

8th March, 1950.

PRESENT: —

HIS EXCELLENCY THE GOVERNOR (SIR ALEXANDER WILLIAM GEORGE HERDER GRANTHAM, K.C.M.G.).

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING IN CHIEF (LIEUTENANT-GENERAL SIR E. C. R. MANSERGH, K.B.E., C.B., M.C.).

THE COLONIAL SECRETARY (HON. R. R. TODD, *Acting*).

THE ATTORNEY GENERAL (HON. G. E. STRICKLAND, *Acting*).

THE SECRETARY FOR CHINESE AFFAIRS (HON. B. C. K. HAWKINS, O.B.E., *Acting*).

THE FINANCIAL SECRETARY (HON. C. G. S. FOLLOWS, C.M.G.).

DR. HON. I. NEWTON (Director of Medical Services).

DR. HON. J. P. FEHILY, O.B.E. (Chairman, Urban Council).

HON. E. A. BOYCE (Director of Public Works).

HON. CHAU TSUN NIN, C.B.E.

HON. SIR MAN KAM LO, KT, C.B.E.

DR. HON. CHAU SIK NIN.

HON. LEO D'ALMADA E CASTRO, K.C.

HON. M. M. WATSON.

HON. P. S. CASSIDY.

HON. C. E. M. TERRY.

MR. G. C. HAMILTON (Clerk of Councils).

MINUTES.

The Minutes of the meeting of the Council held on 22nd February, 1950, were confirmed.

PAPERS.

THE COLONIAL SECRETARY, by Command of His Excellency the Governor, laid upon the table the following papers: —

Annual Report on Hong Kong for the year 1949.

The Dogs and Cats (Amendment) Regulations, 1950. (G.N. No. A. 34 of 1950).

The Quarantine and Prevention of Disease Ord., 1936, —Order declaring Tokyo infected on account of typhus. (G.N. No. A. 36 of 1950).

The Quarantine and Prevention of Disease Ord., 1936, —Order declaring Yokohama infected on account of typhus. (G.N. No. A. 37 of 1950).

The Price Control Order, 1946, —Amendments to the Schedule. (G.N. No. A. 38 of 1950).

The Places for Post Mortem (Amendment) Order, 1950. (G.N. No. A. 39 of 1950).

The Merchant Shipping Ord., 1899, —Amendment to Table R. (G.N. No. A. 40 of 1950).

The New Territories Regulation Ord., 1910, —The Wo Hop Shek Cemetery. (G.N. No. A. 41 of 1950).

The Public Health (Sanitation) Ord., 1935, —Order under section 99. (G.N. No. A. 42 of 1950).

The Defences (Firing Areas) Ord., 1936, —Amendments to the First and Third Schedules. (G.N. No. A. 43 of 1950).

The Air Armament Practice Ord., 1949, —Amendments to the First and Third Schedules. (G.N. No. A. 44 of 1950).

The Protected Places (Amendment) Order, 1950. (G.N. No. A. 45 of 1950).

The Summer Time Ord., 1946, —Order under section 2(1) (a). (G.N. No. A. 46 of 1950).

The Air Navigation (Temporary Restrictions) (Amendment) Regulations, 1950. (G.N. No. A. 47 of 1950).

The Public Health (Sanitary Provisions) Regulations, 1948, —Declaration under regulation 2(10)(a). (G.N. No. A. 48 of 1950).

The Price Control Order, 1946, —Amendments to the Schedule. (G.N. No. A. 49 of 1950).

Annual Report of the Public Relations Officer for the year 1948-49.

Annual Report of the Accountant-General for the year ended the 31st March, 1949.

Draft Estimates of Revenue and Expenditure for the year ending 31st March, 1951.

Memorandum on the Estimates for the financial year 1950/1951.

ADDRESS BY THE GOVERNOR.

H.E. THE GOVERNOR: —Honourable Members: I would invite the attention of Honourable Members to the Annual Report for the year 1949, copies of which have just been laid on the table. Much of the background and many of the facts and figures in my address are taken from this Report.

When the Appropriation Ordinance for the financial year 1949/1950 was passed twelve months ago, the surplus balance on the year's working was shown as \$227,000. The Estimates of revenue and expenditure revised to date, after provision has been made for a supplementary payment which it is proposed to make to the 3½% Rehabilitation Loan Sinking Fund, show a surplus of just under \$58 millions. This is a very much higher level of revenue than was expected when the Estimates were framed, and is due principally to certain windfalls with which the Financial Secretary will deal, and also to the automatic increase in a number of revenue heads caused by the influx of population. The result is very satisfactory not only from the point of view of the Treasury, but also from the point of view of the Colony generally, for this handsome surplus is also a reflection of the excellent trade figures which are much better than seemed probable when the year started.

1948 was a record year for the Colony's trade with a total of imports and exports of \$3,660 millions. That has been surpassed in 1949 with our total trade at \$5,069 millions or £ 317 millions sterling, an increase of 38%. 23% of the trade was with China as compared with 19% in 1948. Exports to China went up from \$280 millions to \$585 millions and imports from \$431 millions to \$593 millions.

The British Empire accounted for 26% of our total trade and showed an increase of \$130 millions in exports and of \$217 millions in imports of 1948. The United States accounted for 16% of our trade with exports up by \$82 millions and imports up by \$188 millions.

The volume of trade with Japan as recorded in the Trade Returns increased by 18% from \$128 millions in 1948 to \$151 millions during the past year. These figures do not by any

means represent the whole of the Colony's interest in trade with Japan, for direct shipments between Japan and certain neighbouring countries, which are not reflected in the Trade Returns, are financed through the open account maintained by this Colony with S.C.A.P.

This increased trade activity is also reflected in the shipping figures, which went up from a total of just under 20 million tons of shipping, entering and clearing in 1948, to just over 23 million tons in 1949. The number of passengers using the airport also increased from 250,000 in 1948 to 320,000 in 1949, despite the fact that there was a considerable falling off in the last four months of the year, with the cessation of operations in China. Much the same story is told by the Railway figures. The total number of passengers carried in 1949 was 4¾ millions, an increase of nearly 30 per cent. over the previous year. Actually there was a decrease of close on a million of the through passengers carried, consequent on the cessation of through services to Canton in the middle of October. But this decrease in through passengers was more than made up by an increase of 2 millions in the number of local passengers, in that they travel by local train to the frontier, which they then cross by foot and get in another local train on the other side of the border. The net result is that our railway revenue doesn't suffer, but it is the unfortunate traveller who is inconvenienced. Thus it always is, that in times of disturbance the innocent pays the price. It is interesting to note that this railway of ours, which is only 22 miles long, is now carrying more passengers than any other colonial railway system, —including that of East Africa which is nearly 3,000 miles long, —with the single exception of Nigeria.

Needless to say this prosperity is much to be welcomed, but as I asked last year, what of the future? Twelve months ago we looked forward to the ensuing months with subdued hope, but no real certainty. We therefore considered that it would be wise to be reasonably conservative in our budgeting. That was clearly the correct policy, even though in the upshot our estimates proved to be faulty. If at any time the future is uncertain, as it was a year ago and as it still is, it would be folly to take a chance, especially for Government which has the responsibility of caring for the taxpayers' money. Governments must, in my opinion, be cautious where finance is concerned. There are already indications that the receipts from some of the more lucrative sources of revenue are falling off. That may be only temporary, but it may not. We don't really know. But we should rightly be accused of foolhardiness if we were to ignore the signs.

The Estimates of Revenue for 1950/51 have therefore again been framed on reasonably conservative lines, and, on the present bases of taxation, show a figure of \$191,979,480. Against them must be set \$199,051,037 for the Estimates of Expenditure, which have been framed on economy lines with no frills. The two together produce a deficit of \$7,071,557.

It would be most imprudent of us to budget for a deficit on the year's working if we can possibly avoid it. There are four ways in which this gap could be closed. The first would be to step up the Estimates of Revenue, but this I do not regard as entirely honest, and were there to be a business recession, revenue would fall off seriously and we should be letting ourselves down with a bump. The second would be to cut expenditure even further. If there were a real emergency we should have to do this, but, as I have already indicated, the estimates of expenditure have been pruned, and as Honourable Members are aware, there are many urgent and necessary things that don't appear in the Estimates at all. We want more schools, more medical facilities, more markets, to name but a few. A drive, too, over some of the secondary roads in Hong Kong and Kowloon which are full of pot holes, should convince the sceptical that there is a great deal, a very great deal, still to be done in the Colony. Are we to pile up the burden indefinitely on future years by deferring an even greater number of urgent works? I should strongly deprecate this. Moreover, there is an undetermined liability—the matter is still being discussed with London—regarding our share of the cost of reinforcements, a liability which we must in honour assume. I should add that this is separate and distinct from the question of a military contribution in normal times. The third way would be to draw on our reserves, but these are not large, and should only be drawn on if there were no other reasonable alternatives. The fourth way of bridging the gap is to increase taxation. Taxation I regard as an evil. Admittedly an unavoidable evil, but in the case of Hong Kong we have to be especially careful, for we know that if we overdo it we shall drive business away to neighbouring places. Admittedly we have advantages that these places have not, but there comes a point where traders will say that the price of operating in Hong Kong is too high. We have to strike the happy mean. Taking all these factors into consideration, Government has decided that the gap should be bridged by increased taxation, but not to such an extent by a long way as will kill the goose that lays the golden eggs. I shall leave it to the Financial Secretary later this afternoon to explain what those measures are. They will, I am quite sure, not do damage to our economic structure.

To revert once again to the past year, although trade and commerce as distinct from industrial production is our main economic activity, there has been an increase in industries, especially in the light metal industries. The textile industry too has further developed with the establishment of new cotton and woollen yarn mills. Employment returns in registered factories and workshops, which now cover some 140 different industries, show an increase of nearly 18,000 over last year's figures and now aggregate 81,000 including 31,000 women. A total of some 260 Trade Unions have now been registered, with a declared membership of nearly 148,000. Labour disputes of any magnitude have fortunately been few and, except in the case of the recent 44-day stoppage of the trams, have not caused any serious

inconvenience to the community. There have, inevitably perhaps, been repercussions in labour circles from events in China, one of which, the effect on the local cost of living, is the ostensible cause of the recent widespread demands by labour for adjustment of wages and allowances. These demands, it is confidently anticipated, will be settled not on an emotional but on a factual basis, since the principles of negotiation and arbitration are apparently making headway against direct action by strikes. The arbitration provisions of the Trade Unions and Trade Disputes Ordinance have been invoked in one case, and in spite of earlier hesitations there now appears to be a more general willingness to consider this method of procedure.

The high local cost of living continues to cause Government considerable anxiety. The publication in January last of the Government Statistician's "Report on Post-War Movements in the Cost of Living in Hong Kong" has shown that the Retail Price Index Figure, calculated on the basis of 100 for March, 1947, had fallen to 93 in March, 1949, but had risen to 112 in December, 1949. It is common knowledge that the high price of rice affects the whole structure of the community, and I wish that I were in a position to promise some relief in that direction. Unfortunately, political and economic conditions in the rice-producing countries of South East Asia seem to preclude much hope of more and cheaper rice in the near future. Events in the neighbouring province of Kwangtung have from time to time affected our supplies of vegetables and livestock, but I am glad to say that in the past year the local vegetable producers have broken all records and that the Colony is now more self supporting in this respect. The high retail price of local fresh fish is another problem which Government is tackling in the interests of the consumer.

In the field of education the number of pupils in Government schools has more than doubled in the last two years, with over 2,000 additional pupils since the previous year. While the main increase has been on the vernacular side, there is a growing demand for English. The number of children attending schools of all kinds, *i.e.* government schools, grant schools, subsidized schools and private schools has also increased. There are now some 146,000 children attending school, as compared with 120,000 a year ago and 116,000 in 1941. Although the increase is not unsatisfactory, and although also few children of *bona fide* Hong Kong residents who want education are not receiving it, we must not be complacent. There is still much to be done, if we are to eradicate the necessary but educationally unsound system of two-sessional schools.

The building of a new Queen's College, which I know will be very much welcomed, will provide accommodation for 1,000 secondary pupils. It is anticipated that this new building will be ready by September of this year. The former King's College is at present being rehabilitated, in order to accommodate a new primary school for 1,000 pupils in two sessions of 500 each. This will be known as King's College Primary School. Before

the war Queen's and King's each provided education, both at primary and at secondary level. Of the 1,800 pupils attending the two Colleges less than half were in secondary classes. The present policy is to separate primary and secondary education. Consequently, for the time being, the new Queen's College will be able to accommodate all those students from Government primary schools, who are capable of continuing their education. The increasing demand for secondary education will probably make it necessary, at some future date, to erect a new King's College to cater for Kowloon pupils.

In addition to the two schools I have mentioned, some fifteen others are being built or rebuilt by Government or will be in the coming financial year.

The Rural Training College, opened in 1946, is beginning to make itself felt in the New Territories. It aims at being able to train all the teachers for rural schools in ten years' time. A notable feature of education in the New Territories is the practical interest taken by the village communities, which takes the form of sharing with Government the financial cost of erecting school buildings.

The enormous demand for education in Hong Kong goes beyond the desire of parents to have their children able to attend school. They see to it that the children do attend, as is shown by the fact that out of 146,000 children enrolled in schools an average of 142,000 attended daily, or over 97%. This is the highest percentage attendance recorded in any colony. There is perhaps a tendency to aim at education for white collar jobs, and to neglect the training of skilled foremen and artisans for the many and important industrial enterprises in the Colony. This is a matter which will receive the attention of Government in future, and it is hoped that as a beginning the Junior Technical School may be restored before long.

Government's total expenditure on education in 1949/50 including capital expenditure, was over \$20 millions, —a considerable increase over the previous year, —and represented nearly 12% of total Government expenditure.

On the medical side perhaps the main event of the year has been the opening of the Ruttonjee Sanitarium by the Anti-T.B. Association. It will be some time before we have got this disease under control, and, of course, it is made still more difficult by the influx of persons from China. All our problems would be very much simpler if we had a stable population. We are very overcrowded, and with conditions as they are in China to-day the position gets steadily worse as people with no claim on the Colony will come flocking in. This creates both health and fire hazards; also the problem of water supply during the winter months is a difficult one. Much as we dislike it, we may be driven to take measures to stop the influx, for we simply won't have room, and we cannot jeopardize the health and safety

of the real Hong Kong resident. We also expect those who do come here to respect our laws. If they do not they should return to their own country.

Relief work of a more productive and long term character than has previously been the case was performed during 1949 in various fields. In January, 1949, it was suggested to some of the neighbours of a government social welfare centre in the densely crowded Shamshuipo area, that they might interest themselves in helping to rehabilitate the under privileged of their own district who attended that centre. Several commercial and industrial leaders in the same district then saw the possibilities of still more progressive neighbourhood work, and started to plan a new Shamshuipo Kaifong Welfare Association. During the following months the idea spread to other districts, helped on in part by the enthusiasm of the Chinese Press. By the end of the year there were twelve major urban districts which had started their own kaifong welfare associations, with the intention of combining what was adaptable from western community or neighbourhood associations with some of the long-established Chinese social traditions of kaifong. The total membership had risen by December to nearly 8,000, including a very large proportion of shopkeepers, artisans, and in two districts boat people, as well as leading businessmen. The genuine kaifong welfare associations have been encouraged to stand on their own feet, and to prove themselves by the performance of as much practical work as possible. Their aims and objects have so far been confined to some of the social problems connected with education, public health, cultural development, recreation, relief work, family welfare, and all other necessary social welfare work.

Sir Patrick Abercrombie's Report on the planning of the Colony was published last September. His Report dealt with the problem on broad lines. One of his recommendations was that a "definitive plan" should be drawn up. We are therefore applying to the Secretary of State for a grant from the Colonial Development and Welfare Fund for a small team of town planning experts to come out and, with the assistance of our own officers, to draw up such a plan. This should take a few years. I don't know the period—anything from two to five years. At the end of that time we should have a master plan which we would work to. It must, however, be borne in mind that to rebuild an already overbuilt city means resumptions which are costly. It is therefore probable that progress will be slow—at any rate so far as thinning out overpopulated areas is concerned.

I welcome the project of the Hong Kong Model Housing Society, a non-profit making organization. The scheme when completed will provide 450 small flats, each containing two rooms with separate kitchen, washing and lavatory accommodation. The rent to be charged will probably be around \$60 a month. The flats will cost approximately \$3 millions to erect, and this

sum is being loaned to the Society on special terms by the Hong Kong and Shanghai Bank. Government's contribution is in the form of an indirect subsidy of the order of \$1¼ million, by providing on nominal terms the site of 2½ acres on King's Road. I hope that this will be but the first of similar schemes, for housing for the less well to do of our residents is one of our most serious problems. Government itself is also on its own account going into the question, with a view to using part of our Colonial Development and Welfare Fund allocation for housing for workers. Some of the larger employers of labour provide housing of good standard for their employees, and there has been further progress in this direction in the past year. As Honourable Members are aware, Government is prepared to lease Crown land for such a purpose at less than the market value.

Another plan or survey that should be undertaken is a social economic survey of the New Territories. I referred to this last year. Here again we propose to apply for a grant under the Colonial Development and Welfare Fund.

On the political side we watch with sympathy what is going on in China. We should like to help that great country in her undoubted difficulties which, I am sure, she will overcome in time, but meanwhile we cannot permit Hong Kong to be the battleground for contending political parties or ideologies. We are just simple traders who want to get on with our daily round and common task. This may not be very noble, but at any rate it does not disturb others. We do not feel that we have a mandate to reform the rest of the world.

On the constitutional side I have little to report. After the debate that was held in this Council last June, many societies and other bodies forwarded to me or published their views on what the constitutional set-up in the Colony should be. All of these I sent to the Secretary of State with my recommendations. As the Secretary of State himself stated in the House of Commons not so long ago, one cannot draw up a constitution overnight, and his officials have been giving a great deal of thought to the matter, which unfortunately has been delayed by the General Election that was held in the United Kingdom last month.

In conclusion, I thank my advisers, both official and Unofficial, for their willing and constant co-operation throughout the past year. I also thank the Government Service for their support, especially those who work long hours overtime without so much as a murmur. It has been a year of stresses and strain and I do not see any let-up for some time to come, even though we look forward to the future with quiet confidence. (Applause).

MOTIONS.

THE ATTORNEY GENERAL moved the following Resolution: —

RESOLVED that *ex gratia* pensions should be granted in cases where the grant of such pensions would have been permissible under section 17 of the Pensions Ordinance, 1949, if the words

“an officer who was in the service of this Colony and was detained in the Far Eastern area during the period of the Japanese invasion and occupation dies before the thirty first day of August, 1952, when death was directly attributable to or aggravated by the circumstances of such detention and without his own default, or where ”

appeared between the words "Where" and "any" in the first line of sub-section (1) of section 17 of the said Ordinance.

He said: Sir, Under section 17 of the Pensions Ordinance, 1949 gratuities may be paid to the widow and children or other dependants of a deceased officer dying from injuries received in the actual discharge of his duty. This would not cover the case of death during internment attributable to or aggravated by the circumstance of such internment.

The object of this Resolution is to grant a discretionary power of awarding gratuities in such cases. The date, August, 1952, represents in most cases a period of seven years from the end of the period of internment. The words "*ex gratia*" impart that the power to grant pensions is a discretionary one. A similar course was adopted in March, 1947 under the Pensions Ordinance, 1932.

I formally move the first Resolution standing in my name.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

THE ATTORNEY GENERAL moved the following Resolution: —

RESOLVED that *ex gratia* additions to pensions should be granted in cases where such additions would have been permissible under Regulation 31 of Pensions Regulations, 1949, if the words

“or where an officer holding a pensionable office in which he has been confirmed who was in the service of this Colony and was detained in the Far Eastern area during the period of the Japanese invasion and occupation, has been injured without

his own default, by some injury or ill health attributable to or aggravated by the conditions of such detention, and during the period that such injury or the effects of such aggravation exists"

appeared between the word and cypher "duty-" in the sixth line of paragraph 1 of Regulation 31 in the said Pensions Regulations.

He said: Sir, under Regulation 31 of the Pensions Regulations, 1949 an officer who has been permanently injured in the actual discharge of his duties may, if his retirement is thereby accelerated or necessitated, be granted an additional pension on retirement.

The object of this Resolution is to enable *ex gratia* additional pensions to be granted in the case where an officer was injured by injury or ill health attributable to or aggravated by detention during the Japanese invasion.

I formally move the second Resolution standing in my name.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

REVISED EDITION OF THE LAWS (AMENDMENT) BILL, 1950.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Revised Edition of the Laws Ordinance, 1948." He said: Sir, I have very little to add to the Objects and Reasons and what I have to say relates more to the background in which the Bill was conceived rather than to the actual provisions of the Bill.

Although we have not made final arrangements with the printers, we expect to do so shortly. It will then be possible to commence the printing of the revised edition. I am perhaps to be excused if I refer to the delay in making these arrangements as in some way fortunate if I explain that such delay has suggested the amendments introduced by this amending Bill, and that if these are approved the Commissioners will be able to produce a better and more complete revised edition of the laws. In particular, we shall now be able to include a number of amending Ordinances passed in 1949 and 1950, some of which, such as the Magistrates Amendment Ordinance, 1949, made valuable amendments to important branches of the law.

Meanwhile, the Commissioners have not been idle and the new Interpretation Ordinance has already passed through this Council and it is hoped that there will shortly be presented to this Council the first of the Omnibus Ordinances sanctioned by section 6 of the principal Ordinance and which tidies up in minor respects over fifty different Ordinances. The more

routine work contemplated by section 4 of the principal Ordinance has also been proceeding and the bulk of the work in connection with Ordinances as distinct from subsidiary legislation has already been done. The Commissioners are also preparing a Bill bringing fines and penalties throughout the Statute Book in line with present needs and conditions.

While all this work was being done and legislation was being examined it was discovered that there were respects in which the principal Ordinance could be improved. These are dealt with fully in the Objects and Reasons of the Bill now before Council and I consider it unnecessary to say more except to take advantage of the absence of the substantive Attorney General to pay him a tribute which he fully deserves. The work of revision is, as Council is well aware, being done by Commissioners selected from the ordinary normal personnel of the Legal Department. Of these, the Attorney General is naturally the most pre-occupied with other duties. He has, notwithstanding, never failed to take a personal interest in the work of revision and to give us the assistance of his considerable experience. This has stimulated the other Commissioners to take a keen interest in what might otherwise have seemed a dull and somewhat unremunerative task.

I am sure that if Mr. Sainsbury, who is now acting as Legal Draftsman and who is to be congratulated on the excellent work which he has done in the last four months, were here with us to-day, he would be the first to acknowledge the debt he owes to the sympathetic understanding shown to his labours by Mr. Griffin.

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. Since the enactment of the Revised Edition of the Laws Ordinance, 1948, the principal Ordinance, the work of revision of the laws has progressed to the extent that the bulk of the Ordinances and subsidiary legislation has been prepared in readiness for printing, and decisions taken as to the final form of the work. Progress has been delayed by pressure of other matters and in settlement of printing arrangements. A consequence of delay in commencement of printing is that it has become possible and desirable to include in the Revised Edition, Ordinances and subsidiary legislation enacted in 1949. The main object of this Bill is to amend the principal Ordinance so as to authorize such inclusion. In so doing opportunity is being taken to propose other amendments which, it is considered, will render the Revised Edition more comprehensive.

2. *As to Clause 3:* This clause is designed to empower the Commissioners to correct obsolete reference to Ordinances which have been repealed and replaced by enactments which make similar provision.

3. *As to Clauses 4 and 8:* It is the intention to dispose of all proclamations made during the period of the British Military Administration either by repeal or by re-casting into forms which are now more appropriate. Clauses 4 and 8 therefore make applicable, to proclamations and subsidiary legislation made thereunder, the power already vested by the principal Ordinance in the Governor to specify that particular Ordinances, which in the near future are likely to become spent or replaced, shall be omitted from the Revised Edition.

4. *As to Clauses 5 and 7:* The definitions "revised edition of Ordinances" and "revised edition of subsidiary legislation" contained in section 2 of the principal Ordinance, preclude the insertion, if the Commissioners think desirable, of any new legislation, enacted after the end of the period covered by the revision, which repeals consolidates or amends Ordinances and subsidiary legislation in force at the end of that period. It is considered convenient that the Commissioners should be given discretion to make such inclusion. Clauses 5 and 7 are therefore designed to give effect to this objective.

5. *As to Clauses 6 and 9:* These clauses which provide for repeal and replacement of section 7 (2) and section 11 (2) of the principal Ordinance respectively, are consequential and have been made necessary by the amendments proposed by clauses 5 and 7. In such replacement the opportunity has been taken to amend the date of termination of the period covered by the revision consequential upon the amendments proposed by clause 2.

6. *As to clause 10:* The clause provides for amendment of section 17 of the principal Ordinance to enable the principal Ordinance in its amended form to be printed at the commencement of the Revised Edition of Ordinances.

APPROPRIATION FOR 1950-1951 BILL, 1950.

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding one hundred and ninety-nine million fifty-one thousand and thirty-seven dollars to the Public Service of the financial year ending 31st March, 1951." He said: Your Excellency, before dealing with the actual Appropriation Bill for the coming year I should like to say a word or two about the financial year which has just ended.

The actual revenue and expenditure for 1949/50 will not of course be known for some time, but the revised estimate of revenue is \$248,523,927. This is a record figure and

represents an excess of approximately \$68¼ million over the original estimate. But this figure does not of course represent the actual surplus on the year's working as it is partly offset by an increase in expenditure. I propose to deal later with the question of the actual surplus.

It has been alleged in certain quarters, that for some unspecified ulterior motive, I deliberately under-estimate revenue and over-estimate expenditure. Anyone who takes the trouble to look up the figures will see straight away that the latter allegation is quite untrue because from 1947 onwards the final expenditure figure has consistently been slightly above the original estimate, though the variation has been comparatively small. The suggestion that revenue is deliberately underestimated is of course the type of criticism to which the result achieved this year is bound to give rise.

To determine the validity of such criticism, it is necessary in the first place to recall the conditions which obtained when the estimates were framed. These are apt to be overlooked when the year ends with a comfortable surplus, and it is easy to say that the revenue estimates should have been stepped up. But if, instead of a surplus, a serious deficit had developed in the middle of the year, necessitating drastic cuts in expenditure and emergency measures to increase revenue, we should have been accused of having taken an unjustified gamble and of having shown a deplorable lack of foresight.

When the estimates were framed, the political horizon was dark and it seemed that trade with China might temporarily come to a standstill. The ban on dealings in gold gave rise to the wildest rumours regarding the future of the Hong Kong dollar. The "Amethyst" incident and the crossing of the Yangtse by the People's Liberation Army accentuated the feeling of apprehension which was evident among large sections of the population, and a serious exchange crisis developed in May, when the Hong Kong dollar slumped momentarily to eight to the U.S. dollar on the free market. It was not long, however, before confidence was restored, and the strong reinforcement of the Hong Kong garrison helped to consolidate the general feeling of reassurance.

Perhaps not surprisingly in view of these developments, revenue during the first few months of the financial year came in at a rate which was somewhat below that required to realize the estimate which is now alleged to have been unduly low. Moreover, it was then evident that considerable supplementary expenditure would be necessary in connection with the arrival of the reinforcements and for internal security purposes generally. In these circumstances, the position was explained to Heads of Departments. They were asked to curtail their normal expenditure as much as possible, to cut out any which was not absolutely necessary, and to defer expenditure in cases

where there was no particular urgency. I should like to take this opportunity to express to Heads of Departments my appreciation of their co-operation.

Even with the heavy expenditure which has been necessary in connection with security measures, it has proved possible, by exercising strict economy on all normal services, to limit the excess over the approved expenditure figure to \$5½ million. That this represents no mean effort and is very much to the credit of Heads of Departments, will be evident when I mention that expenditure directly or indirectly related to security measures including of course the cost of the Police and Defence Force, but excluding substantial Loan expenditure on Police stations and block houses, is expected to be in the region of \$32 million. It is anticipated that the revised expenditure figure will total \$185,550,253, but it is proposed that a supplementary payment should be made to the 3½ per cent. Rehabilitation Loan Sinking Fund, which it will be recollected can be utilized for the purchase of bonds when they can be obtained at a price below par. Such a supplementary payment was always contemplated in a good year and, taking this into consideration, the surplus on the year's working should amount to just under \$58 million.

As I have explained, revenue did not come in too satisfactorily to start with, but half way through the year it began to reach a better level. Later a tendency developed to pay local duty on goods which normally pass through the Colony in bond. This of course was the result of unsettled conditions generally, and to interruptions in the normal distribution of cigarettes from Shanghai factories. Receipts from duty on liquor and petroleum products reached quite unexpected levels, and in the case of tobacco the excess over the approved estimate is expected to be about \$17 million, which is equal to the total collections in 1948/49. I would, however, emphasize that these results, which have been responsible for approximately \$30 million of the surplus, must be regarded as windfalls. They are unlikely to occur again, and indeed collections are tending to tail off, as with more settled conditions drawbacks are being claimed in an increasing proportion of cases.

Other factors also came into play to produce the surplus, for as more and more people flocked into Hong Kong, so the revenue from such items as royalties from transport companies, entertainment tax, dance hall tax, liquor duties, bets and sweeps tax, restaurant meals tax, water, postal and railway receipts, rose considerably.

The year 1949/50 opened with a revenue balance of \$72,143,683. If the estimated surplus of just under \$58 million is realized, the financial year 1950/51 should open with a revenue balance of some \$130 million.

Estimating revenue in these uncertain times is an unenviable task. A few sources of revenue can be estimated with reasonable accuracy, but some of the more important are liable to the most violent fluctuations from year to year, according to political and other developments. For example, receipts from duties in the last four years have varied over a range of more than \$29 million but it is noteworthy that in 1948/49 when there were no windfalls our estimate did not leave much cause for complaint. We must base our estimates of receipts from such duties on probable local consumption. It is certainly not justifiable to gamble on windfalls which may or may not occur as a result of temporary unstable conditions elsewhere. Similarly, in the case of Airport revenue, we cannot pretend to foresee accurately what the future may hold. All that we know is that the air traffic has dropped for the moment to one sixth of the level last August, and we have to decide on a figure which we consider has a reasonable chance of being realized.

A careful review of all the possibilities has led to the conclusion that it would be unwise to count for the coming year on a revenue of more than \$192 million on the present basis of taxation. This is greatly below the figure which we expect to realize for the present year, but it is \$28 million more than we reasonably expected to receive when the present year opened, leaving of course the grant from His Majesty's Government out of account. We have been lucky so far, but it would be unwise to disregard altogether certain factors which seem to serve as a warning against being too optimistic. I am told that sales of goods during the Chinese New Year Festival were not as satisfactory as in previous years. There seemed indeed to be an air of caution abroad, and money was not being spent as lavishly as in the past. Then the fact that almost the whole of the godown space in the Colony is taken up, and that the banks are forced to refuse to finance further imports unless they are furnished with evidence that storage space will be available, must give rise to a certain degree of concern. I repeat, therefore, that an estimate of more than \$192 million on the present basis of taxation would in my view be imprudent.

Incidentally this figure includes a sum of \$250,000 in respect of a new tax on electric signs, draft by-laws in respect of which are now under the consideration of the Urban Council. The proposal is to license neon and other electric signs. Up to 20 square feet the fee will be \$100 per annum. Above this size a further fee of \$100 for each additional 10 square feet will become due.

Once again, in the final review of the estimates for the coming year, I was fortunate enough to have the assistance of the Unofficial Members of this Council sitting as an Estimates Committee, and I should like to express my thanks for all the assistance which they have so freely given me. The fact that

they are available to advise on the relative merits of new services or schemes competing for inclusion in the budget lightens my task to no inconsiderable degree.

Expenditure, as provided for in the estimates as now printed, totals \$199,051,037, but there are a number of last minute adjustments which it will be necessary to consider in Select Committee. This represents a deficit of \$7,071,557 which may easily be increased in Select Committee to \$7½ million.

There are moreover certain liabilities, indeterminate at the present stage, which must be taken into account. In the first place, there is the question of new piers and reclamations for the ferry service. Everyone is, I think, aware that the Star Ferry Company is negotiating for a new franchise with a view to improving their service generally. This will involve new piers on both sides of the harbour, and extensive reclamation. The cost will be very high indeed, and although no decision has been reached as to which party will pay for the piers, the cost of reclamation will certainly have to be met by Government. Now, the new pier, anyway on this side of the harbour, cannot be started until the reclamation has been completed, so if we are to have an improved ferry service, which is so badly needed, within a reasonable time, it is very important that work on the reclamation should be pushed forward as rapidly as possible. Unfortunately there are a number of difficulties which must be overcome. The Telephone cables and one belonging to Cable & Wireless are all brought ashore at this point. It will be necessary to move at least the telephone cables and this will mean that they will have to be lengthened. There is sure to be a good deal of delay in obtaining the necessary cable, but this will be expedited as much as possible. In the meantime, it will be necessary to make borings to determine the character of the sea bed. A sum of \$20,000 has been provided for this under Public Works Recurrent but the foundations of the pier will have to be interlocked with the wall of the reclamation, so not very much can be done until the necessary drawings have been prepared. If all goes well, however, it may be possible to make a start on the reclamation before the end of the financial year, and in this event the general view will no doubt be that we should find, by supplementary vote, whatever money may be required, rather than delay the commencement of the work until the next financial year.

The other commitment for which we may have to find money before the end of the year, is in respect of our contribution towards the cost of the reinforcement of the garrison. This is quite distinct from any question of an ordinary defence contribution, and relates solely to the present need for strengthening the garrison above its normal size. It is obviously right and proper that this Government should contribute within its means, and the matter has been the subject of negotiation for some little time. I should prefer not to go into details at this stage regarding the negotiations, but it is obviously

necessary to take into consideration all local expenditure met from Colonial funds which is related directly or indirectly to security and defence. Some items of such local expenditure would normally have been met by the War Department, but have, pending a final settlement, been charged to Colonial funds under a proposal that expenditure on work carried out by the Public Works, at the request of the Military Authorities, should rest where it lies. An example of this is the work on two new roads which are now being constructed in the New Territories. It will be recollected that the sum of \$1 million was provided in the 1949/50 estimates for the improvement of roads and tracks, and when the Military Authorities expressed the view that the construction of these two new roads was more important, it was agreed that this sum of \$1 million should be made available for the purpose. This has since been supplemented to the extent of \$750,000, and a further \$2½ million has been provided in the Estimates for the coming year under subhead 3 of Public Works Non-Recurrent. In the view of this Government, it is necessary in considering the question of the contribution, to take into account the claims of various sorts which still remain unsettled from the last war, and it is hoped that at a conference which is to be held in London during the latter part of April, this aspect of the matter will be given due weight. It is proposed that I should attend the conference, as well as the Colonial Secretary, Mr. J. F. Nicoll, who is already in London.

We have therefore a gap of possibly \$7½ million to bridge which we know of, and we have two further indeterminate liabilities which may have to be met before the end of the year. We cannot at the present stage even make a rough guess as to the extent of these liabilities, but they may amount to some millions. In these circumstances, Government has regretfully reached the conclusion that it is necessary to impose additional taxation.

It will no doubt be urged that there is no necessity to take such a step, and that the deficit could be met from surplus funds which we have gradually accumulated since the Colony was re-occupied. This, however, would not be sound finance. The Colony cannot be regarded as reasonably secure until it has reserves amounting to at least a year's revenue. Personally I consider that, in these troublous times, a reserve of one year's revenue is not enough. But however that may be, we are still a good way from attaining even that figure. Conditions in the world to-day are such that the economic position of any country can deteriorate seriously almost over night, and with very little warning. In these circumstances it would, I submit, be dangerous to draw on the reserves which we are just beginning to build up.

It may also be suggested that we should defer any action in regard to increased taxation in the hope that there will be another windfall such as has occurred during the present year.

That also would not be sound finance. It must not be forgotten that Hong Kong represents an island of stability in a sea of political uncertainties. Much of its prosperity depends on the maintenance of a sound currency and proper financial equilibrium. People in the neighbouring countries watch closely how we manage our affairs, and I maintain that we cannot afford to resort to unsound financial practices.

A third criticism may be that the Public Works programme is too extensive, and that it could be cut down very considerably. To this I would say that the number of desirable and indeed, in some cases, essential works which still remain to be carried out is legion. The cost of schemes of various sorts which were put up for consideration and could not be included was \$26 million. This covered work asked for by the Medical and Education Departments, drainage work, road work items, and, in regard to the last mentioned, I might point out that we are still very far from completing the reconstruction of the hundreds of side streets which have received no attention since 1941, and which now consist more of potholes than surface.

When it is a question of covering a deficit of \$1 million or possibly \$2 million, this can be done in a variety of ways, as it is usually possible to find a couple of lakhs here and \$½ million there comparatively painlessly by adjusting the rates of some existing forms of indirect taxation, or introducing new ones. But where it is necessary to find quite a large amount, there is no alternative but to turn to direct taxation. The choice appears to be limited to an increase in the rates or the raising of the standard rate of tax under the Inland Revenue Ordinance. After much consideration Government has decided that the latter is the preferable course, and it is proposed to introduce a Bill shortly, increasing the standard rate of tax from 10 to 15 per cent, for the year of assessment 1950/51.

Our direct taxation takes the form of a number of related taxes. The greatest yield is derived from the tax on Corporation Profits which would pay the full new rate. As all the different taxes under the Inland Revenue Ordinance are closely interconnected, it would not be equitable to increase one without bringing the others into line. It is, however, realized that the very high cost of living, which has unfortunately shown a tendency to increase further of late, affects the individual more severely than the company. In the case of Salaries Tax, therefore, it is proposed to cushion the effect of the increase by providing that the rate of tax should be increased by gradations of 3 per cent, instead of 2½ per cent. This means that the standard rate would be reached at the fifth step and double standard rate at the tenth step instead of at the fourth and eighth as at present. In the case of gross incomes of less than \$50,000 per annum, the additional tax payable would amount to 20 per cent, of that now paid. Thus a person now paying \$200 in tax would in future pay \$40 more. The position of individuals engaged in trade or business, particularly professional

men, has also been considered in this connection, and it is proposed to introduce certain concessions in regard to Business Profits Tax, to which I will refer later.

Section 10(2) of the Inland Revenue Ordinance, which deals with the rental value of a place of residence provided by an employer, has been the source of many complaints, and has also taken up an amount of time both in the office of the Commissioner of Rating and Valuation and in the Inland Revenue Department, quite out of proportion to the very small amount of revenue derived. It is therefore proposed to simplify this subsection to the advantage of the taxpayer.

Section 6(1) of the Inland Revenue Ordinance provides that where rents are restricted, Property Tax should be charged at one half the standard rate. It is proposed to continue this concession for the present, but half the standard rate will of course become 7½ per cent, instead of 5 per cent.

As these measures have not yet been worked out in full detail, it would only be misleading for me to give you detailed estimates of what they are expected to bring in. They should, however, realize some \$12 million, of which some \$8 million would be derived from the increase in Corporation Profits Tax.

While on the subject of amendments to the Inland Revenue Ordinance, I may say that the Commissioner of Inland Revenue has made representations in favour of the abolition of the present personal assessment provision contained in Chapter 7. It is of course generally agreed that full personal assessment on all personal income is the most equitable form of direct taxation, but if it is to be equitable, it must be accompanied by the full disclosure of business interests and income from all sources. In Hong Kong, such disclosure would give rise to a number of very serious complications, but on the other hand without these disclosures any system of personal assessment on a voluntary basis merely provides a wide-open door for evasion by the dishonest. By the use of aliases, a business with branches may be split into a number of apparently separate businesses with personal allowances being claimed against each. In fact, cases have arisen in which it has been found that a business has thus been split into, say, four parts, all carried on in one room. By the use of aliases, also, the number of apparent partners may be increased without increasing the actual number. In a recent instance, a business was stated to have twelve partners, but information from another source revealed that there were in fact only three, each of whom used four different names. There are difficulties in regard to the registration of the names of partners in Hong Kong, so it is a simple matter to introduce fictitious ones with a view to the evasion of tax. It is impossible for the Commissioner to detect such evasions with any certainty, since it is known that amongst Chinese family partnerships there are continual and quite honest changes, and there is no means of distinguishing between

the honest and the dishonest. Similarly it has been found that resident persons have been introduced as partners, whereas in fact they are merely nominees of non-resident partners who are not entitled to personal allowance. It has also been noticed that the number of partners in many cases tend to go up or down according to the rise and fall in profits. There is a further objection to the grant of a right to personal assessment in system of taxation which does not tax income received from outside the territory. There are many cases in which people are supported by income received from outside the Colony. Under the present system of personal assessment, full allowances in respect of these dependants are made against income arising inside the Colony, despite the fact that such income may not be used for their support. This is particularly the case with many Chinese family businesses which are run in conjunction with interests in the neighbouring areas of China.

If Chapter 7 of the Inland Revenue Ordinance is to be repealed, some compensation must clearly be given for the withdrawal of these rights, and it is proposed to meet both this and the need to soften the impact of the increased rate on individuals in trade or business or the professions, to which I have already referred, by applying rebates to profits below a certain figure.

If the proposed amendments to the Inland Revenue Ordinance receive the approval of this Honourable Council when they are introduced in some weeks' time, revenue will again be adequate to balance expenditure, and depending on the exact form in which the amending Ordinance is enacted, there should be a nominal surplus of several million dollars, from which we can meet the two indeterminate liabilities which I have already mentioned.

The expenditure figure has again risen \$13½ million over the revised estimate for 1949/50, which was itself in excess of the approved estimate. A large part of the increase is, however, accounted for by the much more extensive programme under Public Works Non-Recurrent, which is to cost some \$8 million more than last year. In addition to this, it has been necessary to provide for equipment costing nearly \$1 million under Public Works Special Expenditure, and an additional \$4 million under Public Works Recurrent. There has also been an increase in the Police vote of \$3 million.

There is a crumb of comfort in the fact that the increases have occurred principally in Public Works expenditure. This is the least dangerous form of increase, in that it can be curtailed at any moment. It is when the rise occurs in normal departmental expenditure that it becomes a matter of much greater concern, for then it can only be curtailed by extensive retrenchment of staff. The importance of keeping normal departmental expenditure to the lowest level consistent with efficiency has constantly been urged on Heads of Departments, and all estimates have been very carefully scrutinized.

Wherever they show an increase this has been unavoidable. To show that this policy has met with a certain degree of success, I may mention that in actual fact 21 out of 46 Heads of expenditure show a reduction as compared with last year.

Personal Emoluments, which cover basic salaries and expatriation pay only, are estimated at \$48,702,412 to which must be added a figure of \$31 million provided under the Miscellaneous Services Head in respect of cost of living allowances. Railway cost of living allowances also amount to a further \$720,000. This makes a total of \$80,422,412 in respect of personal emoluments of the Government staff. There are, however, two other items of \$4,692,000 and \$2,300,000 respectively under the Subventions Head which relate to grants to Grant-aided and Vernacular Schools and cover teachers' salaries and cost of living allowance.

It is obviously quite unrealistic that cost of living allowances should amount to practically two thirds of the total paid out in respect of basic salaries and expatriation pay. Any fall in the cost of living which may take place will certainly not be on anything like that scale, so it is proposed during the course of the year to take up with the Secretary of State the possibility of consolidating in basic salary a proportion of the present allowance.

Total personal emoluments for the Government service show an increase of some \$6½ million as compared with last year. This is made up of just over \$3 million in respect of cost of living allowances which have been increased during the year consequent on the rise in the retail price index; \$1½ million in respect of the increase in the establishment of the Police Force which has become necessary; \$¼ million under Medical Department; \$¼ million under Education Department; \$¼ million in respect of staff for the Essential Services Corps and Registration of Persons Scheme and \$¼ million under the Public Works Department Head. The latter is more apparent than real, as it is largely due to the transfer of daily paid staff to a monthly paid basis and so should be offset next year, when the reorganization is complete, by a reduction in certain sub-heads under Public Works Recurrent.

Besides these increases which total something over \$5½ million, there has been an increase of nearly \$½ million under the Sanitary Department Head; \$¼ million of which is due to an increase in the number of Sanitary Coolies and in the provision of overtime. It will be recollected that last year a cut of 200 was made in the Sanitary Department staff, but experience showed that this had been somewhat overdone, having regard to the steady increase in built-up areas for which street cleaning services had to be provided. The influx of population during the year threw a further strain on the cleaning staff, and it became necessary to restore 86 posts of Sanitary Coolie. There has been an increase in the personal emoluments

of the Hong Kong Naval Force of \$130,000, and minor increases in certain other departments, such as the Fire Brigade and Social Welfare Departments. Increments are another factor which tends to swell the total of Personal Emoluments. Normally they are cancelled out to a great extent by retirements, resignations, etc., when new entrants start at the bottom of the scale. But one result of the recommendations of the Salaries Commission has been to start off an abnormally high number of Government employees at the beginning of their scales. It will be some years therefore before a position of equilibrium is reached.

Other Charges for 1950/51, excluding Public Works Extraordinary and Special Expenditure, and also Cost of Living Allowances, total \$81,655,470 as compared with the figure of \$72,357,096 for the year which is just closing. Special Expenditure, excluding Public Works Extraordinary and works financed from Colonial Development and Welfare Fund grants, total \$9,772,155 as compared with \$11,468,520 for 1949/50.

The temporary departments such as the Custodian of Property and the Department of Supplies and Distribution will still be necessary during the coming year. A further small reduction has been effected in the cost of the Custodian's Department, but nothing much further can be achieved in this direction until it proves possible to close down the department altogether. The cost of the Department of Supplies and Distribution shows a small increase, due to increments and staff changes, but the possibility of effecting some reduction in the staff of the department during the coming year is being explored, and it is hoped that it will then be possible for the Director of the Department of Commerce and Industry to administer it as well as his own department.

Some progress has been made in fixing suitable post-war establishments for departments whose work has greatly increased since the war. In consequence, less personnel is now paid from the temporary staff votes, but there is still quite a long way to go before these can be eliminated altogether.

Honourable Members will no doubt recollect that in the course of my Budget speech last year, I announced that Government had decided to set up a committee to consider the whole question of Government transport. For various reasons there was some delay in the setting up of the committee, but it was finally appointed at the end of June under the chairmanship of Mr. C. Blaker, who was at that time a member of this Honourable Council. The committee's task was a formidable one, as they had to examine in detail the transport requirements of all Government departments. They have submitted several interim reports and their final report was received only three weeks ago, so there has not yet been time to consider it fully, as this will involve reference to departments on a number of points. It is however abundantly clear that the committee have

covered the field very fully, and that they have made valuable recommendations which should result in a reduction of 42 vehicles. They found that the existing practice whereby officers use their own cars for journeys on duty and are paid a mileage allowance for such use is economical, and to be encouraged. They also came to the conclusion that the bulk of the Government transport would be more economically employed in a pool and that vehicles should only be allocated to departments where for special reasons the pool could not be conveniently drawn upon. The committee further suggested that after the enlarged and reorganized pool had been in operation for six months the position might again be profitably reviewed, as further economies might then prove possible. The committee has certainly carried out their task in an extremely satisfactory manner, and I should like to convey to them, and especially to Mr. Blaker as Chairman, how much their assistance has been appreciated by Government.

I will now touch briefly on some of the more important items of expenditure under the various departmental Heads.

Last year we abolished the old Development Secretariat, and its various sub-departments were shown under separate Heads. As a result of further experience, however, we have now reached the conclusion that a certain measure of co-ordination is necessary between these departments, and moreover that this would make for economy. A scheme has therefore been submitted to the Secretary of State for his consideration, under which the Agricultural, Forestry, Gardens and Fisheries Departments, and the Fish and Vegetable Marketing Organizations, will be placed under the control of a technical officer who might be drawn from any of these departments, but in the first instance will be the Senior Agricultural Officer. It will be necessary to appoint a more junior Agricultural Officer to take charge of the Agricultural Department, but the cost of this will be more than offset by economies in other directions, and when the departments can be housed under one roof, there will be further savings in messengers, transport expenses, etc. The Marketing Organizations will be required to rely to a greater extent on their own resources, and Government staff will be limited to those required for inspection purposes. As the proposed re-organization had not been approved by the Secretary of State when the estimates were prepared, the departments in question are still shown separately, but where a post is vacant, which would not be required under the new organization, it has been omitted. It will be a comparatively simple matter to complete the re-organization by administrative action when the moment arrives.

It will be observed that there has been a considerable increase in Special Expenditure under the Civil Aviation Head, in spite of the fact that Kai Tak is at the moment passing through a rather slack period. From being overextended during the summer months when the staff had to deal with a peak of 3,188 aircraft per month, the number using the Airport dropped

to 503 in January. This of course only represents the European and United States traffic. The great bulk of the aircraft normally using Kai Tak are flying to destinations in China, and the future of this traffic is still obscure. Nevertheless it is essential that the Airport should be kept up to date in every respect, and provision has accordingly been included for more sodium lights for use in periods of bad visibility, and for more up to date fire fighting equipment which, together with the extension of the water mains being provided for under Public Works Non-Recurrent, will cost about \$300,000.

I now pass on to Education. There are now 830 schools of all sorts in operation in the Colony, which is about 100 more than existed at this time last year. In view of this increase in numbers and of the spread of certain undesirable activities, the Senior Inspectorate staff of the Department has been strengthened. A considerable building programme has been provided for, both under Public Works Non-Recurrent and from Loan funds. Work on the Kowloon Junior School and the Vernacular Primary School is going ahead satisfactorily. Work will soon start on the new Queen's College and two floors of the old King's College building are being rehabilitated. During the year certain public-spirited persons have given considerable monetary aid towards the construction of new schools in the New Territories. Among these, I should like to cite Mrs. Eu Tong Sen, the Kaifongs of Un Long, and the villagers in the Lam Tsuen Valley. Sir Robert Ho Tung has also kindly promised to contribute towards the cost of a Girls' school which will bear his name, and provision for the Government contribution has tentatively been made under Public Works Non-Recurrent.

School fees are being increased with effect from the 1st September, which is the beginning of the new school year. With certain minor exceptions fees in Government schools have not been altered since 1931, and consequently they bear no relation to the cost of education, or to the fees charged in private schools. Any hardship which might have resulted from this measure, which has the support of the Board of Education, will be prevented by the doubling of the number of free places. The increase in school fees is not so important from the revenue point of view as from the fact that it will tend to reduce quite appreciably the increasing burden which Government has been bearing since the re-occupation in regard to the Grant-in-Aid schools. When they bring their fees into line with the fees in Government schools, the deficit on their year's working, which Government meets, will naturally be reduced.

Under the Marine Department Head, provision has been included for a new fire float which is expected to cost \$1,500,000. This is a lot of money but it is considered essential that a port of this importance should have a really up to date fire float, and this view was strongly urged by the Commission on the Wing On Godown Fire.

I should now like to say a word or two about the Medical Department. There is an apparent drop of \$600,000 in personal emoluments. This is however due to the transfer of certain Health personnel to the Sanitary Department, thus resulting in an increase under the latter Head. The emoluments of the transferred staff total just over \$900,000 so instead of a reduction in Medical personal emoluments there has actually been an increase of nearly \$300,000.

Steps have been taken during the year to do away with the queues which, consequent upon the influx of population, were forming outside out-patient departments, often during the night. These remedial measures have had the desired effect, and will be continued during the coming year. An interesting development which will also be continued during the coming year is the establishment of evening paying clinics, voluntarily staffed by local private practitioners, who attend from 6 to 8 p.m. A small charge of \$3 a visit is made and the scheme provides much needed assistance for a class of the community who can afford to pay something but not the fees normally charged. We are all very grateful to the medical practitioners who have so kindly volunteered for this work.

Work on the Tuberculosis clinic for Kowloon, for which provision was included in last year's estimates, was held tip for various reasons. The drawings have now, however, been completed and work should commence very soon. In the meantime, Anti-tuberculosis work in Hong Kong will be continued at the Harcourt Health Centre. It was also intended last year to provide much needed additional accommodation of a temporary design for the Kowloon Hospital staff. It was felt, however, that such accommodation would take up a great deal of space, and it was clear that more would be needed when certain requisitioned premises, now being used for the hospital staff, are given up. It has now therefore been decided to construct permanent accommodation in the shape of higher buildings which will take up less ground space, and provision to enable this work to be put in hand has been included in the estimates. Complaints have been received from time to time about conditions at Lai Chi Kok Hospital, and provision is being included under Public Works Non-Recurrent for the installation of a modern flush system and hot water supply and for improvements to the kitchens.

Under the Police Force Head, provision has been made for an increase of 356 constables. This further increase in the size of the Force has become necessary owing to the unsettled conditions around us, and the ever increasing responsibilities which the Force is required to undertake as the months go by. The increase in the establishment of constables has necessitated corresponding increases in the establishment of Assistant Commissioners, Assistant Superintendents, Chief Inspectors, Inspectors, Sub-Inspectors, Sergeants and Corporals. This has brought the total strength of the Force to 4503 as compared with 4,129 in March, 1949.

As was the case last year, it has again been necessary to make heavy provision for new equipment of various kinds, and the total increase in expenditure under the Head is a little under \$3,000,000. It may be thought that \$15½ million is a high figure for the cost of a Police Force, but as I pointed out last year, it represents a form of insurance. In the troublous times in which we live, I feel that there would be few responsible persons who would seriously dispute the wisdom of paying such a premium.

I am not sure whether the burden of responsibility which the Police have to bear is sufficiently realized. Because of circumstances beyond our control we now have in Hong Kong a cross-section of the criminal population of a whole continent. We have far more than our fair share of elements engaged in underground activities, and it might not be out of place if I take this opportunity to pay a well-deserved tribute to the extremely satisfactory manner in which the Police have handled this potentially dangerous situation.

We included some provision in last year's estimates to enable a start to be made on quarters for the Police rank and file. I pointed out at the time what an important part this plays in the question of morale, and that it also means that in times of emergency an adequate concentration of Police can rapidly be made. We were not able to do much in this direction during the past year, but we are now in a position to start on the work in earnest. A sum of \$3 million is being provided for the erection of two blocks of quarters on the old Queen's College site. In addition to the programme of new Police Stations and block houses, which is being completed from Loan funds, provision has also been included under Public Works Non-Recurrent for the construction of a new Police Station at Shau Tau Kok where the detachment is now housed in Nissen huts. As this is in the frontier area and is a district headquarters, it is considered important that a proper station should be provided. Since the Chatham Road camp, which was erected for the accommodation of a possible influx of refugees from Shanghai was taken over by the Military Authorities, there has been no spare accommodation which can be used in the event of an emergency arising. Since the re-occupation, the need for some sort of transient camp has been repeatedly felt. Up to the present, we have been fortunate in always being able to find some make-shift solution, but it is considered that this unsatisfactory position has continued long enough. It has therefore been decided to construct a further camp in the Chatham Road area, and a sum of \$1,600,000 has been included for this.

I now come to the Head Public Works Non-Recurrent, which provides for a programme estimated to cost \$27½ million. Quite an appreciable amount of work was left over from the Previous year. There were also certain security commitments so it was necessary to limit new works to the most essential items.

I have already referred briefly to some sub-heads when touching on some of the more important items of expenditure under departmental heads, and I will now say a word or two about the major new sub-heads which remain.

Provision was included last year for a new fire station at Kowloon, which it is necessary to build as the present station is temporarily housed in a requisitioned building. This was one of the items which it was not found possible to tackle during 1949/50, and the provision has been repeated to enable a start to be made this year.

During the present year the construction of a Marine Licensing Station at Cheung Chau was put in hand, and during the coming year it is proposed to erect further stations at Aberdeen and Yaumati. A sum of \$250,000 is available for this purpose under Loan and the sum of \$197,000 provided under sub-head 14 of Public Works Non-Recurrent is the balance required to complete the programme. Considerable revenue is lost owing to lack of control over the junk traffic, and it is hoped that the provision of the new stations will remedy this.

As regards sub-head 18, work on the Broadcasting studios in the new Electra House is well in hand. The advice of the B.B.C. was obtained in regard to the equipment for the new studios, and it is now estimated that this, together with the cost of alterations to the building rendered necessary by variations in the design of the studio floor, will amount to \$400,000. An application has been submitted for a grant from the Colonial Development and Welfare fund amounting to \$250,000 to cover a portion of the costs, and there is reason to hope that this will receive approval. The sum of \$25,000 included under Public Works Non-Recurrent represents the balance of the sum of \$150,000 provided during 1949/50 which is still unexpended.

Last year, the sum of \$1 million was provided for the construction of a hutted labour camp in the New Territories with the object of relieving overcrowding in Stanley Prison, and to enable useful schemes such as reclamation work to be carried out by petty offenders with short hard labour sentences. Difficulties were experienced over the question of a site, and when plans were prepared, it was found that such a camp could not be built for the sum provided. The bulk of the admissions to Stanley Prison are in respect of short term sentences for opium offences, hawking without a licence and brothel keeping, and a small committee has been set up to consider whether such cases could not be dealt with by deportation or other means instead of saddling the taxpayer with their upkeep, and the provision of additional accommodation for their reception. The over-crowding at Stanley has temporarily been much relieved, as there has been a drop in admissions, and no final decision will be taken in regard to this camp, which it is now estimated will cost \$1,800,000 until the report of the committee has been considered.

The admissions to prison per hundred thousand of population in Hong Kong are quite staggering as compared with the United Kingdom or with other Colonies. The figures are 1,139 for Hong Kong compared with 420 for Singapore and 100 for the United Kingdom.

The sum of \$1,060,000 under Sub-head 22 is for the completion of a sea wall for a length of 1,000 feet at North Point to provide an area for dumping and thus reclaiming valuable land.

Sub-head 23 provides for the balance of the expenditure on a contract which was let during the present year for the strengthening of the runways at Kai Tak, and for certain other comparatively minor improvements to the Airport.

Under Sub-head 25 the sum of \$2½ million is provided for works contingent on land sales. \$2 million of this is to meet commitments resulting from the conditions of sale for the provision of roads and drainage in new areas to be opened up for building purposes. The balance is for the continuation of work on the reclaimed land at Kun Tong, which has been purchased by the Asiatic Petroleum Company.

Sub-head 31 provides for a new Waterworks workshop in Kowloon, which is very necessary as the existing workshop, besides being inadequate in size, is in a very bad condition.

The sum of \$1,200,000 has been provided under Sub-head 32 for the reconstruction of a bridge at Au Tau, which has collapsed, as neither the roads nor the bridges in the New Territories were designed to carry the very heavy Military vehicles which are now passing over them. The bridge is at present only open to light traffic and, pending its reconstruction, the Military Authorities have erected a Bailey bridge alongside. They cannot however afford to retain this structure there indefinitely.

In regard to Sub-head 36 it will be some considerable time yet before plans can be prepared for the new abbatoir at Kennedy Town, as it will first be necessary to obtain technical advice in regard to the machinery to be installed. The sum of \$100,000 provided is for the completion of the reclamation.

Sub-head 37 provides for the erection of two markets of a light type of construction, which are considered very necessary. One of these will be situated at Kowloon City and the other at Hung Hom. They represent the initial stages of a programme for the construction of additional markets of this type which will be spread over a number of years.

Sub-head 39 relates to the provision of offices and quarters for Health Inspectors at Aberdeen, and at To Kwa Wan for the Northeast district of Kowloon. It is obviously uneconomical

for a Health Inspector to be sent out from Victoria to Aberdeen every day, and it would be much more satisfactory if he could reside near his work.

Under Sub-head 43, provision has been made for the commencement of work on a new block of central Government offices. Departments are now scattered all over the city and a sum of approximately \$750,000 is expended in rents. It is estimated that a central block of offices can be built for a sum of about \$8 million, so the interest represents a great deal less than is now being paid in rents. Such a scheme would therefore be a sound investment and it would also effect considerable economies in staff and recurrent expenditure. Moreover there would be a greater degree of co-ordination in Government work, as instead of sometimes inadequate telephone conversations, officers would, without loss of time, be able to discuss problems face to face with representatives of the department concerned. The building of the new offices will meet a need which has long been felt. The block will stretch across the present Secretariat site from the Defence Force Headquarters on Garden Road, right through to Ice House Street. The offices will be built in sections, so that as the buildings now on the site are demolished, alternative accommodation will be available. The preliminary design for the new block is a pleasing one, but of course final drawings have not yet been made. The present proposal is that offices to which the public require most frequent access should be at the Ice House Street end, and that lifts should be installed to give access along the corridors to the offices at the Garden Road end.

Under Sub-head 45 a sum of \$250,000 has been provided for domestic appliances for Government quarters. The newer quarters are provided with electric cookers and water heaters from Government stocks, but when the bulk of the quarters were rehabilitated such stocks were not available. The appliances in the quarters which were reconstructed at an earlier date are therefore hired from the Electric Companies. The position has thus arisen where officers in the newer quarters pay no rent for such appliances while those in the older quarters do. This has given rise to a certain degree of discontent and it has been decided to purchase a sufficient stock of electric appliances for all Government quarters.

Provision has also been included under Sub-head 46 for further Government quarters in the shape of a block of twelve flats, consisting of a living room with dining alcove, and one bedroom. A number of Government officers are still accommodated in hotels and, while the demand for the bigger type of flat has been more or less met, there is a very definite need for a smaller flat of the type now proposed. Indeed the Civil Service Association have pressed very strongly for accommodation of this type.

The sum of \$14,172,300 has been provided under the Subventions Head, as compared with \$13¼ million last year. Of this \$7,985,800 is paid in grants to Grant-aided and Vernacular schools while \$1,550,000 goes to the University. This year a contribution of \$500,000 to the General Officer Commanding-in-Chief's fund for welfare activities among the troops has been included. A grant of \$250,000 was made by supplementary vote in respect of the last six months of the year just ending. It will, I am sure, be generally agreed that it is only proper for the Government to make some contribution towards the cost of welfare activities among the garrison, and it is considered that it is better to do so in this way, than by a reduction in the duty on beer for Service personnel, as was at one time suggested. Under the grant system the money can be used in a variety of ways, whereas under the latter system no-one would benefit to any appreciable extent and some would not benefit at all. It has proved necessary, owing to the general rise in costs, to increase the subsidy to the Tung Wah Group of Hospitals by just over half a million, and the cost of the subsidy to Vernacular schools has also risen by the same amount.

In addition to the expenditure provided for in the Appropriation Bill, we are continuing our expenditure from Loan funds. Up to the 31st March, 1949, expenditure from this source amounted to \$87,652,668 and it is estimated that by the 31st March, 1950, this figure may have been increased to \$113,851,730 which of course is largely financed from surplus balances. Over \$12,000,000 was originally earmarked for new rolling stock for the Kowloon-Canton Railway but as a result of recent developments and the interruption of through traffic to Canton, certain orders, including dining cars, have been cancelled. This has released substantial Loan funds for reallocation. \$8,000,000 is earmarked for the new Airport, and some preliminary charges have already been incurred, as a survey party has been sent out to consider the lay-out of the site. When work starts in earnest, it will be necessary to draw on the interest free Loan of £ 3,000,000 which His Majesty's Government agreed to grant under the general War Expenditure settlement. \$3,888,500 from Loan funds has been provided for the completion of a number of Police stations and a further \$2,045,000 will be expended on new schools during the coming year.

In conclusion I should like to point out that we are not only endeavouring to maintain the facilities provided by Government departments at their normal level, but we have set aside funds for some expansion in our educational and health services. We have done this at a time when we have to face heavy security commitments of all sorts, and to find very large sums to ensure the maintenance of law and order on which so much—indeed the whole structure of this Colony—depends. To expect this to be done on the existing basis of taxation is to ask for the impossible, and it is for this reason and not for any

love of taxation for its own sake, that I have been forced to submit the proposals which I have placed before you this afternoon. (Applause)

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

LEGAL OFFICERS BILL, 1950.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to consolidate and amend the law relating to the right of officers of the legal departments of Government to practise as barristers and solicitors for certain purposes and to recover fees and costs in respect of work done and generally to regulate the status rights privileges and duties of such officers."

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

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

Council then resumed.

THE ATTORNEY GENERAL reported that the Legal Officers Bill, 1950, 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 into law.

ADJOURNMENT.

H.E. THE GOVERNOR: — That concludes the business, Gentlemen. When is it your pleasure that we should meet again?

THE ATTORNEY GENERAL: —I suggest this day fortnight, Sir.

H.E. THE GOVERNOR: —Council will adjourn to this day fortnight.
