

16th September, 1936.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR ANDREW CALDECOTT, Kt., C.M.G., C.B.E.).

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

THE COLONIAL SECRETARY, (HON. MR. R. A. C. NORTH, *Acting*).

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

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. W. J. CARRIE, *Acting*).

THE COLONIAL TREASURER (HON. MR. E. TAYLOR, C.M.G.).

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

HON. DR. A. R. WELLINGTON, C.M.G., (Director of Medical and Sanitary Services).

HON. MR. T. H. KING, (Inspector General of Police).

HON. MR. A. G. W. TICKLE, (Director of Public Works, *Acting*).

HON. MR. J. J. PATERSON.

HON. MR. J. P. BRAGA, O.B.E.

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

HON. MR. T. N. CHAU.

HON. MR. M. K. LO.

HON. MR. M. T. JOHNSON.

HON. MR. E. DAVIDSON.

MR. D. M. MACDOUGALL (Deputy Clerk of Councils).

ABSENT:—

HON. MR. A. W. HUGHES.

MINUTES.

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

PAPERS.

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

Sessional Papers, 1936:—

No. 2—Abstract showing the differences between the approved Estimates of Expenditure for 1936 and the Estimates of Expenditure for 1937.

THE BUDGET.

THE COLONIAL SECRETARY.—I rise by Your Excellency's command to move the first reading of a Bill intituled "An Ordinance to apply a sum not exceeding \$25,508,269 to the Public Service of the year 1937."

It has been the practice in the past for the proposer of this motion to discuss in detail the changes in each department's estimates set out in the Budget for the coming year. On this occasion, at your suggestion, Sir, I have had a short memorandum prepared and placed in the hands of Honourable Members in which they will find references to such increases or reductions as appear to require explanation. You have also before you memoranda prepared by the Colonial Treasurer and by the Director of Public Works. I propose therefore to deal in this speech only with matters which seem to be of special importance.

The first point, which will be obvious at a glance, is that the Budget does not balance. The Treasurer has given you the figures, and it remains for me to say a few words on the question of policy.

The Budget for 1936 was drawn up on the basis of a one and eight penny dollar, but it became evident very early that this high exchange could not be maintained, and that drastic steps would have to be taken if the position at the end of the year was not to show a serious deficit. That there will be a deficit seems certain, but if expectations are realised, this will not be nearly as large as was anticipated. The situation was met by three measures; first by increased taxation and by increased receipts due to the operation of the sliding scale in the case of Liquor and Tobacco duties, which have now been fixed once more in local currency; secondly by cutting down or deleting items wherever this could be done without serious loss of efficiency; and thirdly by a levy on the salaries of all Civil

Servants in receipt of over a certain minimum wage. I should like, in passing, to pay a tribute to the manner in which this levy has been accepted by the service generally. No one accepts a cut gladly, and it is not surprising that there have been some complaints. When one has adjusted one's standard of living to a certain income, it is rather disconcerting to be faced suddenly by an income tax amounting, in some cases, to as much as four shillings in the pound. It is not perhaps my place to say so, but I do feel that the Colony owes a debt of gratitude to the officers who are contributing this year over a million dollars towards the reduction of the deficit. These three sources will not however provide quite enough to meet our commitments during the year, and it will be necessary to draw on our surplus balances for the remainder.

I now come to 1937. The deficit shown is \$3½ millions. How is this to be made up? We have allowed something for expansion of revenue, and we propose to appropriate in addition one windfall in the shape of the surplus of assets over liabilities of the Trade Loan. Expenditure has been placed as low as possible, and any expansion not shown to be inevitable has been ruthlessly sacrificed. In this connection we feel that we cannot safely repeat in 1937 the pruning of such items as road maintenance votes which has helped the financial position in 1936. Even now we are faced by heavy expenditure at some future date if we are to return to the high standards maintained in the past, and continued neglect will prove definitely uneconomical. It is unlikely therefore that savings will be available on recurrent expenditure votes. "Other Charges" have as far as possible been kept at the 1936 level, and this in many cases means a reduction because of increased prices due to a lower dollar. There remains direct sterling expenditure, and this of course accounts for the greater part of the deficit. In the case of stores bought and payments made through the Crown Agents no saving is possible. In the case of salaries, the Government has very reluctantly come to the conclusion that the levy in some form will have to be continued. It is proposed to lower the rate of conversion for sterling salaries by three farthings to the Budget rate of 1/3, if the dollar remains at or below that figure as from the first of January and to continue the levy on both dollar and sterling salaries. It is hoped however that it will be possible to reduce the levy by about 20% and the position will be reviewed towards the end of this year with that object in view. The levy will produce between a quarter and half a million according to the rate ultimately decided upon. I am authorised to state in this connection that the Secretary of State for the Colonies has agreed to the continuation of the levy in 1937 with very great reluctance, and desires an assurance to be given that an emergency imposition of this character will not be maintained any longer than is demanded by the obscurity of the financial outlook.

Next with regard to taxation. I trust that Honourable Members will agree that in the circumstances no reduction of taxation can be looked for in 1937. On the other hand no further taxation is

envisaged in the Revenue Estimates, with the exception of one item which has already been mentioned in this Council. I refer to the tax on motor vehicles which, it is proposed, should be raised by 30% to 40% when licences next fall due for renewal. In this connection I think it is relevant to mention item No. 58 under Public Works Extraordinary which refers to an expenditure of \$60,000 for widening and improving the road to Customs Pass. This road will before long make accessible to the motorists of the Colony a very beautiful part of the New Territories including Hebe Haven and Clear Water Bay; so that it cannot be said that they will get nothing for their increased contribution to the revenue.

To meet the deficit it is therefore proposed to draw upon our surplus balances which will, it is anticipated, be thus reduced by the end of 1937 to approximately \$8,000,000.

It is considered that, if ever, this policy is justified at the present time. Hong Kong is still feeling the effects of the serious depression of the last few years. One may feel that with the stabilisation of our currency, the increase, in some cases considerable, of our export trade in local manufactures, and the growing prospect of peace and prosperity among our neighbours in China, the stage is set for recovery; but until the curtain has gone up, the less added to the burden of industry the better.

Moreover 1937 will be in some ways a turning point. We are drawing near the end of a period of expansion. Early next year three of our major public works, the Jubilee Dam, the new prison, and the Queen Mary Hospital will be finished. It will be necessary to decide then what standard of maintenance and what rate of progress should be set for the future. The problem of reducing the cost of personnel by reducing the scale of salaries for new appointees and by substituting local for European staff is under constant attention, and experiments in both directions are already being made.

I shall now with your permission offer a few brief comments on some of the more important points connected with the estimates which are before you.

Cadet Service.

During the year the Cadet Service has lost three of its senior officers, Messrs. Tratman and Breen through retirement, and Mr. N. L. Smith, though fortunately the Colony retains him, through promotion. I am sure that all will join with me in congratulating Mr. Smith on his new appointment and in expressing the debt of gratitude which Hong Kong owes to the two officers who have retired for their services in the past, and in wishing them good health and happiness in the future.

It is not proposed at present to ask for new appointments to fill these three vacancies.

Clerical Service.

Recruitment for the European section of the Senior Clerical and Accounting Staff has been suspended and vacancies are for the present being filled by local recruits. A similar experiment is being conducted in the Police and Sanitary Departments.

Colonial Legal Service.

The Legal Departments have for some time been short-handed. They have had the assistance of two members of the Administrative Service who are qualified barristers, but even so it has not always been possible to keep all posts filled and there has been no reserve in case of sickness or to enable officers to take casual leave.

It is proposed to recruit two additional officers, one as a reserve, and one to assist in the Land Office, where there are large arrears of Crown Leases awaiting issue.

Post Office.

Two large additional items appear under Post Office representing Hong Kong's share of the subsidy which will enable all Empire letters to be carried by Air Mail at the ordinary letter rate. Postage rates have already been raised on account of the fall in exchange and it is not proposed to raise them further in spite of the additional expense involved.

Police Department.

I have already referred to the item "20 Sub Inspectors" which appears under the heading "Chinese Contingent". During 1937 these officers will of course be in training and any reduction in personnel which may result from their employment will not appear until later.

Prisons.

The new prison will be completed early in the year. When it is ready for occupation Victoria Gaol will be closed all but a small portion to be used as a clearing house for prisoners going to and from the Magistracies. Laichikok prison will also be closed but the Female prison will remain in use.

Medical Department.

With the opening of the Queen Mary Hospital, the Victoria Hospital and the in-patients department of the Government Civil Hospital will be closed.

Education Department.

The Trade School and increased provision for physical training represent additional educational facilities resulting from recommendations contained in Mr. Burney's report.

Miscellaneous Services.

Provision has again been made for a grant of \$15,000 towards the expenses of the Travel Association. I wish to make it clear that this grant will not in future be unconditional—but that it represents a maximum up to which Government will contribute a dollar for every dollar raised by public subscription.

Public Works Department.

The apparent increase in the staff of this department is due to the transfer of officers whose salaries have hitherto been met from loan funds.

Most of the items shown under Public Works Extraordinary are commitments, or of the nature of commitments, that is to say, expenditure on roads, drainage and waterworks necessitated by the completion of new buildings.

The construction of a new Government store (item 5) is the only new work under this head of any magnitude to be begun in 1937. Given facilities for purchase and storage in bulk of stores required for Government purposes, it is expected that economies will be made possible which will amply justify the expenditure to be incurred.

The new Central Market, provision for which will be found under Loan Works, is necessitated owing to the collapse of part of the old building. Markets are of course highly remunerative undertakings and for this reason it has been thought appropriate to make use of the balance of funds still available from the loan rather than to attempt to finance construction from revenue.

In conclusion I should like to express appreciation of the work done by Mr. Lee and his colleagues in preparing the Estimates and to ask such indulgence as you can spare an acting Colonial Secretary faced for the first time with the task of presenting the Budget.

I now move the first reading of the Bill intituled "An Ordinance to apply a sum not exceeding \$25,508,269 to the Public Service of the year 1937."

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

**COLONIAL SECRETARY'S MEMORANDUM ON
THE ESTIMATES FOR 1937.**

Head 1. H.E. the Governor.

There is an increase in Personal Emoluments due to lower rate of exchange, the provision of acting pay for the Officer Administering the Government for a period of seven months during which His Excellency the Governor expects to be on home leave, and the substitution of a Cadet Officer for a Private Secretary appointed from outside the service on a fixed salary of £500 per year.

Head 2. C.S.O. and Legislature.

Since the introduction of the Budget for 1936 three officers have been lost to the Cadet service; one by promotion and two by retirement. No new recruitment is, however, proposed in 1937.

A noteworthy change in the Clerical Staff is shown in the retrenchment of two Probationers, Senior Clerical and Accounting Staff, and the substitution therefor of two posts in the new Class IV (Local Section); this is part of Government's policy of substituting locally recruited dollar-paid officers for sterling-paid officers.

Heads 6 and 7. District Offices.

On grounds of economy the vote for Local Public Works in each of these Departments has been reduced.

Head 8. Post Office and Wireless.

(A) Post Office.

The air mail service between Hong Kong and the United Kingdom via Penang calls for an annual payment of £7,500 for carriage of mails and two other payments, one being the Colony's share of the subsidy to the Empire air mail scheme and the other the Colony's share of the subsidy to the Hong Kong-Penang Service. The Colony's share in the subsidy to Empire air mail services was originally fixed at £5,000, but was reduced to £4,166. 13s. 4d. so that the total charge on the Colony's finances, including Military Contribution payable in respect of the revenue raised to meet the payment would not exceed £5,000. The payment in respect of the subsidy to the Hong Kong-Penang service is £5,000, but with no abatement on account of Military Contribution.

Post Office Staff establishment has been increased by one Class VI clerk, to provide for the establishment of a Post Office at Stanley which will be necessary when the new Gaol opens and four postmen for rural deliveries. The duty of postal deliveries in rural districts has hitherto devolved on the Police, an arrangement which is not considered satisfactory.

(B) Wireless.

The vacant post of assistant Traffic Superintendent has not been filled pending a decision regarding the future of the Colony's wireless services.

Head 9. Imports and Exports Department.

The continued decline in the sales of opium has made possible a reduction in the expenses of the Government Opium Shops.

The post of Senior Revenue Officer, which has been left in abeyance since 1930 is restored, it being felt that possibilities of promotion and therefore incentive, for Revenue Officers, are at present too restricted.

The Hong Kong Governments' credit balance in the opium account at Singapore is now exhausted, and therefore the cost of boiling and packing opium in tubes, previously deducted from the credit balance must now be paid in cash. This is represented by the increase of \$25,000 in sub-head 20.

The staff of the Statistical office has been slightly reduced.

Head 10. (A).—Harbour Department.

The increases in Other Charges are due to increased cost of coal, lower rate of exchange, and cost of certain repairs and replacements the necessity for which recurs, not annually, but at intervals of several years, as in the case of chain cable, sub-head 2.

The engines of the "Kau Sing's" motor boat and of the launch H.D.8 have become unserviceable and their replacement cannot further be postponed.

It is considered necessary as a precautionary measure to provide a safe, in which to keep the keys of the stores of the Green Island Explosives Depot.

Head 10. (B).—Air Services.

There has been a slight net reduction in Other Charges. The items under Special Expenditure represent essential equipment for

an airport used by regular commercial air lines. Since the Estimates for 1936 were passed the Hong Kong-Penang Service of Imperial Airways, Ltd., has been established and the possibility that other commercial services may make use of the airport must be provided for.

Head 11. Royal Observatory.

Provision was made in the Estimates for 1936 for the institution of the Aviation Meteorological Service and in connection with this service it has since been found necessary to increase the staff of telegraphist-computers by one Class V officer.

Head 12. Fire Brigade.

My predecessor in dealing with the Police Department Estimates in last year's Budget Speech referred to the provision of anti-gas equipment for the Police and Medical Departments and the Volunteers. It will be readily appreciated that such equipment, in the form of 200 masks, provided under sub-head 18, is necessary also for the Fire Brigade. Special Expenditure has, otherwise, been confined to necessary replacements, and under sub-head 15, to a continuation of the scheme of converting ball hydrants to pedestal hydrants.

Head 13. Supreme Court.

The salary scales for assistant Legal Officers have now been made uniform, the scale being £700 to £970 by two increments of £30, two of £60 and three of £30.

Head 15. Crown Solicitor.

At present there are eleven legal posts and only twelve officers in the Legal Service. It has been necessary to utilise the services of the only two Cadet Officers who have full legal qualifications and even then one post has remained unfilled during the greater part of the year, owing to the absence of officers on leave. For this reason, and for reasons which will be explained in connection with the Land Office estimates, provision is being made for two new Legal Officers, one of whom is shown as an Assistant Crown Solicitor and the other as an Assistant Land Officer under Head 17.

Head 17. Land Office.

Provision is made for a second Assistant Land Officer. The general need for more legal officers has already been indicated, and as regards the Land Office in particular the necessity for additional assistance is pressing. During the last few years there has been an unusually large number of re-entries by the Crown,

and the work of issuing new Crown Leases to section holders has fallen considerably into arrears. It is expected also that a large number of property owners will take advantage of the Crown Rents (Apportionment) Ordinance when that is brought into operation, but until the arrears are disposed of this work cannot well be undertaken. The sooner additional assistance in the Land Office is available, the sooner therefore can the Ordinance be brought into force. The revenue which will result from the fees earned in clearing up the arrears, and from the fees earned under the new Ordinance, will, it is estimated, more than cover the cost of an additional Legal Officer. When the arrears are overtaken this officer will be available to fill one of the vacancies expected to result from retirement of officers now in the service.

Head 18. Magistracy, Hong Kong.

The number of Cadet Officers available has been insufficient to allow of a Cadet Officer being used as First Clerk and relief Magistrate, as was the case last year. The duties of First Clerk are now being performed by a Class III officer of the Senior Clerical and Accounting Staff.

Head 20. Police Force.

There is an increase of \$13,062 in Other Charges, of which a large part is attributable to the lower rate of exchange.

Under Special Expenditure the provision of arms is for replacements only, and the provision of anti-gas equipment is in continuation of the policy to which reference has already been made in connection with the Fire Brigade.

Tear-gas equipment is being introduced on instructions from the Secretary of State for the Colonies, as being a more humane weapon to use in quelling disorders than firearms.

For the better protection of the New Territories against armed robberies and other serious crime, provision has been made under sub-head 44, Motor Transport, New Territories, for three light cars and one patrol van, thereby making for a very necessary increase in the mobility of Police in the New Territories. In this connection it has been necessary to create one new post of motor driver as is seen on page 50.

Further provision for better protection of the New Territories is seen in an increase of one sergeant, one detective lance sergeant and eleven detective constables in the Cantonese contingent; two of the latter, however, replacing two Indian constables.

Twenty new Cantonese sub-inspectors are being recruited, of whom three are to replace three who have been dismissed. It is

intended that these officers will ultimately replace European Lance-Sergeants. These new posts represent the creation of a higher grade in the Chinese Contingent, to which it is expected to recruit well-educated men.

The Gaol Clearing Station, the last item under Personnel Emoluments, is a new branch necessitated by the removal of the Gaol to Stanley. The station will be established in the present premises of the Victoria Gaol, and will be responsible for prisoners in transit between the Courts and the Gaol at Stanley.

Head 21. Prisons Department.

The new Gaol at Stanley is expected to be open at the beginning of next year, and its greater size and its distance from the city involve increases in respect of clearing and sanitary materials, light, telephones and transport, amounting in all to \$20,000. On the other hand the increased accommodation for Prison staff on the premises of the new Gaol means a saving of \$14,000 in rent of outside quarters.

The prison population continues to increase and it is necessary substantially to increase the provision for prisoners' clothing and subsistence.

The provision of new motor vehicles under Special Expenditure is, of course, necessitated by the situation of the new Gaol.

There is no change in the establishment of Prisons staff, except for the new posts of Installation Mechanic and Fitter. The boiler installation at the new Gaol calls for the supervision of a highly qualified Mechanic such as could not be obtained for a lower scale of salary than that provided. It is expected that an officer having the qualifications of a University graduate in Engineering will be appointed to the post.

Head 22. Medical Department.

The very considerable increase in Other Charges and Special Expenditure is almost all necessarily due to the opening of the new Queen Mary Hospital which is expected at about the end of March next year. The Government Civil and Victoria Hospitals will at the same time be closed, and, as far as possible, the equipment of those two hospitals will be used in the Queen Mary Hospital. The accommodation of the new hospital is, however, considerably greater than the combined accommodation of the Government Civil and Victoria Hospitals; over 500 beds as against 318 beds, and it is necessary to provide for the possibility that this accommodation will be fully used. Considerable increase in staff and in provision for equipment is therefore inevitable; furthermore, the distance of the new hospital from the city makes increased provision for transport necessary; all items in the present estimate have however been very carefully checked.

The opening of the Queen Mary Hospital accounts for the increases in ten of the eighteen sub-heads of Other Charges in which increases occur; or to \$51,495 out of a net increase of \$52,916.

Under Special Expenditure provision is made for the remainder of the additional equipment required for the new hospital. Provision for part only of this equipment was made in the 1936 Estimates. Bedding and clothing and surgical equipment under Special Expenditure are, of course, new equipment as distinct from replacements, which are provided for under Other Charges.

The laying down of a stock of medical equipment, to be kept in reserve for serious emergency, is provided for under sub-head 66.

The increase in staff called for by the opening of the new hospital, is represented by an increase of one Chinese Medical Officer, two House Officers, nine nursing sisters, two radiographic assistants, one probationer dispenser, forty-five nurses and eighteen probationer dressers. In addition there are seventy-five new posts for the domestic staff of the hospital, including an Installation Mechanic, a post similar to that in the New Gaol, to which reference has already been made. As in the case of the Gaol, the boiler installation at the new hospital calls for the supervision of a highly qualified man.

Head 23. Sanitary Department.

There is a net reduction of \$22,939 under Other Charges, there having been decreases on most of the sub-heads.

Care and control of bathing places has been transferred from Public Works Recurrent, and the estimate for this item reduced from \$8,000 to \$3,500.

The only items in Special Expenditure are provision for anti-gas equipment which, though provided for last year, was not purchased, and two refuse lorries to replace unserviceable ones.

Provision is made for a change in the salary scale for Sanitary Inspectors. At present there are two classes, Class I on the scale £370 to £430 by £15 annually, and Class II on the scale £260 to £350 by five increments of £10 and two of £20. This classification is now abolished and a through scale substituted. The new scale will be made retrospective, in the case of each officer now in service, to the date on which he qualified for the salary of £300 per annum, but with the proviso that no officer now in Class II will in 1937 proceed to a salary exceeding £370 per annum.

At present seventeen of the thirty Class II inspectors are at the maximum salary of their class, and it is unlikely that more

than one vacancy in Class I will occur this year. Prior to 1932 more vacancies occurred in Class I due to the frequent transfer of Class I officers to other Departments, but these conditions have not since prevailed. There is no essential difference between the duties performed by Class I and Class II officers and the adoption of a through scale will bring the Sanitary Department into line with other departments such as the Public Works Department and Imports & Exports Department where the principle of a through scale has been in force for some years. The adoption of this proposal is subject to the consent of the Secretary of State for the Colonies which has not yet been received.

Three European Sanitary Inspectors' posts have been abolished, whilst, in accordance with Government's policy of replacing sterling paid officers by locally recruited officers in subordinate posts, two additional posts of Asiatic Probationer Sanitary Inspectors have been created.

Further retrenchment is seen in the abolition of two posts of motor drivers, three of messengers, six of foremen and eighty-six other minor posts.

Head 24. Botanical & Forestry Department.

In order to increase the attractions of the Colony as a tourist resort a scheme of planting flowering shrubs at suitable points is proposed. Details of the Scheme have not yet been worked out, but \$2,000 has been provided under Special Expenditure to allow of start being made next year.

The opening of the Queen Mary Hospital and the Central British School, both of which have extensive grounds necessitates an increase in the staff of gardeners and in the amount under sub-head 11 of Other Charges.

Head 25. Education Department.

Arising out of the report of Mr. Burney, His Majesty's Inspector, the Director of Education is arranging a Class 2 examination which will be directly financed by his Department. This examination will in due course replace the present Class I examination controlled by the Hong Kong University in respect of which Government now pay entrance fees (Other Charges sub-head 22); but, the two will naturally overlap in the initial year (so that the 1936 Class 2 may not forgo the opportunity of obtaining a certificate). In connection also with Mr. Burney's report the Director is extending his arrangements for the provision of physical training. To this end a number of Chinese Assistant Instructors are being trained by a locally engaged Instructor and a Supervisor at £400—£770 is being recruited in England; in lieu of an ordinary graduate teacher at \$500-\$950.

The new Trade School building has been completed and provision is now made for the purchase of tools and equipment under sub-head 35.

Head 26. Kowloon-Canton Railway.

Special Expenditure includes two items for increasing the efficiency of locomotives, and two other items which are in continuation of programmes commenced in previous years.

It is hoped that the cost of air-conditioning a first class steel coach will be covered by the additional revenue which will result from this amenity.

Retrenchment in staff has been effected by the abolition of a number of posts of watchmen, drivers, firemen, brakemen, fitters and coolies.

Head 27. Defence.

(A). Volunteer Defence Corps.

The Machine Gun Troop is being converted into a mechanised unit, and the necessary equipment is provided for under Special Expenditure. The \$3,600 so provided is offset by a corresponding deduction from the Grant to Machine Gun Troop under Other Charges.

The Nursing Detachment is a new unit, and the provision for 1936 under sub-head 19 was sufficient for uniform only. The expenses of hospital training call for an increase of \$1,000 in this vote.

The officer who was formerly Adjutant of the Corps has now been promoted to Commandant to replace the former Volunteer Commandant. The post of Adjutant is now filled by an officer lent unseconded from the Regular Army, in respect of whom a sum of \$2,400 per annum is to be paid to the War Office.

The appointment of an Armourer Staff sergeant though desirable has had to be postponed.

(B). Hong Kong Naval Volunteer Force.

As was stated last year the estimates for this new unit have been largely guess work, and it is therefore not surprising to find a number of changes. The total for Other Charges, however, shows a slight decrease.

Under Special Expenditure the \$500 provided for 1936 for alteration and enlargement of Ward-room was not spent, but \$1,500 is provided for 1937, under sub-head 19, for alterations to the "Cornflower" to provide lecture accommodation.

On the recommendation of the Naval Authorities certain changes and additions have been made in the instructional staff arrangements. It is proposed to appoint a retired naval officer, probably of the rank of Lieutenant Commander, to the new post of Officer Instructor, a post which is considered essential for an efficient scheme of training. The salary of this officer will be \$600 per month and the post will be full-time, tenable for a period of years. This post will make the services of the present part-time officer instructor unnecessary, and the part-time instructional staff will be changed to one warrant officer and two petty officers, the amount required for allowances to instructors being reduced by \$1,200.

An allowance of \$600 per annum is being made to the Commander of the Force on account of the out of pocket expenses necessarily incurred by that officer in connection with his duties.

Head 28. Miscellaneous Services.

As indicated last year Government will in 1937 contribute to the Hong Kong Travel Association up to the amount secured by public subscription, subject to a maximum of \$15,000.

In order to show more accurately the cost of each Department, rent of public telephones has been charged to the Departments concerned instead of to sub-head 41. \$6,800 remains under this sub-head to provide the rent of the Government telephone exchange and cost of the Government directories. The total amount provided under Departmental heads for rent of public telephones is \$15,905, the considerable increase in this item being almost entirely due to the number of telephones required by the Queen Mary Hospital and the New Gaol. The provision of telephones for these two buildings has, however, been very carefully considered and has been kept down to the minimum necessary for efficient administration.

Similarly, the provision for purchase and upkeep of typewriters has been split up between the departments concerned. Provision for the purchase of new typewriters, where necessary, will be found as an item of Special Expenditure under the departmental heads concerned, whilst upkeep is charged to the Incidental expenses of each department.

Head 32. Public Works Department.

Apart from the reduction of \$19,000 on sub-head 7, Electric Fans and Light, due to the splitting up of this vote departmentally, there is a net reduction of \$26,778 in Other Charges.

Under Special Expenditure provision is made for a Radio Diffusion Instrument, for the purpose of establishing a "wired wireless" service, which, it is hoped, will be a source of revenue. Climatic conditions in Hong Kong being generally unfavourable to

successful wireless reception by private receiving sets, it is thought that radio diffusion service will receive an adequate measure of public support.

A W/T Press Reception apparatus is called for by the proposal to centralise the reception of press messages in the hands of Government. The operation of such a centralised service will, it is expected, be a source of revenue.

The greater part of the loan works now in progress will have been completed by the end of this year, and no new loan works are provided for except the new Central market. In consequence provision must be made for the re-transfer during the year to the Department of some of the engineers and overseers who have been engaged on loan works. In comparing the numbers of Engineers and Architects provided under Public Works Department Personal Emoluments and under Appendix II (B) it should be noted that three Engineers will be paid half from Loan Funds and half from the departmental vote, and that two Architects were classified as Engineers in the 1936 Loan Schedule.

With the establishment of the Government sand monopoly, which will be a source of revenue, it has been necessary to increase the clerical staff by two Class VI B clerks (p. 95), and to add one storeman and one watchman (p. 94).

In the interests of economy the vacant post of Executive Engineer of the Water Works Construction Office will not be substantively filled without reference to the Finance Committee.

In the Electrical Department the posts of Wireless Engineer, one rigger's mate, two coolies and one gardener have been abolished (p. 96).

Other posts abolished are one overseer in the Port Development Department (p. 96), and one lorry driver.

Head 33. Public Works Recurrent.

Provision under this Head was \$143,100 less for 1936 than for 1935, and it will be observed from the frequency of the footnote "Last year's provision insufficient" that it has been found impossible to keep within this very restricted vote. Provision is now increased by \$17,500 which still leaves the total substantially less than in the years previous to 1936.

Head 34. Public Works Extraordinary.

The total for this Head shows a very striking decrease compared with former years, provision being confined as far as possible to commitments and the completion of works already under construction. Detailed explanations of the items under this head will be found in the separate memorandum "Notes on Estimates, Public Works Extraordinary."

HON. MR. J. J. PATERSON.—I respectfully ask that the second reading of the Bill be delayed until Unofficial Members have had time to discuss it.

H.E. THE GOVERNOR.—Certainly. I have already consulted the Colonial Secretary. Will three weeks be enough?

HON. MR. J. J. PATERSON.—More than enough for us but the Government have to get their replies out to anything the Unofficials may question.

THE COLONIAL SECRETARY.—Three weeks is usual.

H.E. THE GOVERNOR.—We will follow the usual procedure. At the end of this meeting I will adjourn the session until three weeks to-day.

PUBLIC RECLAMATIONS VALIDATION AND CLAUSES ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to validate certain undertakings which have been constructed or commenced over and upon unleased Crown foreshores and sea bed; and to enact certain general provisions which shall be deemed incorporated, unless expressly varied or excepted, in future Ordinances authorising reclamation or other works of a public nature over and upon such foreshores and sea bed."

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

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

Clause 10:

HON. MR. J. J. PATERSON.—Sir, Clause 10 has been before the Legal Sub-Committee of the Chamber of Commerce and they are not very happy about it because they say it is somewhat vague and might lead to a great deal of argument. Being lawyers they are probably quite right. The law itself is rather incoherent about these things. Take Nos. 9 and 10 signals. No. 9 indicates that "the gale is expected to increase" and No. 10 "that wind of typhoon force is expected." These two particular signals are not very definite. I do not know if any objection has been raised to that in law. The Meteorological Department is not infallible and No. 9 signal is sometimes not put up at all. It was not, to my knowledge, put up in the last typhoon.

H.E. THE GOVERNOR.—No, it was not.

HON. MR. J. J. PATERSON.—Then what would be the position if damage was done by a ship before No. 10 went up? There might be an argument that No. 9 should have been hoisted. The proviso states: "Provided that no such owner shall be liable, in the absence of negligence by himself or his employees, if the damage was occasioned through stress of weather conditions at a time when day or night typhoon signals No. 9 (gale expected to increase) or No. 10 (wind of typhoon force expected) are displayed by the Royal Observatory." The Chamber of Commerce suggests that all the words after "stress of weather" be deleted. They think it will be much better. Not being legally minded, I did not see this objection before. The Attorney General,—the learned Attorney General,—the Honourable learned Attorney General,—was written to by the Chamber of Commerce this morning and has replied. I think his answer is "No."

THE ATTORNEY GENERAL.—The answer is no. The Chamber of Commerce letter reached me at 4.45 p.m. yesterday. My reply went out at 9.45 this morning, so there was no delay on the part of the Government.

HON. MR. J. J. PATERSON.—I was not suggesting there was.

THE ATTORNEY GENERAL.—The effect of the amendment as approved by the Chamber of Commerce would be to render the whole clause practically nugatory because it is almost impossible to conceive a case in which damage would not be caused by negligence or stress of weather. The question of cutting out the clause altogether has been submitted, at the request of the Chamber of Commerce, to the Secretary of State, and he has approved this proviso. In England, in a corresponding clause, shipowners are liable for damage caused by stress of weather, but it is considered in this Colony that though ports in England are exposed to gales they are not exposed to gales of typhoon force. We have, therefore, to adapt the English clause to our own circumstances. While not exempting people from damage caused by ordinary stress of weather, there is the extra danger here of gales reaching typhoon force which ought to be covered by exemption. They do not reach typhoon force until No. 10 signal is hoisted, as a general rule, but we have thrown in No. 9 signal to give a little lee-way.

HON. MR. J. J. PATERSON.—Is it not a fact that Government has ability to get out of nearly every responsibility? While it is the law of the land, it seems a little unfair.

THE ATTORNEY GENERAL.—It is a risk which can be insured against. This clause has been used in England since 1847. The whole Bill has been under discussion for five years and this particular clause has been specially referred to the Secretary of State on no less than two occasions. Shall I read the letter from the Chamber of Commerce?

H.E. THE GOVERNOR.—No, I do not think it is necessary.

HON. MR. M. K. LO.—Quite curiously, but quite independently, the same thoughts that Mr. Paterson mentioned struck me and I spoke to the honourable Attorney General before the meeting began. I realise the Government's position with regard to the amendment in this case, but it has occurred to me that we could, without creating a difficulty of having definite signals, use the words "stress of weather of typhoon severity" or words of that kind. Why limit it to No. 9 or No. 10 signals?

THE ATTORNEY GENERAL.—That weakens the position of the owner because he would have to prove the force of the wind. With Nos. 9 and 10 signals specified that is unnecessary. No. 10 signal goes up before the wind reaches typhoon force. It is intended to exempt owners from liability in a typhoon, but not in a gale. It is considered Nos. 9 and 10 signals cover typhoon conditions, although No. 10 is the only one which strictly covers them.

HON. MR. M. K. LO.—I do appreciate Mr. Paterson's point. The time element is difficult to prove. Supposing you get a typhoon occurring officially at 11 o'clock, the weather two minutes before may be practically equal to typhoon force. Damage might have been caused during those two minutes before the official announcement was made.

THE ATTORNEY GENERAL.—That is why we have included the No. 9 signal. It makes it easier for a judge and everyone else concerned if they have to prove that a signal was up. There is always a time element, but it is always possible to discover the times when signals were hoisted.

HON. MR. M. T. JOHNSON.—I wish to support the Hon. Mr. Patersons' views, Sir. It seems most unfair that liability should depend on what signal has been hoisted at the time of the accident. I am sure the Director of the Royal Observatory would be the first to agree that forecasting weather is not an exact science. I have a copy of the Royal Observatory Storm Code here and observe that the signification of all the warnings is qualified by "may possibly" or "expected." Not one of them is definite. According to the clause under consideration, if damage is done whilst No. 8 signal is displayed, the owner of the vessel would be liable however bad the weather may be. I quote again from the Storm Signal Code: "Signal No. 10 will be displayed as early as possible when wind of typhoon force, 80 miles an hour, is expected: in many cases, therefore, No. 9 will not be utilised." It is obvious that even when Nos. 5, 6, 7 and 8 signals are hoisted the weather may become so bad that nothing less than No. 10 signal is adequate to the situation. I submit that the typhoon signal should have nothing to do with the matter.

THE ATTORNEY GENERAL.—Does the honourable member acknowledge that the wind is at typhoon force at 80 miles per hour?

HON. MR. M. T. JOHNSON.—That is what the Director of the Royal Observatory says in his "Storm Signals."

THE ATTORNEY GENERAL.—It seems inconceivable that you will get wind of a velocity of 80 miles per hour unless Nos. 9 or 10 signals are up. From experience we know that the harbour is deserted long before those signals go up. This proviso covers the possibility of a ship dragging its anchors and being swept down in the typhoon.

HON. MR. M. T. JOHNSON.—That point should be left to the Court to decide.

THE ATTORNEY GENERAL.—Shipowners are liable to negligence as well as stress of weather in England.

HON. MR. M. T. JOHNSON.—They do not get typhoons in England.

THE ATTORNEY GENERAL.—I know that. That is why we have put typhoons in this clause.

H.E. THE GOVERNOR.—This does not remove from shipowners the liability which obtains under the English clause, but deals with typhoons.

THE ATTORNEY GENERAL.—Could we substitute the words "or when the force of the wind recorded by the Royal Observatory exceeds 80 miles per hour?"

HON. MR. J. J. PATERSON.—But can you limit it to a force of wind? Perhaps the Harbour Master can tell us something about considering wind with tide and wind against tide, and things of that kind. Is not the real point "was the weather so bad at the time that the damage could not have been avoided"?

THE ATTORNEY GENERAL.—The Chamber of Commerce mistakes the objects of the proviso. They say: "Secondly, the object is to exempt the owner from liability through stress of weather." It is not. If I accepted that as the object the whole clause would come to an end.

HON. MR. J. J. PATERSON.—Wouldn't "through stress of typhoon" be better? "Stress of weather" does not exempt them?

THE ATTORNEY GENERAL.—No, no. The object of the proviso is stress of a certain kind of weather. I have no objection to the words "or when the force of the wind recorded by the Royal Observatory exceeds 80 miles an hour."

THE COLONIAL SECRETARY.—But that is ambiguous as the line of the chart goes up and down.

THE SECRETARY FOR CHINESE AFFAIRS.—One gust of over 80 miles an hour may be considered as of typhoon force.

H.E. THE GOVERNOR.—One gust may do the damage.

THE HARBOUR MASTER.—A gust of wind in the harbour may not be recorded at the Observatory.

THE ATTORNEY GENERAL.—It is difficult to prove the strength of a gust without some record.

HON. MR. M. T. JOHNSON.—Say damage occasioned through "stress of typhoon weather conditions."

THE ATTORNEY GENERAL.—There would be arguments as to what that meant. I understand that No. 10 goes up when the gale reaches a force of 80 miles an hour and No. 9 goes up some little time before if they have reason to expect it is going to increase.

H.E. THE GOVERNOR.—If we ended the clause at "stress of weather" we should be leaving the owners out of liability which the English law imposes.

HON. MR. J. J. PATERSON.—The House of Lords have frowned on it as being rather harsh.

THE ATTORNEY GENERAL.—Why not add the words "or when a wind of typhoon force (80 miles an hour) is experienced"?

H.E. THE GOVERNOR.—Would that be better?

HON. MR. M. T. JOHNSON.—That would be better, Sir.

THE SECRETARY FOR CHINESE AFFAIRS.—Where is it to be experienced? At the ship or at the Royal Observatory?

H.E. THE GOVERNOR.—At the ship.

THE ATTORNEY GENERAL.—At the point of damage.

THE SECRETARY FOR CHINESE AFFAIRS.—How are you going to prove it?

THE ATTORNEY GENERAL.—They will have to prove the time and the number of the signal. The Royal Observatory will probably have a record of gusts of that force.

HON. MR. M. T. JOHNSON.—I think it makes it worse.

H.E. THE GOVERNOR.—No, it makes it better. We are leaving the signals in and adding this in case the Meteorological Station is asleep and forgets to hoist the signal. I think that it has improved it.

HON. MR. E. DAVIDSON.—In my opinion the words "stress of weather" are too vague. The clause as drawn up is definite enough and would work 19 times out of 20. I do not think the suggestion made will improve matters very much.

HON. MR. J. J. PATERSON.—Mr. Davidson says it would work 19 times out of 20. He is a lawyer, but does not seem to have a very high opinion of the law.

HON. MR. E. DAVIDSON.—I appreciate the difficulty of proof, but the amendment will make it more difficult.

THE ATTORNEY GENERAL.—The amendment will certainly leave room for dispute. People will say that although the signals were not up the wind was of typhoon force. I prefer it as it is drawn.

H.E. THE GOVERNOR.—Do you wish to press the point?

HON. MR. J. J. PATERSON.—I do not wish to press it particularly. The English language does not seem capable of coping with the situation. I do not wish to propose an amendment. I merely wish to make my point. It looks as if I have dug up a hornet's nest.

HON. MR. S. W. TS'O.—Does the hoisting of No. 9 typhoon signal mean that the wind force will be 80 miles an hour?

THE ATTORNEY GENERAL.—No. The hoisting of No. 10 signal means that No. 9 is hoisted as a warning signal that we expect to hoist No. 10 later.

H.E. THE GOVERNOR.—Do you wish to propose an amendment, Mr. Paterson?

HON. MR. J. J. PATERSON.—No.

H.E. THE GOVERNOR.—Mr. Johnson, do you wish to make an amendment?

HON. MR. M. T. JOHNSON.—No.

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.

**SISTERS OF THE PRECIOUS BLOOD ORDER
INCORPORATION ORDINANCE, 1936.**

HON. MR. M. K. LO moved the second reading of a Bill intituled "An Ordinance to provide for the incorporation of the Superioress in Hong Kong of the Congregation of the Sisters of the Precious Blood".

HON. MR. S. W. TS'O seconded, and the Bill was read a second time.

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

Clause 3:

HON. MR. M. K. LO.—There seems to be an unnecessary "e" in the word "immoveable" in the second line of sub-section 2 of Section 3.

H.E. THE GOVERNOR.—Will the Clerk take a note of this?

Clause 5:

H.E. THE GOVERNOR.—The marginal notation is missing.

THE ATTORNEY GENERAL.—The notation should read "Appointment of Superioress". I move that this be inserted.

This was agreed to.

Upon Council resuming,

HON. MR. M. K. LO reported that the Bill had passed through Committee with two immaterial amendments and moved the third reading.

HON. MR. S. W. TS'O seconded, and the Bill was read a third time and passed.

ADJOURNMENT.

H.E. THE GOVERNOR.—Council stands adjourned until Wednesday, 7th October.