations at present in force, passed in pursuance of Ordinances.

### **Statistics.**

Our Statistical Department seems to be doing good work, and there appears to be an excellent demand for our monthly and annual returns. It would be happier if those returns showed a more prosperous state of affairs in the Colony than they do. (*Report Appendix E, page 13*). The Superintendent of Imports and Exports has been very active in his prosecutions recently, and whilst we appreciate the necessity for reliable statistics, we hope he will exercise some discretion in favour of those who are less neglectful than others.

### **Opium.**

The falling off in the sales of opium is, as a matter of revenue, unfortunate, but not to be deplored if it were not for the fact that the unfortunate policy of high-priced opium inevitably increases smuggling, which, in fact, it has. It is not that less opium is smoked, but that smuggling is greatly on the increase. A further point of substance is that if the Government want to sell opium they must supply the consumer with what is wanted, and not a Singapore preparation which the consumer refuses to buy. (*Report Appendix E, page 4*).

### **Bribes.**

In the Report of the Superintendent of Imports and Exports for the year 1933, (*Appendix E. Sub-Appendix III, page 31*) there appears an item "(2) Fees paid to Chinese Police or Revenue Officers every week, individual payments from 30 cents up to \$3." The fact that such an item appears as an ordinary entry in a trader's books, is a matter for the greatest regret, and points to well-established and recognised corrupt practices. We, Unofficial Members, hear rumours

of such practices existing, and we are of the opinion that this entry, appearing as it does in a Government Official Report, demands from Government the most careful investigation and relentless prosecution, if such a state of affairs exists.

### **Water.**

During the past year, the Colony has again been restricted in its water supply, although we have been fortunate in not experiencing the conditions of drought appertaining in some other parts of the world.

We note, with pleasure, that substantial progress has been made with the Shing Mun Dam, and we shall be glad to know when the Colony may expect to receive water from that source of supply.

The Tytam Tuk Catch-water, which includes the Dragon Back Catchment area scheme, will substantially augment the water supply of the Island, and we are glad to see that this much delayed scheme will be completed in 1935.

The 12 inch pipe line across the harbour was always understood to be a forerunner of another, and bigger pipe. We are glad to note that the second pipe, being an 18 inch pipe, will be ready for use next April.

Money spent on water is money well spent, but our water system must be financed on such a basis that it is self-supporting.

The reduction in the excess water rate by 15 per cent. which Your Excellency has found it possible to bring into force, is a happy recognition of Your Excellency's desire to ameliorate the conditions of the poorer classes in our midst.

### **Public Works Extraordinary.**

The Notes on Estimates of the Honourable Director of Public Works, are always of great interest to Unofficial Members: they are a barometer of the Colony's progress, and an indicator of its vitality. For some years past, it has been apparent that a very extensive policy of replacement had become inevitable; many of the public institutions for which Government is responsible, had become hopelessly out of date.

We congratulate Your Excellency on the determination with which you have faced these imperative needs, and we hope that progress with the works now in hand, will be pressed on with unfailing vigour.

In connection with non-recurrent works of this nature, we cannot stress too strongly on Government the desirability of creating temporary posts, without liability for pension, or necessity to contribute to the Widows and Orphans Pension Fund.

We notice that there are to be two new markets in the Island, and two at Kowloon.

We believe that an increase in the number of markets will have the effect of keeping down the cost of living, and this was the considered opinion of a High Cost of Living Committee appointed some years ago.

It is a matter for great regret that the Wanchai market has had to be postponed for the time being, but should the sterling value of our dollar remain at a figure not less favourable than its present value, we would ask Your Excellency to bring this matter before Unofficial Members for further consideration during the coming year.

The site formation of the new Government Civil Hospital and the new Gaol at Stanley appear near completion, and the site for the new Central British School at Kowloon has been started in earnest, with the result that the coming year should witness real progress in respect of these essential public works.

The Upper Levels Police Station, and the Magistracy at Yaumati, are very necessary requirements.

The Government House and City Development Scheme must be regarded as a separate entity, as it has been segregated from the General Government Accounts. It is, we understand, anticipated that the Scheme, when completed, will pay for itself.

The Scheme was based on the sale of the City Hall, and now that it has been disposed of, the way is made clear for the construction of the new Government buildings, and the new Government House. An Assembly Hall and Theatre is badly needed, and as the sale of the old City Hall has made possible this ambitious scheme, something on the lines of the old City Hall, is called for, as a measure of compensation to the public for what it has lost. The new City Hall should not only accommodate theatrical performances, but should be of sufficient accommodation to be a venue for Government and Public Receptions.

We are glad that Government have seen fit to grant some relief to the builder in extending automatically the burden of building covenants for one year. This concession will assist, in an indirect method, our economic problem, and bring relief to a valuable section of our community, but will not interfere with genuine building.

Viewing the position as a whole, we think the Honourable Director of Public Works must be well pleased with the programme he has before him, even though the Works Extraordinary Vote has been reduced from \$3,591,950 in 1934 to \$2,999,450 in 1935. Many of his predecessors would be jealous of his enviable position.

Before leaving the subject of public works, we desire to state that we approve of the principle of giving out such works as the Central British School to private firms of architects, and we think that the practice might be further developed in suitable cases.

### **Playing Grounds.**

We have watched with interest the opening of the public playground at Wanchai this year, and we hope that Government, when developing new areas for building purposes, will, as far as possible, make similar provision wherever possible. The need for more lungs in the Colony cannot be too strongly stressed.

More athletic grounds are very necessary, and we think that Government should investigate the possibilities of the south side of the Island, particularly the area between Deep Water Bay and Aberdeen, not forgetting, in connection therewith, necessary and economic forms of transport.

### **Bathing Facilities.**

A matter which will ere long have to come up for consideration is the bathing facilities at North Point. Daily in the summer months, many thousands avail themselves of this very healthy form of recreation.

The permits for the erection of the Pavilions are, and always have been, temporary only, and within the next few years, alternative accommodation will have to be found, as the commercial development of that part of the Colony cannot be impeded.

The construction of a motor road, from the Gap above Deep Water Bay, down to the area formerly occupied by the Brick Works, but now belonging to Government, thereby opening up the whole of Deep Water Bay for bathing purposes, and the area in question for recreation grounds, might possibly make some provision to meet the situation.

Whether it is possible to continue the road and tram rails, through Shaukiwan, along the water level to Saiwan Bay, we do not know, but the matter might receive consideration.

### **Vehicular Ferry.**

The vehicular ferry may have cost the Colony a substantial sum, and may be criticised on this account, but there is no gainsaying the fact that it has linked up the Island with the mainland in a manner no other practical means could have effected. Its popularity is, like the traffic carried, growing day by day, and is even now a valuable asset.

### **100-Foot Road.**

Another hardy annual is the 100-foot road at North Point. Considerable work has been carried out this year, and we can only express the hope that substantial efforts will be made to complete the work without delay.

### **Police Force.**

We notice a change of emoluments on page 47 of the Estimates. The post of Inspector-General of Police carries with it apparently, a salary from £1,500 to £1,600 annually, whilst the Cadet Officer Class I, a salary from £1,500 to £1,800. Is it suggested that a life-trained police officer is less valuable than a Cadet Officer Class I for the purpose of filling the position of Inspector-General of Police? This matter will form one of the subjects which the Honourable Mr. Bell will deal with.

### **New No. 1 Police Launch.**

We see in the Estimates an item of \$250,000 for a new No. 1 Police launch, which obviously will be useful for anti-piracy purposes. We are of the opinion that our police should, as suggested, have two such launches in operation.

### **Piracy.**

We note with regret three cases of piracy during the year 1933. In two cases the ships had already been searched in Hongkong. In the case of the steamer "Prominent" we find that the No. 4 Police launch was aware that the ship was in the hands of pirates, and that she was within gunshot of the ship; nevertheless, the pirates got on shore in Mirs Bay about midnight with property of the officers and passengers. It would seem that some explanation is called for, and we hope, with the completion of the new No. 1 Police launch, such a state of circumstances will not occur again. (*Report Appendix K. pages 6 & 7*).

### **Gaols.**

The Prison Report for 1933 cannot be overlooked. When we get a situation where convicted criminals have to be released before their terms have expired, the position has become more than serious, and it is therefore most important that our new gaol should be completed with all possible speed.

We also notice that the Female Gaol at Laichikok is over-crowded, and that the workshops accommodation is quite inadequate.

Mr. Franks would appear to have a difficult position to fill. (*Report Appendix L. pages 2 & 3.*)

### **Coinage.**

In a Colony situated as Hong Kong is, the falsification of our coinage is a matter of very great concern. It is surprising the amount of false local subsidiary coinage there is in circulation, and the forgery of some of our issuing banks' notes is a matter that cannot be passed over lightly. It is to be hoped that the Police and our Magistrates will use their utmost diligence in dealing with this all important matter. (*Report Appendix K. page 2.*)

### **Mui Tsai.**

The creation of a new post, the Inspector of *Mui-tsai*, has our whole-hearted support.

As regards the *Mui-tsai* problem generally we are satisfied that the policy of the Home Government is being loyally and firmly carried out. The number of *Mui-tsai* in the Colony is yearly decreasing, and in the meantime the work of our Inspectors is being honestly and impartially performed. (*Report Appendix C. page 1.*)

We, Unofficial Members, desire to protest in reference to the manner in which the *bona fides* of the settled policy of this Colony in dealing with *Mui-tsais* is from time to time being called in question by ill-informed people in England (Applause).

### **Factories.**

It is interesting to note that our legislation in respect of Factories and Workshops is resulting in considerable improvement in our general factory conditions, and that the employment of children under 16 has practically ceased in large factories. (*Report Appendix C. pages 8 & 9.*)

### **Juvenile Offenders.**

Last year we saw the coming into force of the Juvenile Offenders Ordinance: it marks another mile-stone in our judicial progress. The Remand Home appears to be working well, and it is to be hoped that the Remand Home for Girls, at No. 2 Embankment Road, Kowloon, which Government is financing, and is to be worked through the good offices of the Salvation Army, will be a success. (*Report Appendix H. page 2.*) (*Finance Message No. 11.*)

### **Street Boys' Club.**

Before leaving matters relating to the Police, we must congratulate the Honourable the Inspector-General of Police, and all those connected with it, on the excellent work which is being done in the Street Boys' Club. (*Report Appendix K. page 30.*)

### **Kowloon Railway and Roads.**

Of the various reports issued by Government Departments for the past year, one of the happiest would appear to be that of our Railway. The figures are most encouraging, and we learn that the possibilities have by no means reached saturation point. (*Report Appendix S. pages 1 & 2.*) The Honourable Colonial Secretary, we note, looks forward to a period of prosperity.

We are glad to learn that an Agreement as to the allocation of railway profits has recently been come to with the Canton Authorities, and that the relations between the two systems are most harmonious. We regard this position as indicative of one of the many circumstances where Canton and Hong Kong can work together for their mutual benefit.

We welcome the new Manager of the Railway, and we already notice signs of his activity in the administration.

The Provincial Government of Kwangtung has for some years been pursuing an active road programme, and we are of opinion that steps should be taken to extend our road system to Shum Chun, so as to join up with the projected Shum Chun-Canton Road (now in the course of construction), thereby in due course connecting the Colony with the Kwangtung road system radiating from Canton, in addition to which, we should make arrangements for the building of a road from the British border, for a distance of about 27 miles, in order to link up with the road running from Chenmoktau to Foochow via Weichow, Swatow and Amoy, portions of which are already being used for traffic.

Here also is an instance where Canton and Hong Kong can work together, for their mutual benefit.

### **School Children's Tickets.**

On page 72 of the Estimates, Item 23, footnote 12, provision is made for compensation to the Railway for school children's tickets. We shall be glad to know to what children these tickets are granted, and what qualifies them for such facilities.

### **Assistant Shipping Master and Gunpowder Depot.**

We note that a new post of Assistant Shipping Master is being created, and we hope it will now be possible for the Marine Office to mark time, for a substantial period, in creating new positions.

We hear from time to time, that this Department is too exacting, and ships are avoiding this Port which would otherwise call here.

The defalcation at the Government Gunpowder Depot at Green Island appear to us to show a complete want of supervision, and we hope the new arrangement will prove satisfactory.

### **Dredging.**

The dredging of our harbour is a hardy annual, and the Honourable Mr. C. G. S. Mackie will again deal with this matter, but, whilst on this subject, we would draw Government's attention to the very serious silting up of the typhoon shelter at Causeway Bay.

### **Aerial Mail and Air Services.**

As regards the Aerial Mail Service to and from this Colony, we regard this question as of great importance, and whilst we feel certain that progress must have been made, we are almost entirely without knowledge as to the present position.

Any information which Your Excellency is able to impart to us, will be gratefully received.

We have noted in Appendix VI of the Estimates that \$520,297.69 is to be spent on a new hangar and seaplane slipway. It appears to us desirable that the Commercial Aviation should be separated from the Royal Air Force, which we presume is the intention.

We cannot leave this matter without stating that we have been led to believe that the surfacing of the Kai Tak Aerodrome is by no means satisfactory. We also hope that very careful consideration will be given to the location of prospective buildings on and in the vicinity of the Aerodrome.

On page 34 of the Estimates, Item 7, and footnote 4, we find reference to a roller purchased in 1934. We shall be glad to know whether it is expected that this roller will make the Aerodrome fit for landing, and taking off, without danger.

### **Medical and Health Services.**

The Government has appointed a Committee to consider a scheme prepared by the Honourable Director of Medical and Sanitary Services for the purpose of dealing with certain aspects of our Municipal affairs. We await with interest the report of this Committee, and we hope the time may not be far distant when we shall have an opportunity of discussing both the scheme and the report.

We know that Government has under consideration a new Building Ordinance, and the general improvement of our health services, and we await with interest the introduction of these various legislative measures.

The several additional appointments to the Medical Department would seem indicative of the activity of the Honourable Director of Medical and Sanitary Services before the Estimates Committee, and we have noted with interest the increased work being performed in the New Territories. We are satisfied that the Lady Ho Tung Centre at Fanling cannot possibly be successful where it is situated, without a motor bus attached to it, and we see this is provided for on page 55 of the Estimates, Item 25.

Whilst dealing with the welfare work in the Colony, words of thanks should be expressed to the many charitable organisations who perform such splendid service, voluntarily, without expectation of reward.

### **Opium Addicts.**

On page 55 of the Estimates, Item 22, and footnote 6, we find special provision for treatment of opium addicts. We shall be glad to know where they are treated, and how many have availed themselves of the facilities in the past year.

### **Superintendent of Mails.**

We should like details of the personal allowance of £50 per annum to the Superintendent of Mails, and the reasons therefor.

### **Trade School.**

We are agreed that the Trade School should be proceeded with, and we should like to record our appreciation of the very generous spirit shown by the Building Contractors' Association in constructing the building at cost price. We are sure that an institution of this nature will be of considerable benefit to the Colony.

### **Hire of Swimming Bath.**

On page 72 of the Estimates, footnote 5, we find reference to the hire of a swimming bath. We shall be glad to know which swimming bath is referred to, for whom it is hired, and details of the payment.

### **Naval Volunteers and Volunteer Air Force.**

We have noted with interest the formation of the Naval Volunteers, and the Flying Section of the Hong Kong Volunteer Forces, both of which we find are well organised, and enthusiastically supported. The Honourable Mr. C. G. S. Mackie will deal with the flying subsidy.

### **Land Sales.**

We have noted with regret the great falling off in land sales. The figures for documents registered, fees and stamps, given in the Land Officer's Report for 1933, are causes for serious thought. (*Report Appendix I, page 1*). For 1928, the land sales were \$1,635,235.65, for 1930 \$2,864,897.03, for 1931 \$3,177,807.94, for 1932 \$1,370,658.40, for 1934 the approved estimate is \$1,200,000, and for 1935 the estimate is \$600,000. This is inevitable, having regard to the unhealthy land boom that has existed during the past few years, due largely to speculative finance, and idle funds. Land booms followed by slumps are not new conditions in this Colony, but we have, from time to time, drawn Government's attention to the fact that treating the proceeds of land sales as current revenue is not desirable, and must inevitably create difficulty. We have many empty houses and flats in the Colony to-day: this has happened in the past, and will recur again.

We hope the Honourable Colonial Secretary is not too optimistic as to the realisation of his saleable land assets in the near future.

### **Colonial Auditor's Report.**

In the Colonial Auditor's Report, Appendix A, paragraphs 23 to 26, there appears to be some difficulty as to Government accounting, which requires elucidation. We shall be glad to know what this difficulty is, and whether the procedure suggested has been adopted. There also seems from paragraphs 57 to 59 to be some difference of opinion as to the Government Store Accounts, and we should like details of it.

### **Military Contribution.**

The Military Garrison of this Colony is paid for out of the Military Contribution made to the Home Government. In fact, if the cost of the Garrison is less than the Contribution, the Colony is entitled to a refund.

Substantial cuts in the pay of the Garrison have been made by the Home Government, and it is submitted that a reduction equal to the amount of the cuts should at least be made in the Military Contribution of this Colony. We doubt if it was ever intended that the Military Contribution should be used as a form of Home Retrenchment.

We are glad to note that the profits, amounting now to \$975,410 on certain exchange transactions, have, after twelve years, been released from the Military Contribution, and have been passed to this Colony's account. We congratulate Your Excellency on the satisfactory termination of this long outstanding question. (Applause).

It is interesting to note that the annual expenditure on Defence, which this Colony makes, when compared with our total expenditure, is 16.36 per cent., whilst in the Federated Malay States it is 2.8 per cent., Straits Settlements 13.3 per cent., Ceylon 2.5 per cent., Kenya 4.45 per cent., and Nigeria 7.2 per cent. (See "An Economic Survey of the British Empire 1932" issued by the Colonial Office). Our contribution is out of all proportion, and should be reduced.

### **Kowloon.**

No speech on the Estimates would be complete without some special reference to the Peninsula of Kowloon, as it is in that part of the Colony some of our most important industries are situated. The Honourable Mr. J. P. Braga will deal in detail with both Kowloon and the New Territories. We are, I am sure, all regretful that Mr. Braga is unable to be with us to-day as he is in hospital. The Hon. Mr. W. H. Bell is very kindly reading his speech.

Progress has been made with the Kowloon Hospital, a start has been made with the much needed new Central British School and a site for the new Magistracy is now being formed. We should like to press on Government the desirability of finishing the new Central British School as early as possible.

It is, we know, Government's intention when conditions improve, to construct an Administration Building on the present Fire Station site which, in addition to containing the necessary offices, will house the new Post Office and the Fire Station.

We hope that the temporary provision for a new Post Office on the premises previously occupied by Messrs. Alex. Ross & Co., will be found more convenient to the residents on the Peninsula, and in some measure meet their requirements.

We cannot leave the problem of Kowloon without expressing the hope that the facilities for landing and embarking passengers from ocean-going ships at the wharves may be improved.

### **New Territories.**

The reports of the District Officers, North and South, for the year 1933, are satisfactory, and we have noted with interest that, according to the District Officer South, the development in the Southern area appears to be almost phenomenal. (*Report Appendix J. page 20*). It therefore seems curious to us that a new Land Bailiff should be required in the District North, rather than the District South.

We cannot help thinking that there is room for more scientific farming, as has been the case in both Japan and Java. Dr. Rajchman,

who represents the League of Nations, reports that, as far as China is concerned, this is certainly the case, particularly in reference to seed selection.

We believe a Committee has been appointed to consider how the New Territories can be developed to the best advantage, and we await their report with interest.

A matter that calls for immediate attention is the appalling postal facilities in the New Territories. Letters are not delivered for days, and often never reach their destination. We note that a motor post van is now being purchased, and we believe post boxes are to be installed throughout the Territories. We hope these arrangements will remedy what has hitherto been a scandal.

We cannot leave this subject without a note of warning in regard to the conservation of our supplies of sand. (*Report Appendix J. page 20*). We understand that there has been a great deal of smuggling from the Colony, and we hope that the new Scheme will adequately protect us. We are led to believe that it may even result in a profit to our revenue.

### **Fish.**

We note from both the New Territory Officers' Reports that there have been two bad fishing years, with consequent loss to the Colony. We would draw the attention of the Police to the large amount of fish dynamiting that goes on in the waters of the Colony. (*Report Appendix J. pages 3 and 21.*)

### **Gambling At Shum Chun.**

We, Unofficial Members, desire to draw Government's attention to the most undesirable conditions that exist in Chinese Territory, at Shum Chun, just over the British-Chinese Border. Here gambling on an extensive scale, with all that it carries in its train, is indulged in; the tables are operated openly, and with the apparent recognition of the Government at Canton. It has every appearance of having been purposely brought there with the object of attracting the unwary from our Colony.

With gambling banned in Canton, by official order, and having regard to the oft protested morality campaign of that Great City, we find it difficult to believe that the whole organisation would not be closed down if the attention of the Canton Government were drawn to the state of circumstances that exist there.

### **King George V. Jubilee.**

The coming year will be an important one throughout the British Empire. His Majesty the King's subjects will be celebrating the 25th Anniversary of His Majesty's Accession to the Throne.

We know that this Colony, whose loyalty to the Throne is, and always has been, second to none in the Empire, will desire to participate in such an auspicious occasion. It is our united wish, and the desire of this Colony as a whole, that it should be fittingly celebrated, in accordance with His Majesty's wishes.

### **Centenary Of The Colony.**

Another event of great importance to us is the fast approaching centenary of this Colony. There are only eight years to pass, and we should already be thinking of how we propose to perpetuate, for all time, this important occasion in our Colony's history. No one can look back on the past without a thrill, and a feeling of pride, in what has been accomplished by the real and hearty co-operation of those, who, over a period of ninety odd years, have built up this great commercial centre.

An authentic history of the Colony's growth appears conspicuous by its absence.

### **Conclusion.**

In conclusion, we desire to state that we, and the Colony, are most appreciative of the careful and devoted attention Your Excellency has, and is giving, to the affairs of our Colony.

Under your able guidance, and control, all classes of the community are receiving just and equitable treatment, and the necessities of the Colony are receiving every attention. It is our united wish that both your and Lady Peel's health will be well preserved, and that during the remaining period of your governor-ship, as well as during your retirement, the lives of both of you may be both long and happy. (Applause).

HON. MR. C. G. S. MACKIE.—Sir, With regard to the reference made by my Hon. friend the Senior Unofficial Member as to the undesirability of carrying out extensive unproductive Public Works Extraordinary in these days of depression, I am in agreement. On the other hand, I maintain that this is not the time to delay urgent works which will be revenue producing. I have in mind particularly the proposed new market at Wanchai, which I consider should be proceeded with at once. Works of this nature give employment to a large number of labourers and this is very helpful in times like the present. We all realise that economies must be introduced, but these should be in the nature of a reduction in cost of administration rather than a postponement of Public Works Extraordinary which, when completed, will shew a return on capital involved.

Sir William Shenton has made reference to the dredging of the harbour and has stated that I would again deal with this matter. As foreshadowed in my speech last year, the Government has taken up this question very energetically and the work is now

progressing most satisfactorily. At the present time dredging is principally confined to the Admiralty area, but, as this forms part of the general scheme, other work is not being unnecessarily delayed. I learn from my Honourable friend, the Director of Public Works, that the entire work should be finished about this time next year, so I trust that if reference has again to be made to the subject in Council it will only be to congratulate the Government on the successful completion of the scheme.

There is just one more point in connection with the dredging of the harbour, and the carrying out of harbour improvements generally, on which I feel I must touch; that is regarding the cost of any such work. It may be said that any increased harbour facilities primarily benefit shipping (which already contributes largely to the Revenue of the Colony) and the carriage of goods, but they ultimately benefit the whole community, and it is only reasonable that the cost should be spread over the community rather than charged to a section thereof. I consider, therefore, that any new works of this nature should be carried out entirely at the expense of Government, with which view, Sir, I hope you concur.

If this principle is recognised and adopted, you may perhaps care to reconsider the Government's decision to charge the Hong Kong & Kowloon Wharf & Godown Co., Ltd. with half the cost of dredging the fairway to the new No. 5 Wharf. It is admitted that the Wharf Co. built the Wharf with the knowledge that the Government would give no guarantee that the approaches thereto would be dredged to a depth of 34 feet, but at the same time they acted on the advice of their technical advisers, in order to develop their property to the best advantage and to best meet the requirements of the port. Under the circumstances they feel that, as a public utility Company, they have a definite grievance in being called upon to meet what they consider a public charge.

As shipping still continues to suffer from the effects of bad trade, the Chamber of Commerce has petitioned the Government for a measure of relief in the matter of Sunday Permit fees. It is difficult to understand why shipping should be penalised for working on Sunday whilst any other business or trade can be carried on without restriction. I trust the Chamber's request will be sympathetically considered by Government.

The Honourable Colonial Secretary referred to the difficulties that our Manufacturers experience in their efforts to secure outlets for their products, owing to the high protective tariffs which are being introduced by most countries in the World. Provided we get the co-operation and support of our Home Government and the British Empire as a whole, those markets alone should afford local industries enough work to enable them to carry on until world trade again revives, when I hope we shall be able to secure a share of other business in  
c o m p e t i t i o n   w i t h   M a n u f a c t u r e r s   e l s e w h e r e .

Unfortunately, with continued rumours of the possibility of the imposition of quotas by the United Kingdom against Hong Kong manufactured goods, a feeling of uncertainty has been introduced, which is seriously hampering the trade of the port and strangling certain industries.

I would like to express, on behalf of the Chamber of Commerce, our thanks for the support of the local Government in our effort to obtain preferential treatment for our local industries in the Empire markets.

The natural market for the products of our local factories is undoubtedly Southern China and if the Canton Government could be persuaded to come to a neighbourly arrangement with the Colony, whereby local products could be introduced, on mutually satisfactory terms, into South China, benefits to both parties would unquestionably result. This is a matter, however, which will be fully considered by the Economic Commission, and I trust that as the result of their deliberations closer co-operation will be established between Hong Kong and Canton.

#### **Air Services.**

I am quite in agreement with the decision of the Government to discontinue the subsidy to the Flying Club and to devote the whole of the annual Subsidy of \$30,000 to the training of Volunteers in flying and the maintenance of the flying efficiency of Volunteers already trained. The Flying Club, as at present constituted, is of little or no practical value to the Colony. Whilst on the subject of aviation, perhaps some reference might with advantage be made to the poor facilities offering to the youth of Hong Kong and South China for instruction in flying. The training school has, I understand, three up-to-date planes for instructional purposes, but from what I hear, and from personal observation, there is very seldom more than one machine in commission at a time. On occasion, I am told, no machine has been available, but I speak subject to correction. It appears to me such a service is quite inadequate and a very poor advertisement from the British manufacturers' point of view. I know that many difficulties are involved in keeping machines in the air, but here is a ship of vast potential value being spoiled for the want of a ha'porth of tar. If Great Britain is to participate and take her fair share in the development of commercial aviation in the Far East, it is essential that Hong Kong be linked up with the great air routes of the world at the earliest possible moment. For this reason, I am sorry to note that the Government has not considered it necessary to make any provision in this year's estimates in respect of the subsidy to Commercial Aviation. With Hong Kong established as a great commercial air base, the prosperity of the port would be greatly enhanced, and I hope that no effort will be spared to bring this about.

Another very important matter which I have in mind is the tourist trade of Hong Kong and I would invite the earnest attention of the Government to this. Nearly every country in the world, with any attractions at all, is actively engaged in drawing the attention of the holiday makers and others to its excellence as a pleasure resort. Now there is no better natural winter resort than Hong Kong. From November to February it is an extremely pleasant place and we might almost extend that season and make it October to March. Hong Kong's natural attractions are considerable, and could well afford to be advertised, but beyond a few scanty pamphlets of very ordinary interest, I have seen nothing really displaying the attractions of Hong Kong in arresting terms. This alone might be considered, and a greater tourist or holiday activity would call for the creation of greater artificial amusements.

In this respect I have heard the accusation that Hong Kong has "grandmotherly regulations" which damp the exuberance of spirit concomitant with holiday making. Unless a rather heavy fee is paid, no ordinary and innocuous place of amusement can keep its doors open after midnight, and this alone may be held to cramp private enterprise in providing additional innocuous amusements for the delectation of visitors. With a campaign of literature describing the attractions of Hong Kong, and an abolition of irksome restrictions on any outlet for popular but innocent amusement, I feel that private enterprise would be quite ready to do its bit in increasing the popularity of Hong Kong as a winter resort. There are many people who could well afford to pay a visit to Hong Kong, if only they realised that it was a thing to do, and that they would have, what is commonly called by holiday makers, "a good time". The expansion of aviation which greatly lessens distance in term of time must be borne in mind.

It has been said that any relaxation of our present regulations would be a moral disadvantage, but this seems doubtful when one examines conditions in other resorts. For a small Colony we seem to have a fairly large police force, but I see no reason to anticipate that its activities would be greatly increased, certainly not commensurate with the benefits which the Colony might well obtain. (Applause).

HON. MR. R. H. KOTEWALL.—Sir,—I purpose this year, in view of these abnormal times, to abstain from comments on individual items in the draft Estimates, so as to concentrate on broad principles of Budgeting and general policy of administration with due consideration of existing circumstances. In all I am going to say I have the concurrence of my Chinese colleagues.

It is a matter for grave concern that, when the Colony is passing through an economic depression severest in its history, when no signs of an improvement are visible, the cost of administration should actually be on the increase. It is true that the total

draft Estimate of Expenditure for 1935, as compared with that for 1934, shows a decrease of \$1,366,593; but when we analyse the figures, and deduct from this sum the anticipated savings from Special Expenditure (\$276,495), Military Contribution (\$232,700) and Public Works Extraordinary (\$592,500), the net decrease comes to only \$264,898. If, however, a comparison is made with the *revised* Estimate for 1934—a truer criterion—then the Budget provides for an increase of \$1,083,102, in spite of reductions in Public Works Extraordinary amounting to \$805,500.

In other words, the Government proposes to spend \$1,083,102 more next year than it expects to have spent by the end of the current year. According to the Abstract of Differences under "Recapitulation", new posts alone will entail an increase of \$204,038. Even after the \$78,327, expected to be saved by the abolition of existing posts, is deducted from it, there is still the considerable increase of \$125,711. The position would have been much worse were it not for the fact that the Budget is based on a more favourable rate of exchange.

In times like these, one naturally expects to see the cost of administration kept down, if not cut down. Here, it is actually increased. Instead of continuing to spend large and increasing sums on personnel, the Government should, I respectfully submit, make some reduction in taxation to lessen the weight of depression that presses on the Colony. New expenditure can be justified only when it can be shown to be a positive contribution towards recovery, or to be a positive check on the factors making for depression. In such a case one may at least hope that it will finally more than pay for itself.

Of this nature would, for example, be money spent for the purpose of aiding agricultural industries in the New Territories. In my view, the lines along which such aid could best be given are, first, that experts should be appointed to advise the Government and agriculturists on stock-breeding and the prevention of disease; secondly, that encouragement of a more directly financial kind should be offered by the provision of land at favourable terms for agriculture and stock-bearing; and, thirdly, that every facility should be given for marketing the agricultural products.

While on the subject of industries, I desire to endorse the view expressed by the Hon. Mr. Gordon Mackie in regard to the manufaturing industries of the Colony, which are of the greatest importance for its future. The Government has already done much to support the efforts of our manufacturers to establish themselves in Empire markets, and will no doubt do all in its power to assist them in maintaining and extending these outlets for their products.

The Hon. Mr. Mackie has expressed the hope that the Canton Government might be persuaded to come to a friendly arrangement with us whereby local products could be introduced on mutually

satisfactory terms into the Kwangtung Province, for the benefit of both places. I echo this hope. The interests of Kwangtung and Hong Kong are the same. As neither can prosper at the expense of the other, so also is the advantage of one the advantage of the other. The present tariff position as between Hong Kong and China is one which clearly injures both parties; and it is bound, sooner or later, to be realised that South China stands to gain, not by a contraction but by an expansion of trade. I am confident that Your Excellency will neglect no opportunity to bring about an arrangement beneficial to both parties.

With another view of Mr. Mackie's, I again find myself in agreement. In fact, we both decided to speak on the subject—though from slightly different standpoints—without knowing each other's intention. I refer to the "tourist trade" of Hong Kong. Considerable benefit to the Colony's economic prospects would, I feel sure, accrue were its attractions as a winter resort better known and better advertised. It is not personal predilection and prejudice which make me see Hong Kong as a place of great natural beauty with an excellent winter climate. How often have visitors expressed surprise and delight when they discovered a new and, to them, unexpected winter paradise? An officer of His Majesty's Navy, who has recently arrived in Hong Kong, tells me that in his opinion the beauty of Hong Kong's natural sceneries is unsurpassed anywhere, and that it is a pity that this is so little known. Any measures calculated to add to the Colony's attractiveness as a place of resort, should, therefore, have the sympathetic ear of the Government.

Meantime, the amenities already available to the people of Hong Kong, especially in summer, will, I trust, not be diminished. I refer particularly to the bathing pavilions at North Point. I put forward a strong plea for their retention as long as possible. These pavilions are a great boon to the public which uses them by the thousands every day in summer. It is not likely at present that industrial development will spread immediately in that direction, and the retention of the pavilions should therefore present no great difficulty to the Government and no disadvantage to the Colony, for the time being. In the meantime new sites should be sought, with accessibility and ease of transport kept in mind.

Now, I come to the policy of the Government in regard to the present economic situation, as I have deduced it from the Budget. There is no doubt that the Budget is a sincere and praiseworthy endeavour to adjust the needs of administration to prevailing conditions. The Government has been criticised from various, and sometimes even opposing standpoints. One such criticism is that the Government has shown over-caution in not embarking upon new public works. I, too, think that the Government has erred on the side of caution—though for another reason.

Your Excellency's decision not to impose fresh taxation but to meet a rather considerable deficit out of the surplus balances is indicative of your solicitude not to take any action which might aggravate our present difficulties. But I trust I may be pardoned for expressing the doubt whether the mere avoidance of new taxation goes far enough in these admittedly bad times. My humble view is that what is required is some constructive and courageous action designed to restore confidence and, with it, at least some of our former prosperity.

It seems to me that this is not a time for excessive adherence to extreme financial orthodoxy, and that the Government should hold out to the people a new hope by making possible a more confident atmosphere in trade, in industry and in commercial enterprise, by boldly reducing taxation. Merely to refrain from increasing taxation is uninspiring and, in effect, negative. It is like revealing to the patient the seriousness of his disorder, but holding out to him no hope of positive aid in his recovery.

The depressed condition of the Colony's trade and industry is our chief and urgent concern. The Trade Commission is engaged in what we hope will be a fruitful inquiry into causes and remedies. Its existence, however, does not absolve us from the duty of taking some immediate action, where such action can be shown to be helpful or palliative. When palliatives seem possible, when measures suggest themselves which, though they may not constitute a permanent cure, would allay the violence of the malady, then, I say, these measures deserve the immediate and sympathetic consideration of the Government.

During the year I have submitted for the consideration of the Government several suggestions designed to help in the attainment of this object. In a memorandum dated the 7th March, 1934, I pleaded strongly for a substantial reduction in the charges for excess water consumption. The action of the Government in granting a rebate of 15 per cent—though it is by no means an adequate allowance—is in some measure, a contribution towards the restoration of public confidence, and as such is to be welcomed.

In another memorandum dated the 12th May, 1934, as a result of a more comprehensive inquiry conducted by some leading Chinese merchants into the possibilities of ameliorative measures, I sub-mitted three further proposals. These proposals were:—

- (1) That the Government should, as far as possible, grant extension of time for the fulfilment of building covenants;
- (2) That, in the case of Chinese tenement houses, assessment should be made for each floor instead of for the whole house; and
- (3) That, as a temporary measure, the Assessment Tax otherwise known as Rates, be reduced from 17 to 13 per cent.

In respect of the first of these three proposals—extension of Building Covenants—it is a matter for gratification that the Government has adopted the generous attitude of granting free extensions with subsequent extensions at reduced rates in cases of genuine hardship.

It is my understanding that the other two proposals have been referred to the Trade Commission for examination. I have the greatest confidence in the Commission, whose personnel is such as to encourage hopes that its labours will be productive. But while the measures advocated by me were intended, as I specifically stated in the memorandum, as palliatives, to be put in operation at once, the task of the Commission is much more far-reaching and must therefore take time to complete. My concern was to enquire into what could be done to alleviate the situation in the meanwhile, and not to explore the whole question of our trade depression.

The proposals which were put forward in the memorandum made no claim to be ultimate solutions; their value lies rather in the claim, which may properly be made for them, that they would tend to check the downward movement of business generally, so that the conditions which have been daily becoming worse may not finally deteriorate to a stage at which recovery, even when the opportunity arises, will be most seriously retarded. In short, the measures which I have suggested are measures which, if they are to have any efficacy at all, should be adopted at the earliest possible moment.

Now, in regard to my second proposal—a change in the method of assessment—the system which is at present applied to Chinese-style tenement-houses is illogical and inequitable, as I shall show. This matter was dealt with by my honourable friend Mr. T. N. Chau and by myself at the meeting of this Council held on the 12th October, 1933 (*Hong Kong Hansard* 1933, pages 119 & 125). It may be useful to repeat here some of the reasonings adduced by the Hon. Mr. T. N. Chau in favour of the change: The present system is economically unsound, for it has the tendency of compelling landlords to close the whole house when there are two or more floors vacant, in order to enable them to obtain a refund of Rates. This may have the effect of spreading the population, but in these days of extreme economic depression, the sight of entirely empty houses dotting all over the town, does not conduce to a restoration of confidence so essential to recovery. Further, the revenue may not suffer substantially by the change, since many of the houses now entirely vacant will be at least partially occupied, and Rates will be payable in respect of such partial occupation.

The Hon. Colonial Treasurer, Mr. M. J. Breen, in objecting to the proposals at the time, s a i d t h a t t o a s s e s s f l o o r s s e p a r a t e l y a s

proposed by us would treble the work of the revenue collection branch of the Treasury, and more than treble the work of the Assessor's Office, as the extra supervision would be increased disproportionately (*Hong Kong Hansard* 1933, page 130). Mr. Breen went on to say (page 131) that to assess each floor separately, and consequently to refund as vacancies occur, would merely encourage landlords to remove the occupants of a partially occupied floor and crowd the remaining ones.

I do not think that to change the system would necessitate the heavy augmentation to staff feared by the Treasury; but even if it would, I submit that it should not stand in the way of the change. It is important to bear in mind that the system I advocate has already been applied in the case of what are called "European-style houses". Why should there be this inconsistency as between European-style and Chinese-style houses? If it be no more than justice in the case of the former that each floor should be assessed separately, it follows that the denial of this concession to the latter must mean injustice, and cannot be defended on any valid principle.

Moreover, the present method of assessment of Chinese-style houses must, in its results, be an added factor in the present depression. The effects it may produce can be simply illustrated. Take a three-storey Chinese house. Each floor may be let for a monthly rent of \$50. The owner may very commonly occupy one floor himself, and be dependent for his livelihood on the rents received from the remaining two floors, subject, of course, to payment out of such rents for Crown rent, Rates, insurance and repairs. If one of the floors is vacant, he receives in rent only \$50 a month, but has to pay 17 per cent on the combined rental of the whole tenement, namely, \$150. Add to this charge the other disbursements mentioned, and it is clear that his income may be reduced to a starvation point. I know of a case in which two floors became vacant, and the third was occupied by the owner himself. If a mortgage also exists, as it does in many cases in these hard times, the position is still worse, and the owner may be forced by the mortgagee to sell out at a ruinous price.

To give another illustration. A common type of such three-storey tenement-houses is one in which the ground floor is used as a shop. In this case the rents, when all parts are occupied, may be \$100 for the ground floor, and \$40 for each of the two upper floors. If, through slackness of trade, a condition too common to-day, the ground floor is unoccupied, the whole-tenement system of assessment is a proportionately heavier burden upon the owner, and correspondingly more disastrous in its results upon livelihood.

I believe, therefore, that the assessment of Chinese tenement-houses by floors is a measure which would ameliorate the situation by lifting part of the burden now resting upon a large section of the people, and by restoring in some degree the purchasing power on

which business activity so largely depends. The concession, in my view, would not increase the risk of overcrowding. There would be no inducement towards overcrowding of floors any more than there is with the present system towards overcrowding of houses. At any rate, the matter can easily be regulated by law.

It is computed that the suggestion, if adopted, would involve a loss in revenue of about \$660,000. This figure has been arrived at in this way: The vacant floors of Chinese tenement houses are estimated to represent roughly 10 per cent. of all the rate-paying buildings in the Colony. According to the report of the Assessor for 1933-34, the total valuation of the Colony is \$38,941,273. Calculated on the above basis of 10 per cent., the decrease in the total valuation is \$3,894,127, and the consequential loss to revenue, being 17 per cent. on the latter figure, is about \$660,000. I shall later on offer suggestions for meeting this additional deficit.

In regard to my third and most important recommendation—a reduction in Assessed Taxes by 4 per cent.—I may remind Your Excellency that when this percentage was added in 1930, strong protests were raised by the Chinese community. At a meeting of this Council held on the 20th October, 1930, when the Budget for the ensuing year was under consideration, I stated that the proposed increase had caused great concern among the Chinese, and that representations had been made to the Chinese members of the Legislative Council by public bodies as well as by individuals urging that the rate should remain at 13 per cent. I also said that the opinion had been expressed that in view of the bad times, when cost of living was 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 (*Hong Kong Hansard* 1930, page 205). Whether or not the subsequent further fall in trade has been in part accentuated by the increase in the tax, it is, of course, impossible to prove either way. It is at least probable that this heavier tax burden has added to the effects of the present depression.

But whatever the cause or causes, the economic conditions of the Colony have become decidedly worse since the increase in the Assessed Taxes was made in 1930.

The Hon. Colonial Secretary has spoken of the difficulty, which the Treasury has experienced during the present slump, in the collection of rates. He further pointed out the increased administrative work entailed, leading to increased staff and, therefore, greater cost of administration. I trust I may not be accused of giving countenance to delay in payment of taxes, if I say that this difficulty arose not because property-owners do not like to pay promptly as in better times, but because they are not in a position to do so. Increased difficulty in the collection of a tax is evidence that the tax is being levied at a rate which is unduly high, and should therefore be lowered.

I have heard it said, time and again, that Hong Kong is lightly taxed in comparison with other places. I do not agree with this view. In the special conditions of Hong Kong, with a large migratory population, a comparison of tax-burdens per head is no guide to policy. A maintenance of tax-burdens beyond the amount expedient in view of our peculiar conditions, would mean, in Hong Kong's case, a loss of population and an ultimate loss of revenue.

It seems to me that the time has now come, if it is not already overdue, when a strong stimulus to a revival of confidence and prosperity is needed, and that such a stimulus could best be provided by the reduction I now propose.

It may be considered by some that a lowering of the Assessment Tax would benefit only an interested section of the public. I dissent from this view which, no doubt, is based on a wrong conception of what the Assessment Tax means in the public finance of the Colony. This tax is the chief mode of direct taxation for Hong Kong, and must be recognised as such. It provides the main contribution to administrative costs from the income of the community. Its incidence is not to be considered as determined by the visible process of its collection. Like the Income Tax in Great Britain, it is the principal medium whereby taxation is adjusted to governmental needs. When considerable increase of revenue is required, the normal method is to raise it; when a remission of the burden of taxation is called for in the interests of the community, the lowering of this tax is the natural medium of relief.

There may exist in some quarters a doubt that a reduction of the Assessment Tax by 4 per cent. would have material influence on our economic situation, in view of the disparity between this comparatively small percentage and the very large percentage of fall which has taken place in property values. But a mathematical comparison of percentages is here no true criterion. Psychological factors, induced by uncertainty and the absence of ameliorative action will drive values down far below the level justified by the true economic situation. People simply will not buy at however attractive a price—not because the property offered is not worth the price, but because they are so uncertain about the future. A moderate stimulus, removing or allaying this feeling of uncertainty, will do much more to restore value than a mere mathematical computation would lead us to anticipate. No one would argue that the effect of lowering the British Income Tax by sixpence could be reckoned as stimulating trade and industry just to the extent of 2½ per cent. The effect, largely acting through psychological forces, has been far greater, as we all know.

But even the financial effect of a 4 per cent. reduction on the economic life of the community would be very considerable. Taking the total rateable value at \$ 3 8 , 9 4 1 , 0 0 0 , the reduction would mean

that the property-owners' burden is lightened by about \$1,550,000. This figure represents a 6 per cent. yield on a total of \$25,000,000. In other words, there would be a capital appreciation of real estate values in the Colony to the extent of \$25,000,000.

On the same computation, the estimated decrease of \$660,000 in Rates from the change in the method of assessment would mean an appreciation in real estate values of over \$10,000,000.

Thus, if the second and third suggestions were adopted, property values in the Colony would at once appreciate by the enormous figure of \$35,000,000, and the repercussion on the economic situation could not but be considerable.

On the other hand, the adoption of the two proposals would mean a sacrifice of revenue to the amount of about \$2,200,000. This sum is made up of \$1,550,000 (being 4% of \$38,941,000), and \$660,000 (being estimated loss entailed by the new method of assessment). This is admittedly a considerable sum and would further greatly widen the gap between estimated revenue and expenditure. Nevertheless, I urge my suggestions on the Government without hesitation and with a full sense of my responsibility, for it is my firm conviction that in their adoption will be found one effective means of improving the present situation.

One of the chief indices of the depth of the economic depression is found in the property values which have fallen to an enormous extent. A fall in such values is not an effect merely, but is also a further predisposing cause of depression, owing to the dependence of every line of business upon every other line. Any measure, therefore, which is calculated to check further depression in the property market, if not to stimulate it to new activity, is a measure which will distribute its beneficial effect throughout business as a whole.

The share market is in an unduly depressed condition owing to the normal effect of bad times in which many are compelled to sell their holdings in order to raise money for the purpose of carrying on their business or of reducing or paying off mortgages when forced to do so. This condition is further accentuated by speculative influences. A favourable reaction in the property market would help to remove certain of the factors depressing the share market, particularly in relation to shares of real estate companies. This would further help in restoring confidence in the established industries of the Colony. Experience shows that there is always a correlation of movement between property values and stocks values in this Colony, though the two movements may not synchronise.

Rent charges form a considerable proportion of the costs of many of our small businesses. A small reduction in this item of

his costs may mean all the difference to a small tradesman when he is hesitating whether it is worth while to carry on. Property-owners who at present find it difficult, if not impossible, to make concessions of this kind, would be enabled to do so, with a lighter Assessment Tax burden, and would find it in their interest to pass on part of the relief obtained. The rate of mortality among small businesses, involving in the mass a serious loss to the Colony, would thus be checked.

With the return of confidence and hope created by the Governmental action promising such a substantial measure of relief, with the assurance that Government was not adopting the *laissez-faire* policy of leaving recovery to find its own way, hoarded money would come out; property would once more change hands; credit would expand as confidence expands; existing business undertakings would be maintained; and so an all-round improvement may be expected. The structure of the present-day economic system is such that its various parts are inter-dependent, a favourable movement in any one quarter being generally reflected in similar movements in other quarters, so that the amelioration becomes cumulative.

Now, Sir, how is the loss in revenue to be made up, if the two proposals were carried into effect? Happily, this is not a case in which an unbalanced Budget entails an increase in public indebtedness. The increased deficit could, and should, I submit, be met out of the Colony's surplus balances. The surplus of the Colony, it is true, is already being substantially drawn upon to balance the Budget for 1935; but that very fact makes it clear that the Government is not averse to an encroachment on its reserves to enable it to balance a Budget in difficult times. If, as I have endeavoured to show, the suggested remission is expected to act as a stimulus to the Colony's business and economic outlook, then the policy of drawing on our surplus to meet this particular deficit would be all the more justifiable, since it would be done for the purpose of pursuing, not a merely negative policy, but a positively remedial course of action.

This further depletion of the Colony's surplus balances would not be so serious as necessarily to deter Government from adopting the course which I have urged. Some years ago it was officially announced that a reserve of about \$10,000,000 was considered advisable by both the Government and the Secretary of State for the Colonies as provision for a "rainy day," so to speak. But even if what I have advocated meant a reduction of the surplus for a time well below this figure, it would still be, in my view, a proper use of this reserve.

It is idle to set aside reserve for a "rainy day", and then to define that term in such a way that not even the most disastrous economic depression in our history could be so called. The Colony has had its ups and downs, but never has it passed through a period

of such a depression as now. The economic hurricane which has struck us is of unprecedented violence, and we may hope that never again will the Colony suffer such an unhappy deluge. If the present is not the time to make the best use of this surplus, when is the time? I say that now is the time to do so, and to do it boldly.

But I am confident that the Colony's reserves would not, by these two remedial measures, be drawn below the margin of safety, but would rather, through their ameliorative effect on business, and consequently on revenue, be found ultimately to be in the neighbourhood of the Hon. Colonial Treasurer's own estimated figure for the end of 1935. This view is strengthened by past experience of the results of a conservative exchange rate being taken in framing the Estimates. I see the wisdom in the adoption of the rate of 1/4d as the basis for the 1935 Estimates, and feel confident that by the end of that year our position from this cause will be found to be much better than anticipated.

In his remarks on the surplus balances of the Colony, the Hon. Colonial Secretary referred to the necessity for maintaining these balances at a high figure owing to heavy commitments not yet completed. At the same time, however, he referred to certain sources of revenue still untapped, from which future replenishment of our balances may be expected. I conclude from this and from the conviction that the suggested measures would result in increases in many existing sources of revenue, that it would be a policy involving no real danger to the Colony's reserves.

In these times of uncertainty and doubts there is greater need for us to adopt a due sense of proportion as between the present and the future. We may be in more danger of neglecting the present for the future's sake than of leaving the future a little to itself for the sake of to-day. The interests of the present should not be under-estimated; they are, in a sense, the interest of to-morrow also, for a bright future cannot be built upon a foundation of continued and increasing depression in the present.

Many to-day are disheartened, and for that they cannot be blamed. But the pity of it is that our pessimists, in the absence of positive action by the Government, have gone about sounding the knell of the Colony. This depressing influence is to be deplored, for it has already produced, through the working of mass psychology, disastrous results. Our present troubles are in no small measure due to psychological influences induced by such talks. I would even go to the length of saying that the present depression is due as much to psychological forces as to economic, if not more. This baneful influence must be vigorously combated, and I can see no better way of doing it than the adoption of measures that would restore public confidence.

I would therefore most earnestly ask Your Excellency to give my two proposals your early and sympathetic consideration. They are admittedly palliative rather than curative, and one, at least, is put forward as a temporary measure. I know that the finances and the trade of the Colony will never quite recover their former position unless world economic conditions have improved, and unless the tariff wall in China, especially in the Kwangtung Province, is lowered. But I feel, none the less strongly, that the measures suggested are essential, if the present already serious condition is not to become still worse; if public confidence is to be restored; and if a return to better times of the proposed measures is to be hastened. Even if the results of the proposed measures are uncertain, they should be tried as experiments. The existing extraordinary and unprecedented circumstances call for a bold policy, even if that policy is not expected by some to yield the desired effect. We must try, and try again, until we succeed. Passive acquiescence in a situation avails us nothing. Unless something is attempted, nothing will be achieved.

In 1925, when the economic life of the Colony was threatened by outside machinations, and when money was hoarded through panic, the Government in spite of opposition and doubts from many influential quarters in the Colony, prevented a financial breakdown and so saved the situation by deciding, within one single day, to make to the public a trade loan of \$30,000,000. To-day the Colony is passing through an even greater crisis, and it is to be hoped, as it is believed, that it will be extricated from its sore plight by similar qualities of courage and statesmanship.

From Your Excellency, as from the Hon. Colonial Secretary who has administered the Government on so many occasions with such ability and success, we may look for these qualities. Your Excellency's single-minded devotion to the welfare of the community is known to all, and it is a matter for congratulation to ourselves that during these most difficult times our public affairs should have been presided over by an administrator with so sure a grasp of our needs, and so great a readiness to foster and promote our interests. (Applause).

HON. MR. S. W. TS'O.—The Senior Unofficial Member, in his speech, has so fully and clearly set out the collective views of Unofficial Members on the Budget, and, the Senior Chinese Member, also, has so ably represented the views of the Chinese Members, there remains little for me to make comments upon. However, I should like to say a few words with regard to the assessment tax; as 96 per cent. of the payers are Chinese. The Hon. the Colonial Secretary, on introducing the Budget said, that "ratepayers are now beginning to be more dilatory in payment, and we hope that they will help the Government by paying promptly and so save extra expenditure which in its turn has to be met by increased taxation."

I can assure the Government that this dilatoriness was not due to any neglect or wilfulness on the part of the payers but rather to their inability to do so quicker on account of their receipt of rent, in many cases, where the entire house was not let, being insufficient to pay the rates. In the outlying districts many cases, to my knowledge, have happened where tenants disappeared owing several months' rent. In such cases it makes it harder for owners of small property to pay their rates promptly. I therefore strongly support my colleague, the Honourable Dr. Kotewall, in his request for a change in the method of assessment and a reduction in rates.

With regard to agricultural production in the New Territory, of which I take a special interest, the Government in 1932 appointed a Committee to enquire into the facilities for the transportation and marketing of the New Territories' produce. But the reference to that Committee did not cover and enquiry into the means by which the farmers may be helped to increase their production. I understand from my Honourable friend Mr. Bell that there is a movement on foot by Toc H. to educate the people there by giving them talks both on health matters and on agriculture. I feel sure that if these talks are simple and not too scientific and within the comprehension of the class of people talked to, the scheme will be a success and bring good result. I trust, therefore, that the Government will give every assistance and encouragement to such a scheme.

There is another matter which I should like to mention. The Hon. the Colonial Secretary in dealing with ambulance work mentioned in his speech about lepers. I am informed that the number of lepers in the Colony are increasing. We have no facilities here for dealing with such cases except deporting them. From *The Leper Quarterly* issued by the Chinese Mission to Lepers, whose Headquarters is in Shanghai, and there is a branch office here, I understand that there is a leprosy in the Malay States under the control of the Government there; and a new cure is claimed to have been discovered by that institution. In my visit to the leper settlement at Tai Kam Island in June last, which is under the management of the Rev. Dr. John Lake, I found the unfortunate people there received great comfort through religious influence. I hope therefore, that Your Excellency, who is so deeply interested in all charitable and humane works in the Colony, will direct an enquiry as to the feasibility of having a hospital in Hong Kong for these most unfortunate social outcasts. (Applause).

HON. MR. W. H. BELL.—In the unavoidable absence of the Hon. Mr. J. P. Braga, who is unable to be present, I propose with your permission, Sir, to read his speech. It is as follows:—Your Excellency,—I must confess to some disappointment with the Government statement in presenting the Estimates for next year. This disappointment rises from the fact that, while the trade depression formed the keynote of the Honourable the Colonial

Secretary's review of the Estimates, the Government has shown no practical sympathy with the Colony in the difficult times through which it is passing. A substantial evidence of such sympathy would have been greatly appreciated if some scheme had been formulated for a reduction in the high cost of the Colony's administration. This was one of the ratepayers' legitimate, if faint, hopes, before the appearance of the Estimates. That hope has been unfortunately blasted and the Colony's inhabitants are left in the predicament of having to work out their own salvation.

Usually well-informed concerning the action affecting the Colony generally taken by the big banks, the large commercial houses and industrial undertakings in Hong Kong, Government could not have failed to become acquainted with the measures adopted by these various institutions, almost without exception, to cope with the difficulties besetting Hong Kong through this prolonged trade depression. A choice of two evils presented itself alternatively in proposals for cuts in salaries or reduction in the personnel of the staff. The less harmful of the two courses was chosen.

In the application of the axe some firms have thought fit to institute an all-round cut in salaries of a uniform rate whilst others have worked on a sliding scale of reduction so as to inflict a minimum of hardship. The scale was graduated to a point below which it did not proceed, since it is considered that clerks and others of that category must be paid at least a living wage.

If a scheme such as has been brought into operation very widely in the Colony had been framed in connection with the Estimates it might have afforded a partial measure of relief upon Government's own initiation and it would certainly have been interpreted as a gracious gesture of the Government's sympathy with the inhabitants and an earnest of its efforts to assist the Colony at the present juncture.

It will be recalled that on the 19th June, 1930, this Council voted the sum of over one and a half million dollars to ameliorate the condition of the officers of the Government because of the high cost of living then prevailing. The increases to salaries granted under the recommendations of the Gollan Commission have been continued ever since, despite the Colony's altered economic condition for the worse. The local cost of living is now substantially lower. The Colony in turn expects some little reciprocity and in this expectation they have no desire to inflict upon the employees of Government the least hardship. Any saving in personal emoluments could be applied towards an abatement of rates from which the humblest inhabitant stands to benefit.

Scrutinizing the Estimates with some care, I fail to discover that any real effort has been  
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permanent establishment of the Colony. For example, the proposal to recruit two new Cadets results in the personal emoluments for the Colonial Secretary's department being increased by a sum of \$41,000 in 1935. In fact, the impression is very widely held that the Colonial Secretariat is already overburdened with a number of officers of this category and in times when economy should be the first consideration it is a doubtful expedient, to say the least, to add to the cost of administration the salaries of new officers of a grade that entails higher expenditure.

Similarly, the Treasurer's proposal to increase the number of his Cadet assistants by one, who will act as Superintendent of the Stamp Office, cannot be regarded as a recommendation in the direction of economy. I have a perfect recollection of the days when the duties of Superintendent of the Stamp Office were discharged by locally-recruited officers to the entire satisfaction of the business community. I cannot see any justification for the change.

The same criticism must be directed against the proposed employment of a sterling officer to fill the new post of Assistant Superintendent of Mails in the Post Office.

The cogency of my criticism will appear with more telling effect when it is appreciated that the cost of transport of Government servants figures at the colossal sum of exactly half a million dollars for 1935 against 4½ lakhs this year. Not many ratepayers, I feel sure, realise the extent of the cost to the Colony which certain privileges enjoyed by Civil Servants entail. These privileges take the form of passage allowance, among others, to non-domiciled officers on account of leave to England and back. I am aware that I am treading on delicate ground when approaching this subject. Leave privileges are defended on the principle that they assume a form of insurance for fitness and efficiency. This insurance premium is probably justified in the case of the front rank members of officialdom and of especial technical officers; but in all other cases my submission is that the insurance premia are much too high during these lean years.

While critical of an uneconomical policy dictating the engagement of sterling-paid officers for posts that could be filled with equal efficiency by local men, I must not withhold my meed of praise to the Director of the Royal Observatory in attempting "to train local officers on his present staff to the necessary degree of efficiency as Magnetic Observers so as to obviate the need of employing another professional assistant." The Director's example might be followed advantageously by other heads of departments. I regard his recommendation as an eloquent testimony to the efficiency of his subordinates who deserve the Colony's thanks.

The retiring Inspector General of Police will permit an appreciation of his effort at economy in putting Chinese Sub-Officers in charge of certain Fire Brigade Sub-Stations for duties hitherto performed by a European Assistant Station Officer in charge of a Station, thus avoiding the increasing cost of the European establishment.

In the matter of the collection of rates, the Colonial Secretary has raised the point of difficulty experienced in such collection and suggests as one of the steps for speeding up collection "an increase in the rate with a corresponding decrease if payment is tendered within the legal period provided in the Rating Ordinance." I would appeal strongly to the Colonial Treasurer to desist from carrying out an experiment of doubtful value. There is real danger that the increased rate would be passed on to the tenant by a type of landlord with whom the honourable member on my right is probably well acquainted.

Touching on the question of those services that ensure the health, security and general well-being of the community I entertain serious doubts if the ratepayers are entirely satisfied with the Government's present policy. Many entertain the view that the medical services of the Colony are insufficiently financed and my friends, the Unofficial Members of the Sanitary Board, are loud in declaiming the Government's apathy in failing to provide a sanatorium for the treatment of tuberculosis and, more recently, voiced the desirability of action being taken for provision for the treatment of leprosy in the Colony. The re-establishment of a district dispensary at Tsimshatsui at small cost is not beyond the means of the Government to provide. These are subjects which might usefully engage the attention of the Director of Medical and Sanitary Services.

Under Sub-head 35 is a vote of \$60,000 for Anti-Malarial Works. In his Memorandum the Treasurer explains that the vote is for antimalarial work in Hong Kong. How much of this \$60,000 is for cost of resumption and how much of it provides for the training of stream courses and the draining of swamps to prevent the breeding of mosquitoes, is a question I would like answered by the Treasurer. And when the explanation has been forthcoming, ratepayers will be interested to have the expert opinion of the Director of Medical and Sanitary Services whether the allocation for anti-malarial works properly so-called is not an amount just sufficient to tinker with the malaria problem in the Colony. I cannot discover any appropriation for this essential preventive service for Kowloon and the Mainland. Development of the popular Castle Peak district for residential purposes, which has started in real earnest, is actually retarded through indifference in the adoption of measures for combatting the malaria scourge in this beautiful district of the New Territories. Taipo's reputation for the prevalence of malaria casts a reflection on the inertia permitting so unsatisfactory a condition of things to continue.

There is growing impatience at the delay in the presentation of the Malariologist's expert report and recommendations as a result of his investigations and research since his arrival in the Colony more than four years ago.

Representative residents of the Kowloon community have approached me to register their disappointment and protest at the perpetuation of the bottle-neck near the Star Ferry Pier at Kowloon Point. At no time did they regard the erection of the garage on the Railway ground with favour and their repeated protest against it has proved unavailing. With growing bus and motor car traffic at this point, the need for relieving the bottle-neck of increasingly dangerous congestion is very real and the reconditioning of the garage to provide larger accommodation for postal facilities at Kowloon is a poor substitute for a new permanent Post Office in the construction of which, it has been thought, a beginning might be made in 1935.

One has only to take a walk any evening, especially after the Chinese supper hour, through the districts of Tsimshatsui, Yaumati, Mongkok, Taikoktsui and Shamshuipo to realise the pace at which Kowloon is growing. And for one like me whose vivid recollection of the Mainland as it was nearly sixty years ago is the existence of a solitary brick and mortar building that served as a picnic house standing on what appeared at the time as the inhospitable foreshore of Yaumati, flanked by three leper settlements, with no roads, no lighting or water service, Kowloon's attainment to its present day populous and prosperous city, is nothing less than absolutely amazing!

It does not require the vision of an optimist to gain the conviction that a large administration building for Kowloon under whose roof all Government services could be co-ordinated is a necessity of the near future.

May I be permitted, Sir, to utter a word of warning against the further encroachment on King's Park by the construction of any more Government buildings as it is proposed to erect the Railway Manager's house within that area? King's Park has been reserved for recreation purposes and if building after building is piled on the site the specific purpose for which this fine park has been laid out will be defeated. There are other suitable sites for officers' residences in Kowloon.

Kowloon City Fathers, I am told, are divided in their opinion as regards a proposal for reducing the number of public rickshas plying for hire at Tsimshatsui. The support for the reduction of licences is based, I believe on humanitarian grounds. This sentiment of humanity is all very laudable; but when one considers that the earnings of ricksha coolies within the flat areas they are licensed to ply their trade are fairly substantial in view of the comparatively light work they have to do, there is no valid reason why ricksha

licences should not be maintained at their present number. The withdrawal of licences from the pullers will deprive them of a living and go to swell the ranks of the unemployed. This latter contingency is greatly to be deplored if it is allowed to happen. Rickshas are a very convenient form of transport in streets not served by the Bus Company, and in wet weather residents are in a position to say that rickshas are a real blessing for short journeys.

Early this year the small Committee appointed by Your Excellency to make recommendations for better facilities for marketing New Territories produce presented their report. The Estimates furnish no indication that efforts are being made for implementing the suggestions for greater facilities for the disposal of New Territories produce. If no facilities are contemplated for 1935, I trust that means will be found for the provision of the small sum required in order to obtain larger accommodation in the Colony's markets for vegetables and fruits grown in the New Territories. The necessity for stimulating the production of local products and for its more extensive marketing in the Colony is a measure the wisdom of which will be at once recognised.

The economic depression has brought forth, for the first time I believe, an admission that local manufactures, though comparatively small in volume, are of far greater importance than most people realised or were prepared to believe. Nor were they willing to concede that our factories provide a means of livelihood for many tens of thousands of our humble inhabitants. Far too much stress has been laid in the past on the predominant importance of our entrepot trade and too little notice has been taken of our local manufactories.

It will cause me no surprise if the Economic Commission Your Excellency so timely appointed were to reveal at the conclusion of their enquiry certain pleasing startling facts and figures that cannot fail to rivet attention to the economic value of the numerous factories scattered throughout Hong Kong and at Kowloon and on the Mainland. It goes without saying that shipped and the entrepôt trade have first claim on the Colony's support and protection.

Granting this, Hong Kong's industries are not so unimportant that one can afford to despise them. In recent months there is a growing conscience that local industries have a forceful appeal on the Government no less than on our inhabitants. For this reason, many there must be in the Colony who will share the gratification with which the newspaper report was received the other day that the Government has placed a substantial contract for materials for an essential public work with a firm that recently introduced an entirely new industry into the Colony.

I plead for the realisation of the fact that with every order placed by the Government  
l o c a l l y   t h e   C o l o n y   s t a n d s   t o   b e n e f i t   g r e a t l y ,

and if this latest move can be regarded as an inauguration of a new policy, hope is revived that better days are in store for Hong Kong. Private enterprise has been responsible for the construction of extensive ship-building and repairing yards, the erection of a large cement factory, a well-appointed and up-to-date brewery, an electrically-operated brick factory, a modern pipe factory, and factories for the manufacture of rope, rubber goods, cork and felt hats, torchlights and clocks, enamelled ware, paints, cheap cotton knitted goods, toilet requisites like perfumery and cosmetics, silk-weaving and others too numerous to mention in detail.

It behoves the Colonists to make every effort to support the enterprising promoters who, in embarking upon their undertakings, have contributed millions of dollars to enrich the Colony and to provide the means of livelihood for the hundreds of thousands of people who flock from the neighbouring Provinces to enjoy the fruits of their labour in safety from molestation and tranquillity undisturbed by extraneous influences.

Sir, I started my speech in a tone somewhat critical; but I propose to conclude it in a different key. Business and more often pleasure have taken me on tours of Kowloon and the New Territories in my self-imposed task as the "man from Cook's" to friends and visitors to Hong Kong from foreign places. It has invariably been a source of pleasure and delight to me to point out to our admiring friends not only the natural beauties which Kowloon and the New Territories offer, but the abundant evidence of material progress at every turn that contributes to the comfort and well-being of the inhabitants. The service rendered by the public utility companies in efficient mass transportation by land and water, the public lighting on the Island and at Kowloon all contribute to secure better amenities and appreciable public improvements that present themselves as the collective efforts of private enterprise in collaboration with the various Government Departments. The constant betterment of the roads can be pointed to with pride since they are as nearly perfect as climatic conditions will permit in Hong Kong. The orderliness of our teeming population, the excellent regulation of the harbour traffic, the dignity and unpretentious simplicity of design of our public buildings and their maintenance, the discipline and fine physique of our guardians of the peace and, lastly, the admirable cleanliness of our roads and sanitary services bespeak an excellence of co-operation in the public and private services that reflect the greatest credit on the Colony. For this credit I wish to subscribe my humble quota to the unofficial appreciation voiced by the Senior Unofficial Member of Your Excellency's administration of the government of the Colony during a period fraught with difficulties and perplexity. (Applause).

HON. MR. W. H. BELL.—I regret to find that no provision has been made in respect of a subsidy to commercial aviation, and I would like to support the remarks made by my Honourable friends,

Sir William Shenton and Mr. C. G. S. Mackie on this subject. It would appear from this omission that there is no immediate prospect of Hong Kong being linked up with any of the main airways of the world. This is not a pleasant prospect, because commercial aviation is going ahead at such a great pace that it will not be long before most of the great commercial centres of the world are linked up by air. We cannot possibly contemplate Hong Kong being left out.

I know that there are a great many difficulties, but surely they cannot be insuperable. It may be argued, of course, that there is no great demand for commercial services, but I feel quite sure that a demand would spring up rapidly if the facilities were provided.

It is quite possible that the amount of air mail sent from Hong Kong is not very large, but it suffers from the disadvantage of having to be sent by steamer to Singapore or Saigon where there is either a delay of two or three days or the possibility of missing the connection, thus detracting from its advantages. I feel quite sure there would be a great increase in the air mail sent from Hong Kong if we could see an air liner leaving, say, once a week from the aerodrome at Kai Tak—on which, incidentally, the Colony has spent a great deal of money—and people knew that barring accidents, their letters would be delivered in London within eight days.

It is quite true that the service would not pay at first and, therefore, no private company could undertake to provide a service without a substantial subsidy from the Government. In time, however, I am quite sure that the service would pay its way. The general public would very soon become air-minded when the tremendous saving in time both as regards passengers and mail was appreciated. I believe that the Government have done their best under difficult circumstances, but I trust that the absence of the provision for a possible subsidy does not mean that they are in any way relaxing their efforts.

I regret to see that the salary of the Head of our Police Force and Fire Brigade is in future to be reduced. If the salaries of all Government officials were to be reduced proportionately—as has happened in practically every mercantile firm in the Colony—then no exception could be taken. This, however, seems to be a solitary instance and one naturally enquires for the reason. The Government has, for a number of years, been building up a staff of trained police officers and I understand that this process is nearing completion and that when the present I.G.P. retires the custom of appointing a Cadet Class I to the post will cease. The Salaries Commission recommended that when the change was effected the proposed reduction should be made. The recommendation is given in Clause 112 of the Report by the Salaries Commission. It is unfortunate, however, that no reason is given for the recommendation. With all due respect to the very able gentlemen who composed that Commission, I cannot find myself in agreement with them.

The Police Force consists of a number of men of different nationalities functioning on land on the Island of Hong Kong, Kowloon, and the New Territories, and on sea within the waters of the Colony. In addition, the post of I.G.P. carries with it, at present, the position of Head of the Fire Brigade—an important post. The Water Police are provided with launches some of which are armed with 3-pounder guns and machine guns, carry searchlights etc., and have to deal with acts of piracy within the waters of the Colony.

It is obvious that the Head of such a Force must have great responsibility. Riots have taken place in this Colony when the I.G.P. has had to take the great responsibility of a decision—and a very quick decision—under difficult and unusual circumstances to order the forces under him to fire. Whether he does so or not, or whatever the consequences, he will most likely have to face a Court of Inquiry. The results of such Courts of Inquiry have not, so far as my recollection goes, had any unpleasant repercussions here, but such has not always been the case in other countries. It is common knowledge that the results have sometimes been, in popular opinion, a grave injustice to the individual.

The essence of all this is that the I.G.P. besides administering a very large force of men doing different duties may, and does, have to take the responsibility of a decision under, I repeat, unusual and difficult circumstances which may involve human life, and I maintain that with that grave responsibility resting on him his post is entitled to as large a salary as any Government post other than the very highest. I would ask the Government, therefore, to reconsider their decision on this point.

And now, gentlemen, I ask you to imagine that for a few moments the mantle of the Hon. Member for Kowloon has fallen upon me. That very useful body of citizens, the Kowloon Residents' Association, have been pressing on the Government the necessity of better lighting in Kowloon—citing more particularly Nathan Road, one of the main thoroughfares. They brought this matter to the attention of the Government seven years ago, but still the lighting of that important thoroughfare leaves a great deal to be desired. Now according to the Ministry of Transport in England "Bad lighting is worse than no lighting". That conclusion is reached in their findings and recommendations on fatal road accidents in England during the first six months of 1933. I take it, gentlemen, that you will accept that finding and will not wish me to take up your time labouring the point.

I understand that the Government are awaiting the result of various experiments in street lighting, but I am somewhat perturbed to find that the current year's vote of \$40,000 is to be increased by only \$2,000 for 1935 according to the Estimates. That is a very small increase indeed when we consider the great expansion of Kowloon.

I am tempted here to digress for a moment to expiate on the expansion of Kowloon, but I will content myself with stating that I explore the hinterland of Kowloon about once a year and each time I am amazed at the progress made. I feel that full marks must be given to the Town Planning Committee which functioned some years ago and to the Government. In particular do I miss that zone which was occupied by market gardeners. I find wide streets and fine houses where formerly the roads passed through low lying gardens from which the pungent smell of *Parfume de Chine* arose on the evening air. That is unforgettable.

To return to the question of street lighting, I trust that the Government will push on with the experiments referred to and then take prompt measures to remedy the present situation which to put it mildly, does not offer the greatest possible safety to pedestrians or motorists.

While on the subject of lighting it affords me pleasure to note that a small sum has been added in the Estimates for 1935 for the lighting of certain districts of the New Territories along motor roads. A commencement has been made in Taiipo Market. I trust the claims of Un Long, Ping Shan, Fanling and Shatin will each in turn merit consideration. This is a public improvement that should be appreciated by villagers in the New Territories. (Applause).

HON. MR. J. OWEN HUGHES.—Your Excellency,—My Honourable colleagues have very fully dealt with the Honourable Colonial Secretary's lucid and interesting presentations of the Budget. There is, therefore, very little left for me to add further than to emphasise some of the points made.

We are indeed fortunate that Exchange has again favoured us during the past year, otherwise drastic reductions in expenditure, or the unthinkable resort (in view of the present state of the Colony's trade) to higher taxation must have been inevitable, and I am in entire agreement with the conservative figure of 1s. 4d. taken in framing the Budget for 1935.

Hon. Members who have preceded me have not criticized in detail the mass of items of Expenditure in the Draft Estimates— neither do I intend doing so, believing as I do that great care has been observed by those responsible. There are, however, under practically every "Head" two items which I have combined as one, namely those of "Transport" and "Conveyance Allowances" to which I invite attention. Separately, except in the case of the larger departments, the sums are comparatively small, but in the aggregate they mount up to the considerable total of \$145,600 odd. The outstanding figures are those of the Public Works Department, \$51,000; Police, \$24,640; Medical, \$17,300; Sanitary, \$14,400; Harbour, \$6,980 and Import and Export, \$6,940. In several instances

these items show a small reduction, indicating that a blue pencil has been at work, but I would suggest the possibility of its further use, especially during the present time of declining Revenue. We all know the old saw "A penny saved is a penny earned."

I, for one, have not lost faith in the ultimate recovery of the Colony's trade, but must confess that I see no signs of any immediate improvement and therefore fervently hope the Estimate of a Revenue of 29½ millions is not too optimistic.

It is possible, even probable, that some portion of the Colony's trade has been altogether lost, such as the transshipping, storage and other strictly entrepôt business; but against this there is a gradual increase in the number and diversity of factories being established here which, in due time, should be of greater value to the Colony as a whole, in that wages earned in these various industries will be greater than is usually paid for unskilled labour. Meantime, as the Honourable the Colonial Secretary correctly states, our manufacturers must find it difficult to secure outlets for their products in face of high duties and prohibitive tariffs that are so generally imposed by all countries.

Looking over *Hansard* and the Report of last year's "Budget Day", I find the Hon. the Member representing the Chamber of Commerce alluded then to the unnecessary trouble and expense which merchants were put to in satisfying the Customs authorities of Great Britain, and I regret to say that, in my experience, there appears to be no improvement, Exporters still being harassed by continually changing rules and regulations, thus hindering our yet small though steadily-increasing local industries, which, as again the Hon. Colonial Secretary states, provide a livelihood for many thousands of our citizens. Furthermore, there is the threat of the Quota system overhanging some of our industries.

I feel very confident that, in Your Excellency, manufacturers and exporters have one who will strenuously champion their cause, and that your Government will do all that is possible to encourage and foster further enterprises. H.M.'s Trade Commissioner, Mr. G. C. Pelham, is another who, I am convinced, can be trusted to present the Colony's aspirations and plead for "fair play" both from our Home Government and the various Colonial Governments of the Empire. Mr. Pelham has rendered excellent service by his very interesting "talks" over the wireless on "England" and "British Industries" as well as on many other topics which must have been listened to with profit and pleasure by many of those who have not yet visited our homeland. Let us hope that, during his next visit home, he will devote a small portion of his time to a similar talk to the people of Great Britain on Hong Kong. (Applause).

To me, one of the most gratifying items of the Government programme is that of Trade School which I have always strongly

advocated, and the Building Contractors' Association is to be congratulated and thanked for their generosity in constructing the building at cost price. Members of that Association will be well repaid in due time by having at their service properly trained Mechanics and Artisans, which will enable them to carry out their contracts with greater satisfaction to themselves and those who employ them. It is sincerely to be hoped that young Chinese (especially Hong Kong born) and other Nationals will eagerly take advantage of the teaching which this school will offer. The Colony's need for "Masters of Craft" is greater at the present time than for Masters of the Arts and Sciences. I am also glad to note that it is proposed to engage an expert Pattern Maker from England for the Junior Technical School. He will find in the young Chinese of the Colony excellent material to work on, being very adaptable to good training. The Managers of the local Dockyards, Electricity and Telephone Companies will, I am sure, confirm this.

I, also, much regretted the Government's decision not to proceed with the Wanchai Market but I am pleased to note from the Colonial Secretary's remarks that the question will be brought forward in the form of an amendment to the Budget Bill.

I think it will be pertinent to enquire whether Government exercises any supervision over charges made by Stall-holders in the various Markets, and if not, may it not be well to do so, when so many, and especially the poorer classes, have so little to spend even on the necessaries of life?

I wish to support what my Honourable friend, Sir William Shenton, has said in connection with the Bathing facilities of the Colony and to express the hope that Pavilions now erected in the North Point district will be allowed to remain till the last possible date and until other places are found and made accessible.

Before leaving this matter of bathing beaches, may I urge the Sanitary Department to make a real endeavour in preventing them from being littered by the City's refuse; the condition of Repulse Bay at certain times of wind and tide is, to put it mildly, disgusting.

Whilst regretting the necessity for approving any additional vote for the Medical Department at the present time, I welcome the inclusion of the cost of an additional Lady Doctor to assist the Medical Officers for Schools. I also approve the scheme that has been instituted for training Chinese Radiographic and Massage assistants. Here is surely a useful, interesting and profitable professions for young, well-educated Chinese of both sexes.

Finally, I want also to support the Honourable Mr. W. H. Bell in what he has just said regarding Commercial Aviation. (Applause).

THE COLONIAL SECRETARY.—Sir,—In rising to reply to the remarks of my Honourable Unofficial friends I would first like to thank them for the very sympathetic reception they have given to the Budget. They have shown a keen appreciation of the Government's difficulties. They have refrained from destructive criticism and have for the most part confined themselves to suggestions for the improvement of the commerce and amenities of the Colony and to justifiable requests for information on points which my already long opening address had failed to cover. I propose to deal with the various points so far as possible in the order in which they were raised, but where the same point has been raised by different speakers I shall endeavour to give a combined reply. I shall omit those subjects with which I understand Your Excellency proposes to deal.

Taking first the remarks of the Senior Unofficial Member the Government notes with keen satisfaction the appreciation of the services of two of its senior officers now on the eve of retirement.

The Government is aware of the need for a new edition of the Ordinances and Regulations of the Colony. The matter has already been under consideration, and it is hoped that before long it may be possible to spare an officer to undertake the work.

The Resident Engineer Shing Mun Gorge Dam informs me that he hopes it will be possible to supply a certain amount of water from the new Reservoir during 1936.

The Government takes note of the Honourable Member's views regarding a new City Hall, the need for additional playgrounds playing fields and Bathing facilities to some of which other Honourable Members have also referred, and hopes as opportunity occurs to give due weight to the Hon. Members' recommendations.

The Government has listened with pleasure to the Unofficial appreciation of the importance of the post of Inspector-General of Police, a point which is dealt with more fully by the Hon. Mr. W. H. Bell. The salary proposed is, as regards its maximum, the salary recommended by the Salaries Commission and the Government does not, at the present juncture, feel justified in asking for more. The view of my Unofficial friends will be of value to the Government if it should be found possible to bring the matter up again at a later date.

The three piracies referred to by the Honourable Member were all of foreign ships which do not observe the precautions recommended locally. It is admittedly impossible to guarantee that a police search before sailing will always detect pirates and hidden arms, but in spite of that it is by no means a useless precaution.

As regards the "Prominent" the Police launch was urged to cease fire by the ship's officers whose lives were being threatened by the pirates. The pirates also threatened to set fire to the ship if

firing continued and they tried to ram the Police launch which was consequently forced to draw astern. The "Prominent" was run ashore and the police were unable in the darkness to prevent the escape of the pirates with a certain amount of loot. The presence of the police launch, however, almost certainly saved passengers from being kidnapped and prevented the pirates in their haste from taking a larger quantity of loot. The conduct of the Police officer in charge was very favourably commented on by His Excellency the Naval Commander-in-Chief and the officer was highly commended by Your Excellency.

The Government is not aware of the exact position regarding the roads in Kwangtung to which the Honourable Member refers but will cause enquiries to be made. The linking up of the Colony's road system with the system in Kwangtung when the latter is ready requires little more than a bridge over the Shum Chun river and a short length of approach road.

The School Children's tickets are issued at cheap rates on the recommendation of Headmasters to enable the children of residents in the New Territories to attend schools in Kowloon and Hong Kong. The concession seems to have been in existence since 1917 and was, I understand, introduced to enable residents in the New Territories to take advantage for their children of the better educational facilities available in Kowloon and Hong Kong. The recipients are almost all Chinese children and the Government pays to the Railway the difference between full and reduced fares.

You are yourself, Sir, dealing with the general question of Harbour Dredging. As regards Causeway Bay I am informed that sufficient dredging is done to prevent the silting of the typhoon shelter. I am advised that junks and sampans like to have just enough water and no more in their shelters and we endeavour to meet their wishes.

The new Hangar and Slipway at Kai Tak will be situated at the Western end of the Aerodrome. The Commercial Aviation buildings will be at that end separated by the length of the Aerodrome from the R.A.F. Buildings at the eastern end. The Air Force has undertaken the maintenance of the Aerodrome on payment of half cost by this Government and can be trusted to make the surface as safe as it is possible to make it. It is proposed to lay down Runways at an early date.

The Government gladly endorses the Honourable Member's appreciation of the very valuable work carried out voluntarily by the many charitable organisations of the Colony.

Opium addicts are treated at the Government Civil Hospital and the Tung Wah Eastern Hospital. The numbers treated as inpatients during 1933 were 72 at the former and 177 at the latter hospital. The figures for the first six months of this year are 19 at the Government Civil Hospital and 145 at the Tung Wah Eastern Hospital.

The reorganisation of the supervisory staff of the Post Office consequent on the death of the late Mr. Holdman has thrown considerable extra work and responsibility on the Superintendent of Mails, and while the Government does not think it necessary to raise the permanent emoluments of the post it feels justified in asking that the added responsibilities of the present holder during the few remaining years of his service should be recognised by a personal allowance of £50 per annum.

The Swimming bath referred to by the Honourable Member is the Y.M.C.A. Bath. In return for a payment of \$200 a year the use of this bath is granted to the Central British School twice weekly during two Summer months. The children are taught swimming by the physical training Instructors.

The Honourable Member is not quite correct in his supposition that the proceeds of land sales are treated as current revenue. The Honourable Member will find in his printed estimates that they are carefully separated from general revenue, and though not allocated to specific works they are regarded as money available for Public Works Extraordinary and are excluded when the Government is balancing current expenditure against current revenue.

Regarding the Honourable Member's remarks on the Auditor's report it has been decided that funds issued by the Treasury to a Head of Department must be disbursed immediately, and the receipted vouchers returned to the Treasury within 12 days. A General Order to this effect has already been issued. The Store Regulations were recently revised and elaborated and it may be that if, on account of this elaboration, their complete adoption by all Departments, especially the smaller Departments, is proving cumbersome a simpler system will have to be devised.

As regards the Land Bailiffs, experience has shown that two are required in the Northern District and only one in the Southern. The new officer is required to provide relief during absences on leave. There is no increase in the staff of Land Bailiffs in the Northern District.

The question of the Gambling establishment at Shum Chun has already engaged the attention of the Government, but no satisfactory solution has yet been found.

The Government notes with pleasure the desire of Unofficial Members that the twenty-fifth anniversary of His Majesty's accession should be fittingly celebrated in the Colony. The Government is at present awaiting certain information from England and will in due course communicate its proposals to the Council.

As regards the Sunday Cargo Working Permit fees to which my Honourable friend Mr. Mackie has referred the Government

has recently received a communication on this subject from the Hong Kong General Chamber of Commerce and the matter is under consideration. Shipping is not heavily taxed in this Colony and the sliding scale of payment introduced in 1933 affords relief in the payment of light dues from hardship which might otherwise result from the rise of the dollar. The payment of Sunday Working fees has moreover been used as a justification for the Government contribution to Merchantile Marine Assistance Fund. The loss to revenue by the abolition of these fees would be, on the average, over \$100,000 a year and the sacrifice of this amount in a year of falling revenue cannot be contemplated without very serious misgivings.

On the subject of Aviation I have no doubt that the Managers of the Flying School will take due note of my Honourable friend's remarks.

I understand that Your Excellency will deal with the question of the linking of Hong Kong with the Air routes of the World.

The advertising of Hong Kong as a winter holiday resort, referred to by the Honourable Dr. Kotewall and by the Honourable Mr. Mackie, has hitherto been regarded as a matter for the private interests chiefly concerned, viz. Shipping Companies, Hotels and places of amusement. It would of course be possible to establish a Government Advertising or Tourist Bureau, but I must remind Honourable Members that the Government does not maintain a redundant staff, however much certain sections of the community would like us to believe it does, and an Advertising Bureau would mean increase of staff and increase of staff means more money for those Personal Emoluments which we are always being urged to reduce. Bearing these factors in mind the Government is prepared to consider any Advertising scheme which the Chambers of Commerce or other responsible bodies might care to place before it.

As regards opening places of amusement after midnight the Government is not aware of any general demand for later hours except on special occasions when extensions are freely granted. Should any general demand be made known to the Government it will receive full consideration.

Turning now to the views of the Honourable Mr. Braga, whose absence owing to indisposition we all greatly deplore, I would observe that the utilization of a Cadet officer in the Stamp Office does not mean an increase in Staff. The regular holder of the post in question will be on leave and no qualified officer other than a Cadet Officer is available to do the work during his absence.

The Honourable Member refers to the new sterling paid officer in the Post Office. The new premises are four times as spacious as the

present office and will provide Kowloon with greatly increased postal facilities. The deliveries on the mainland will be centralized and worked from the new Post Office where twenty postmen will be housed. It is proposed to ask outside administrations to close direct mails to Kowloon and direct mails will similarly be despatched from Kowloon. As this will practically raise the status of the Post Office to an independent command it is considered that the responsibilities of the post call for a sterling paid officer.

It is impossible to say how much of the vote for Anti-Malarial works will be required for resumptions. The Director of Public Works estimates the requirement for the purpose to be about five per cent. of the total vote of \$60,000. The vote is for Anti-malarial work in the Colony generally and not in Hong Kong Island only. Certain works, as my Honourable friend is no doubt aware, are in progress and these will be continued. The Finance Committee will be asked this afternoon to approve of a supplementary vote of \$57,000 for resumptions in the Shou Son Hill area. Work is contemplated in Kowloon as well as in Hong Kong but it is unlikely that funds will permit of work at Castle Peak and Taipo during 1935.

In such a large and complex subject as malariology, which includes mosquitology, the factors are so many and are so influenced by meteorological, geological and social conditions that the study is a continuous one and it has not been possible to draw up any single final report which would cover the whole Colony. Each area is a study in itself. Each year the results of the Malariologist's investigations have been published as an appendix to the Medical and Sanitary report, a copy of which is placed in the hands of every member as soon as possible after its receipt from the printers. The 1933 report has been printed and will be distributed as soon as certain maps, which are expected daily, are ready for incorporation. The Malariologist's report for 1932 occupied 30 pages out of a total of 202 in the Annual Medical report, that for 1933 occupies 50 pages out of a total of 226.

The Honourable Member may rest assured that the Government has no intention of allowing the proposed residence for the Manager of the Railway to encroach on the playing field area of King's Park. The site contemplated lies within that portion of the King's Park area which was set apart for residential purposes many years ago.

With regard to the marketing of New Territories produce the Honourable Member must, I think, have overlooked the fact that additional *laans* for New Territories produce have already been provided in Kowloon. The provision of funds for feeder roads in the New Territories was considered with the 1935 Budget but had to be postponed for want of funds. The question of encouraging agricultural industries in the New Territories has also been referred to by my Honourable friend the Senior Chinese Unofficial Member. Honourable Members are aware that this problem has already received and is still receiving Your Excellency's most serious consideration.

My Honourable friend Mr. W. H. Bell refers to the street lighting of Kowloon. I can confirm his understanding that experiments are being carried out with a view to evolving a more satisfactory type of street lighting.

The Honourable Dr. Ts'o has raised the question of leprosy in the Colony. This matter has for some time engaged the attention of the Government and Your Excellency has already decided to appoint a Committee to consider it.

There are two points in the Honourable Mr. Owen Hughes' remarks on which Honourable Members may expect me to comment. On the question of Transport and Conveyance allowances I can assure the Honourable Member that these allowances are very closely scrutinized. The totals appearing in the Budget are made up of a very large number of small items and reductions have been made wherever they were found possible.

The Government does not exercise supervision over charges made by stall-holders in the various markets but leaves competition to keep prices at the lowest practicable level. I am informed by the Head of the Sanitary Department that everything possible is done to ensure free competition and that he is continually on the watch for anything in the nature of rings or combines intended to maintain prices at an unfair level.

It has not been possible in the time at my disposal to answer every question and to investigate every point raised in this debate by my Unofficial friends. I shall, however, be happy to furnish them with further information at a later date, should they so desire, on any matter which has not been adequately dealt with this afternoon. (Applause).

H. E. THE GOVERNOR.—Honourable Members,—The Budget has been dealt with so adequately by Honourable Members, Official and Unofficial, that it would be almost unkind of me to burden you with further comments on details. I will therefore restrict myself to a few salient features.

I congratulate my Honourable friend, the Colonial Secretary on his able speech introducing the Budget and thank him and his officers for the excellent work which they have done in connection with the preparation of the Estimates. I also thank the Hon. Colonial Treasurer and the Hon. Director of Public Works for their useful memoranda. Further, I wish to express my appreciation of the good work done by Mr. Butters in connection with the Budget. He has had a lot of difficult detail to contend with, requiring much assiduous work, and he has performed the duty most efficiently. (Applause).

I am indebted to Honourable Members for their careful consideration of the Budget and for their helpful comments and criticism. In accordance with the traditions of this Council the Unofficial spirit has throughout been sympathetic and tolerant of the efforts of Government to fulfil its duty in the best interests of the Colony.

On behalf of my wife and myself I thank the Unofficial Members for the kind and graceful reference to us made on their behalf by the Senior Unofficial Member.

This is the fifth Budget which has been submitted to the Council since I assumed my present post and it is not too much to say that the position has become increasingly difficult. The trade depression hangs very heavily on us and there has been little or no sign of it lifting since the last Budget. I am, however, an incurable optimist, and I think that it is permissible to hope that we have almost reached bottom, for although the revised estimate of revenue for the current year is over two million dollars below the original estimate it is contemplated that, apart from the accumulated proceeds from the profit on exchange transactions, the revenue for next year will be approximately the same as the revised figure for the current year.

In view of the serious shrinkage of revenue it is very fortunate that we possess substantial credit balances, though the drain on them during this year will seriously diminish them. This happy position is due in a large measure to a policy of not hastily spending our reserves in the pious hope that to-morrow will see an improvement and that all will be well. I realize, however, that excessive caution should be avoided. There are critics of our policy of maintaining a balance not less than ten million dollars, but I am strongly of opinion that this figure is not excessive having regard to the mutability of exchange and the fact that we almost invariably have heavy commitments extending appreciably beyond the year for which we are budgeting. I submit that the policy is sound; and, were it not for the fact that such substantial resources exist to-day, we might well be perturbed in regard to our ability to meet future liabilities in respect of work on which we have already embarked. It is indeed probable that we shall have to reduce our balances to below the prescribed limit for a short period. I am not averse from this, partly because in times of depression it is desirable that Government should do its utmost to afford employment, partly because our resources do not justify our postponing our most essential works and partly because we can look forward to the realization in a few years' time of certain assets which will reinstate our balances at the figure laid down. These assets have been referred to by my Honourable friend, the Colonial Secretary, and include the present Naval Arsenal Yard, part of the present site of the Government Civil Hospital and Victoria Gaol. With the best will in the

world, however, it has been impossible to avoid a severe pruning of public services. It has, to my sorrow, been unavoidably necessary to postpone certain works which might fittingly be described as essential, and I feel that once again we must regard the Budget as in a measure the grave of many hopes.

As Honourable Members however will see, there are many important works in hand and the total to be spent on Public Works Extraordinary and Loan Works is substantial. As you are aware, I have, during the past few years, carried out the policy of submitting a special supplemental Budget before the middle of the year when our financial position has rendered such a step safe. This policy has been approved by the Secretary of State and this Council and I hope that it may be possible to follow it again next year, though this will depend in a large measure on the position of exchange. The policy this year enabled us to accelerate the work on the new Government Civil Hospital, Shaukiwan Road and other services.

Among the most important works which it was deemed necessary to postpone are the Wanchai Market, Mental Hospital and a new health centre at Bonham Road. I shall certainly consider whether a start may not be made on one or more of these if the financial position towards the middle of next year appears to justify it, I am indeed prepared to go further and, if the Unofficial Members are in favour of it, to enter in committee some provision for Wanchai Market. It is a very urgent work and should prove remunerative.

In regard to revenue which has seriously diminished during the past two years, that derivable from duties would appear to have reached its lowest level, and I trust that we shall soon see an upward tendency. Part of the reduction is, of course, due to the fact that certain duties are based on a one and eight-penny dollar and converted at the current rate.

The Opium revenue has fallen very seriously and I am afraid that there can be no doubt that this is due in a large measure to smuggling. In my opinion this has a distinct effect on the proceeds from the duty on tobacco. My experience, both here and in Malaya, has been that, when less opium is used, more tobacco is smoked, and if the smuggling of opium could be reduced I feel sure that the amount of tobacco imported would increase. Such measures as are possible are taken in regard to smuggling and the Superintendent of Imports and Exports, Mr. Lloyd, may be trusted not to relax his able efforts. Owing largely however, to our peculiar geographical position the problem is very difficult.

Some reduction is anticipated in the receipts from excess water supply owing to the concession of Government of a rebate of 15 per cent. on accounts which are promptly paid. I shall be surprised, however, if such rebate does not result in a slightly increased consumption, which may compensate for the concession granted.

I am still of opinion that the principle of a free allowance of water is unsound. The system tends to bear more heavily on the poor than on the middle and upper class and a charge, lower than that which now obtains on excess supply, on the whole of a metered supply would be more equitable.

Post Office receipts continue to fall, partly due to the depression and partly to a reduction in certain postal rates. I regret that further reductions are not possible at present but on the other hand we are aiming at giving improved facilities especially in Kowloon and the New Territories.

A bright feature in the revenue estimates is the increase of revenue expected from the Kowloon-Canton Railway in spite of the fact that we have conceded to the Chinese Section an increased proportion of the receipts on through traffic. As Honourable Members are aware, the revision of the Railway Working Agreement has recently been under consideration and the new Agreement was signed by myself and the Minister of Railways of the Chinese Government on the 15th instant.

I take this opportunity of congratulating the representatives who participated in the Conference, not merely on the successful consummation of their efforts to reach an Agreement acceptable to both sides, but also on the spirit which pervaded the negotiations. Both parties set out to arrive at an arrangement which would be to the mutual advantage of both sections and avoided any temptation to get the better of one another without regard to the main issue. The proceedings of the Conference and the spirit in which they were carried out might well serve as a model.

Both Sections can, I think, now look forward with confidence to increased prosperity which should be further enhanced when the Canton-Hankow line is finished—probably by the end of 1936—and linked up with the present line. The question of completing this link was not considered to be within the purview of the Conference, but I think that it is reasonable to assume that it will be completed in due course. It appears to me inconceivable that a wise and far-sighted administration would hesitate to complete a link, the absence of which would to a large extent deny to the Province of Kwangtung obvious benefits of a line constructed at considerable cost for the further development of that province.

Turning to expenditure, I would invite attention in the first place to the fact that the estimated expenditure, exclusive of Public Works Extraordinary and the final payment for the Naval Arsenal Yard but including departmental special expenditure, is rather more than covered by the estimated revenue excluding the special receipts

from land sales and the profit on exchange transactions. The margin, however, is small, and this fact added to the fact that we have to draw heavily on our balances in order to carry out Special Public Works in my opinion render it quite impossible to make any further reduction in taxation.

My Honourable friend, Dr. Kotewall, has made certain notable proposals. He recommends a change in both the method and amount of assessment which would have the effect of reducing our revenue by nearly two and a quarter million dollars. I have already shown that what may be called current revenue only barely covers recurrent expenditure; we have therefore to call upon our surplus balances to a very considerable extent to enable us to proceed with necessary Public Works to most of which we are already committed. In spite of this he advocates that we should grant concessions which will further reduce our revenue and so necessitate a further reduction of our surplus balances in order to meet recurrent expenditure. That appears to me to involve the vicious principle of living on capital, a policy to which I, for my part, am entirely opposed. His proposals appear to be based on two assumptions—one that the assessment is unduly high under the conditions which obtain to-day, the other that the suggested concessions would have a marked beneficial effect on the general situation.

It is true that he admits that such an effect would probably be in a large measure psychological, but even so I am compelled to join issue with him on both points. I maintain that taxation in this Colony is very moderate and I feel very strongly that the concessions proposed by him would have very little effect on the present economic depression. Dr. Kotewall argues that if Government were to apply a temporary palliative of a reduction of 4 per cent. in the assessment rate confidence in real property would be restored. He states that people will not buy property because they are uncertain about the future. I do not see how that position will be ameliorated by a reduction in the rates, which would admittedly be only temporary and which would almost certainly have to be reinstated in the comparatively near future. I am prepared to agree that, if such concessions were to result in a large measure of general relief, the mere fact that they would necessitate a serious inroad on our surplus balances should not be a deterrent; but I am not convinced that they would effect the general relief which he would claim nor, more especially having regard to the success of a recent offer of investment in real estate and land development, am I convinced that the confidence of the public in landed property is at such a low ebb as he has stated. However, Dr. Kotewall's proposals have, I understand, been referred to the Economic Commission which is now sitting, and I have no doubt

that the Commission will fully consider them. Any recommendation that the Commission may make will receive the full consideration of Government.

I and my advisers have given careful thought to a possible reduction in personnel but have felt unable to effect any reduction having due regard to efficiency. I am prepared to admit that the cost of Administration is on the high side largely owing to the number of sterling paid officers. The problem of reducing this is a very difficult one and I have no hesitation in saying that there are a large number, not only of Officials but also of Unofficials, who hold the opinion that such a policy would not be wise. I would remind Honourable Members not only that existing rates of salary were recommended by Salaries Commission less than five years ago, but also that a Retrenchment Commission, consisting mainly of Unofficials, which I appointed only a year or two ago, found itself unable to recommend any very drastic reduction of establishment. We are, however, carrying out a scheme of a local branch of the Senior Clerical and Accounting Staff and are endeavouring to train local sanitary inspectors. Further, I hope that it may be possible to train local nursing sisters and so reduce the large number of sisters recruited from England. I propose to go into this question with my Honourable friend, the Director of Medical and Sanitary Services.

I entirely agree with the Senior Unofficial Member that we should as far as possible engage officers on agreement, thereby reducing our liabilities in respect of pensions.

I need hardly point out that the rise in the dollar has reduced considerably the local cost of the sterling establishment.

With reference to the comparison made by Dr. Kotewall in regard to the estimated expenditure for next year and the revised expenditure for this year it must be remembered that the cost of sterling commitments next year is based on a 1/4d. dollar. I am afraid I forgot to ask the Colonial Treasurer what figure the revised estimate was based on this year but it must be higher than 1/4d., which would account for a certain amount of difference.

There are a few increases in the Police establishment which have been found to be unavoidable, owing partly to the institution of the Remand Home, a new Police Division at Shamshuipo, the traffic needs in the New Territories and the Registration of Persons Ordinance.

In referring to this department I should like to associate myself with the tributes paid by my Honourable friends, the Colonial Secretary and the Senior Unofficial Member, to Mr. Wolfe, who is shortly going on leave prior to retirement from the post of Inspector-General of Police. Mr. Wolfe, who originally joined the

Malayan Services a year after myself, has had a long, honourable and distinguished career in this Colony. The post of Head of the Police in Hong Kong has been by no means an easy one. Not only have the problems been varied and important, but the staff is of such an heterogeneous character that special qualities are called for in the Head of the Department if the machine is to be maintained at a high standard of efficiency. It will be readily conceded that Mr. Wolfe has maintained such a standard and that he can well look back with satisfaction to his record of service in this Colony. (Applause).

In striking this personal note I also wish to associate myself with the tributes paid to Mr. Holmes, the Crown Solicitor, who also is retiring next year. I do not feel that I can adequately express the extent to which the Government has been indebted to Mr. Holmes for the valuable advice and assistance which he has rendered. He has been a most devoted Government Officer and has never spared himself in the Public Service. (Applause).

Referring to the Medical Department it will be seen that some increases have been provided for due in a large measure to the taking over of the Tsan Yuk Hospital, the extension of the Kowloon Hospital and increased health work particularly in connection with Infant Welfare Centres. Much, however, still remains to be done. Meanwhile I may say that the work done by Dr. Selby and others at the Venereal Disease Clinics has been admirable, while the extension of Infant Welfare Centres both in Hong Kong and Kowloon have been thoroughly justified. These centres are increasing in popularity and there can be no doubt that they are a most valuable contribution to the health of the Colony. At present centres are established in rented premises; but I trust that next year there will be a special centre in existence at Wanchai generously provided by private contribution and handed over to Government when completed.

I take this opportunity of expressing the thanks of the Colony to the various Chinese hospitals and dispensaries, and also to the St. John Ambulance Brigade, for their great assistance in connection with matters of health and disease. It is noteworthy that a new Health Centre was opened early this year at Fanling, the cost of which was defrayed by Sir Robert and Lady Ho Tung to whom the thanks of the Colony are due. In addition to the money provided for the building and its equipment, the donors also gave a sum, the income from which will pay part of the cost of running the Institution. (Applause).

There has been a notable development of hospital buildings in the Colony during the past few years and Government is doing its part. The new Government Civil Hospital is progressing satisfactorily and when completed should provide Hong Kong with one of the finest institutions of its kind in the Far East. Kowloon Hospital,

which is an admirable institution, has been steadily extended and a new out-patients building is now on its way. Honourable Members however, must realize that these enlarged and improved buildings will necessitate a permanent increase to the staff.

I do not propose to make any reference to the estimates of the Sanitary Department, but I would take this opportunity of informing the Council that important proposals have been under consideration for some time in regard to what might be called the municipal side of the Colony. These proposals are in a large measure the outcome of schemes put forward by my Honourable friend, the Director of Medical and Sanitary Services, but the subject is a very difficult one and though legislation is being prepared it is not finally ready for submission to the Council.

A notable feature in regard to Education which has been referred to more than once this afternoon is the development of the Junior Technical School. I regard the development of this school on proper lines as one of the most important matters connected with education in the Colony to-day. It is already doing excellent work, but development is necessary in certain directions for which it has not been possible hitherto to make provision. Vocational instruction is an important desideratum, but the present premises are not large enough for what is required. The Building Contractors' Association have generously come forward and offered to construct a new building at cost price, thus appreciably reducing the expenditure to be faced by Government. With this generous offer before it and having regard to the essential nature of the work to be carried out, Government has considered it necessary to proceed at once with the scheme.

The Hong Kong Naval Volunteer Force which was instituted nearly a year ago has so far proved a success and some increase has been allowed in the Estimates for the Force. The Admiralty, who are anxious to see this movement develop on right lines, has allotted a sloop as a headquarter ship for a year in the first instance.

Under the heading of Miscellaneous, Honourable Members will see that the Government has again provided a sum of \$350,000 as a grant to the University. This grant is subject to consideration annually. There might possibly have been some argument for reducing it, in view of the Colony's financial position, but the finances of the University are far from satisfactory and many urgent needs of the University remain unfulfilled. I am glad that it has been possible to carry out a few necessary extensions, but there appears little prospect of the University being able in the near future to institute a Chair of Public Health. The absence of this I cannot but regard as a serious stigma on the Colony. I have more than

once appealed for financial help for the University, but unfortunately without result. I realize that times are bad, but I should like to express the hope that when they improve some of those who reap the benefit of such improvements will give generously towards the support and development of the University, which I regard as a great asset to the Colony and one which undoubtedly adds to the lustre of Hong Kong, though that lustre is likely to be dimmed unless more support is forthcoming.

In addition to works under the heading of Public Works Extraordinary to which I have already referred, the sum of three lakhs is provided for the new Central British School. This, as has already been stated, has been put in the hands of a private architect and I trust that progress will be satisfactory and that this new school, the need for which has long been appreciated, will be successfully completed in the not far distant future.

My Honourable friend, the Colonial Secretary, has already informed the Council of the progress on the Shing Mun Water Scheme. This report indicates clearly the good work that has been done. The difficulties which have been encountered have been considerable, but progress has been satisfactory and I am confident that in the able hands of the Resident Engineer, Mr. Hull, we can look forward to the completion of the scheme within the estimated time and within the estimated cost. (Applause).

In connection with Loan Works, Honourable Members are aware that Government decided to take advantage of the favourable state of the money market to raise a loan to reimburse the revenue account in respect of funds advanced for Loan Works and to make provision for future work. The flotation may be regarded as a great success, though I should like to have seen a larger number of individual subscribers. I take this opportunity of thanking my Honourable friend, the Colonial Treasurer, for the services rendered by him to Government in connection with the flotation of this Loan. (Applause).

I cannot usefully add anything in regard to the Government House and City Development Scheme. Provision has been made for proceeding with the first section of the work, but in view of the state of the property market in Hong Kong to-day it is possible that the scheme will take longer to complete than was originally anticipated. I have, however, no doubt that, from a financial point of view, it will be a success.

A considerable sum has been included for dredging in the Harbour and for works connected therewith. This dredging will deepen the approaches to several existing piers, thereby affording adequate facilities for deep draft vessels to go alongside. The

question has been raised of how far the cost of dredging in the harbour should be borne by public funds. I may say at once that I accept the general principle that such dredging as may be necessary to afford adequate facilities for shipping in the harbour should be regarded as a liability to be met out of general revenue. I am not, however, prepared to admit that if any company or individual chooses to construct either a pier or a wharf such company or individual has thereby the right to demand that dredging in order to enable deep draft vessels to approach such pier or wharf at any state of the tide should naturally be carried out entirely at public expense. Government, as the trustee of the public, before spending its money on such a purpose, must satisfy itself that such pier or wharf is necessary to afford adequate facilities for shipping, and that it is not superfluous to the facilities already existing. The construction of such works may possibly be to the advantage of the company or individual who carries it out, but it by no means follows that such work is necessary from a public point of view. At the same time Government is always ready to treat such development sympathetically, and it has, in fact, in addition to carrying out a considerable amount of dredging entirely at public expense, undertaken to contribute a considerable sum to assist further work which it regards as to a large extent a work of supererogation from a public point of view.

As regards an Air Mail Service to and from this Colony I can assure Honourable Members that the question is regarded by this Government and by His Majesty's Government at Home as of the greatest importance. I regret, however, that I am not at present in a position to give you much information on the subject, beyond stating that the whole question has been and is receiving the most serious attention. Difficulties are considerable, but I am in hopes that they will be overcome in the near future.

As the Hon. Colonial Secretary has told you, the omission from the Budget of a subsidy to Commercial Aviation does not indicate any change in the policy of this Government. Should the hoped for development take place and a subsidy be called for and prove justifiable, I shall have no hesitation in submitting the matter to the Finance Committee with a view to making special provision.

The Senior Unofficial Member has made the statement that the Military Garrison of this Colony is paid for out of the Military Contribution made to the Home Government. I think this is scarcely correct, for the cost of the Garrison is markedly higher than the contribution made by the Colony. I am informed that no cuts in the actual rates of pay of the Garrison have been made since 1931, but a cut of the Colonial allowance was made last May, which was, however, almost entirely restored in July. In any event, the amount involved would go a very short way to bridging the difference between the cost of the Garrison and our contribution. There has been considerable correspondence between myself, the

Colonial Office and the Army Council in regard to various points connected with the Contribution, and I am happy to say that the Army Council has to a large extent met our views and it is proposed shortly to introduce a Bill into this Council to give legal effect to certain concessions which have been made in our favour. (Applause). It is perhaps pertinent to point out that the Garrison here quite apart from the security which it affords brings considerable indirect advantage to the Colony in that it employs a considerable amount of labour and spends in the Colony what amounts to a very large sum annually.

Gentlemen, the Budget which has been submitted to you cannot be regarded as spectacular; indeed in these times a spectacular Budget is more likely to be unpopular than otherwise. In spite of the fall in revenue and an anticipated serious falling off in surplus balances Government has endeavoured to provide for what it regards as the most essential services thereby ensuring a certain amount of employment. At the same time I realize with some sadness that there are some very urgent needs, especially in the direction of Health Services, provision for which has unavoidably been postponed. I submit, however, that apart from health needs the Colony cannot claim to be badly served in the matter of amenities. Reading my newspaper recently I could not but feel that if a transient visitor had read that in the front rank of the urgent needs of Hong Kong were placed old age pensions, a zoo and an aquarium he would jump to the conclusion that we are a fortunate Colony. (Laughter). I realize, of course, that the provision of the two latter items might add to the attractions of Hong Kong which my Honourable friend, Mr. Mackie, quite rightly wishes to see developed. (Laughter).

It cannot be denied, however, that in spite of the fact that the position of the Colony's finances is not altogether unsatisfactory, having regard to the general economic position in the world, the present trade position in this Colony is most serious—in many ways perhaps more serious than it has ever been. That there is a considerable amount of money in the Colony is true, but the trouble is that it is not earning money, and the Colony cannot live on frozen capital. The position is doubtless due in part to the general world position, but it is also due in a large measure to high tariffs in neighbouring and other countries. To-day there is a great orientation towards what is called Economic Nationalism. There may be a good deal to be said for such a policy, but it is apt to become short-sighted and parochial. No doubt a country is wise to develop its own resources and try to a large extent to become self-supporting, but generally speaking most nations have something to give and something to take it is usually not economically sound to try and live entirely within their own barriers. A measure of international co-operation would almost invariably bring greater benefits to all concerned. Economic Nationalism to a large extent postulates protective tariffs, and it can scarcely be denied that

their growth is having an adverse effect on general prosperity. If nations would only realize this and would apply the necessary correctives the economic position should be greatly improved and in such improvement this Colony would naturally participate.

Owing to the continued serious deterioration of the trade position in the Colony I recently appointed, as Honourable Members are aware, a Commission to go into the question. I should like to take this opportunity of offering to those gentlemen whom I invited to serve on that Commission my sincere thanks for accepting my invitation. They are all busy men and I realize that the work of the Commission must take up a great deal of their time. I appreciate therefore all the more their readiness to give this public service. The Commission is at present pursuing their enquiry and their report is eagerly awaited. Their task is undoubtedly a very difficult one, but I know that they are wholeheartedly devoting their energies and abilities to finding some solution of the serious problems which exist here to-day. It is the hope of us all that their efforts will meet with success, bringing benefits to the Colony whose interests we all have at heart and in whose future prosperity we all have the utmost confidence. (Applause).

The motion for the second reading was put, and agreed to.

The Bill was read a second time.

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

Clause 2:

THE COLONIAL SECRETARY.—In Clause 2, Appropriation, I move, Sir, that the figure \$2,999,450 for Public Works Extraordinary be replaced by the figure \$3,079,450, and that the total as shown in words and figures be changed from twenty-six million three hundred and twenty-four thousand two hundred and nineteen Dollars to twenty-six million four hundred and four thousand two hundred and nineteen Dollars. The object of this amendment is to enable the sum of \$80,000 to be spent on the continuation of work on Wanchai Market. The money was provided this year in the Budget to commence this work and further funds were provided in the Supplementary Budget. The Government understands from the speeches that the Unofficial Members are anxious that Your Excellency shall allow this work to be carried on to completion as quickly as possible.

THE COLONIAL TREASURER seconded.

H.E. THE GOVERNOR.—I understand Honourable Members are in favour of this being made, and I rule that this amendment is immaterial. I would ordinarily have had some doubt about it, but in view of the fact that not only was money provided in

this year's Budget, but further provision was made in the Supplemental Budget which was passed by resolution of this Council sometime ago, and in view of the fact that it has received the approval of the Secretary of State, I make this ruling.

The motion was put and agreed to.

Preamble:

THE COLONIAL SECRETARY.—I move that in the Preamble the total be amended to read \$26,404,219 and not \$26,324,219.

THE COLONIAL TREASURER seconded.

The motion was put and agreed to.

Enacting Clause and Title:

THE COLONIAL SECRETARY.—I move an amendment similar to the last in the Enacting Clause and Title.

THE COLONIAL TREASURER seconded.

The motion was put and agreed to.

Upon Council resuming,

THE COLONIAL SECRETARY reported that the Bill had passed through Committee with amendments which had been ruled as immaterial, and moved the third reading.

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

#### **GOVERNMENT HOUSE AND CITY DEVELOPMENT SCHEME ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to make provision for financing and carrying out a scheme for a new Government House and for the development of a portion of the City of Victoria."

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

Council then 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.

**EMPIRE PREFERENCE AMENDMENT ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Empire Preference Ordinance, 1932."

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

Council then 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.—Council stands adjourned *sine die*.

**FINANCE COMMITTEE.**

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

Votes totalling \$73,540 were considered.

Item 86.—33, Public Works Recurrent:—Kowloon, 14.—Miscellaneous. Item 1.—Maintenance of Praya Wall and Piers, \$10,000.00.

THE DIRECTOR OF PUBLIC WORKS.—I would like to alter the sum of \$10,000 to \$5,000. The sum of \$4,776.83, say \$5,000, was transferred from loan and has not yet been settled with the Auditor and I wish to withdraw it.

THE COLONIAL SECRETARY: It is proposed to leave the question of the transfer of \$4,776.83 over for further consideration.

This was agreed to.

All the votes were approved with the reduction of \$5,000 on the total asked for in Item 86.

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