

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 3rd March, 1954.****PRESENT:**

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

HIS EXCELLENCY THE COMMANDER BRITISH FORCES
LIEUTENANT-GENERAL SIR TERENCE AIREY, K.C.M.G., C.B., C.B.E.

THE HONOURABLE THE COLONIAL SECRETARY
MR. ROBERT BROWN BLACK, C.M.G., O.B.E.

THE HONOURABLE THE ATTORNEY GENERAL
MR. ARTHUR RIDEHALGH, Q.C.

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS
MR. RONALD RUSKIN TODD.

THE HONOURABLE THE FINANCIAL SECRETARY
MR. ARTHUR GRENFELL CLARKE, C.M.G.

THE HONOURABLE THEODORE LOUIS BOWRING, O.B.E.
(*Director of Public Works*).

THE HONOURABLE DOUGLAS JAMES SMYTH CROZIER
(*Director of Education*).

THE HONOURABLE KENNETH MYER ARTHUR BARNETT, E.D.
(*Director of Urban Services*).

DR. THE HONOURABLE JAMES MALCOLM LISTON
(Acting Director of Medical and Health Services).

DR. THE HONOURABLE CHAU SIK NIN, C.B.E.

THE HONOURABLE CEDRIC BLAKER, M.C., E.D.

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY.

THE HONOURABLE LO MAN WAI, O.B.E.

THE HONOURABLE NGAN SHING-KWAN.

THE HONOURABLE DHUN JEHANGIR RUTTONJEE.

THE HONOURABLE KWOK CHAN, O.B.E.

DR. THE HONOURABLE ALBERTO MARIA RODRIGUES, M.B.E., E.D.

MR. ROBERT WILLIAM PRIMROSE (*Deputy Clerk of Councils*).

MINUTES.

The Minutes of the meeting of the Council held on 10th February, 1954, were confirmed.

PAPERS.

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

<i>Subject.</i>	<i>G.N. No.</i>
Draft Estimates of Revenue and Expenditure for the year ending 31st March, 1955.	
Memorandum on the Estimates for the year ending 31st March, 1955.	
Report of the Sub-Committee of Finance Committee on the Programme of Capital Expenditure 1954/55—1958/59.	
Hong Kong Annual Report, 1953.	
The Unclaimed Balances Ordinance, Chapter 122. Order by the Governor	A. 16
The Tramway Ordinance, Chapter 107. Tramway Working (Amendment) Rules, 1954	A. 17
The Pharmacy and Poisons Ordinance, Chapter 138. Poisons (Amendment) Regulations, 1954	A. 18
The Vehicle and Road Traffic Ordinance, Chapter 220. Vehicle and Road Traffic (Silent Zones) Regulations, 1954	A. 19

ADDRESS BY THE GOVERNOR.

Honourable Members, last year I laid emphasis on the fact that this Government was not control minded and that if it were not for our obligations to the United Nations, the Sterling Area and the International Monetary Fund we should not have any trade controls at all. I assured Honourable Members that we were constantly reviewing these controls in the light of the effect

they were having on the economic life of the Colony. I was even rash enough to forecast that the future was not particularly bright though there was some hope of a few minor relaxations. As it happens I was right, though it gives me no pleasure to say so, except that we have kept our promise to reduce the controls wherever possible.

Early on in the financial year we removed all controls over imports of Japanese goods and later, with the agreement of the countries concerned, we removed restrictions on their export to certain neighbouring parts of the Sterling Area. Last month this concession was extended to cover re-exports to the whole of the Sterling Area. These relaxations have meant that during the year Hong Kong has probably permitted a freer trade in Japanese goods than any other part of the Sterling Area.

In the matter of strategic controls we have faithfully carried out our obligations to the United Nations and have even strengthened our anti-smuggling measures until we can now claim that smuggling is negligible in terms of total trade. At the same time, in conformity with action taken in the United Kingdom, Japan and other countries, we have reduced slightly the range of goods which come under control, in order to bring our controls into line with those agreed at an international level. The most notable relaxation was in respect of passenger motor cars. We had for long been exhorted by the trade to remove this item, among others, from control, but it is interesting to note that since 29th October last when the announcement was made, China has only bought one car from Hong Kong. I hope that local merchants have not missed the significance of this point. In the near future, as a result of the strengthening of our export control, the Department of Commerce and Industry plans to introduce certain changes in the Essential Supplies Regulations which will have the effect of simplifying the procedure and cutting down the paper work. This I am sure will be welcomed by merchants.

Gold merchants also received a small present when with the agreement of the Bank of England we were able to announce on 27th October, 1953, that gold would be permitted to pass through Hong Kong in transit. I cannot make any predictions about further relaxations in regard to the gold trade since we have certain obligations to the International Monetary Fund, but we shall keep this matter open.

You will remember also that importers as a whole had a welcome respite in November when the open general import licence was considerably extended. Another control that went overboard during the year was price control.

Unfortunately, despite the various relaxations to which I have referred the trade figures for 1953 were disappointing, being 1% lower than the previous year. The year started off promisingly enough but we were unfortunate to be hit by a number of restrictions in other countries over which we had no control. These restrictions were mostly due to a shortage of foreign exchange. Honourable Members are aware of details from the December report of the Commerce and Industry Department. Their cumulative effect was to cause a noticeable decline in the Colony's trade over the second half of the year, though a general decline in commodity prices was also to some extent responsible. The decline has continued this year.

The Colony's economy would undoubtedly have been more severely affected were it not for the steady and increasing development of industry. In my speech at the opening of the Hong Kong Products Exhibition last December I referred in some detail to their progress and the important role that industry now occupies in the economic life of the Colony. We were all at one time too ready to think of Hong Kong only as an entrepot and to say that industry could never really prosper. That attitude of mind is changing, largely no doubt as a result of the realization that if it were not for the exports of our factories we should be even more in the economic doldrums than we already are. The export of Hong Kong products accounts for nearly 30% of all our exports. Government should therefore do what it can to assist industry, and this it intends to do. I do not mean by this that Government is prepared to introduce subsidies or to impose tariffs on imports of competitive foreign products, for in the long run such methods can only lend to inefficiency and cannot help the industry to sell its products overseas, where their main markets lie. But Government can give indirect help. For example, the former Trade Advisory Committee has been reconstituted into a Trade and Industry Advisory Committee with adequate representation of local industrial interests. Government is also examining the question of providing adequate land for factories on reasonable terms. Many existing factories would expand if they had the land on which to put up proper buildings

and many more of the smaller type would open up if land and cheap buildings could be made available. We shall almost certainly have to resort to more reclamation, but I will not anticipate the recommendations of the inter-departmental committee which is dealing with the matter.

Despite the fact that business is bad Government revenue has held up really remarkably well and the year's workings are estimated to show a surplus of \$59,524,000 as compared with an original estimate made twelve months ago of \$20,472,882. As the Financial Secretary will explain in greater detail later on, it is proposed to take from this surplus \$2 millions for the University to cover its anticipated deficit for the current year, and also to charge off against it the advances which have been made against the loan that has now been abandoned. This is about a million dollars, Also the total expenditure to date on the Tai Lam Chung water scheme will be charged against the surplus, whilst a further sum of \$25 millions will it is proposed, be transferred to the Revenue Equalization Fund. This will leave a net surplus at the end of the year of approximately \$ 17½ millions.

Just as there has been progress in the industry of manufacturing so there has been progress in the industry of agriculture; as was evidenced by the recent Agricultural Show at Un Long. We are in the main an urban community, which is no doubt the reason for our neglect in pre-war years of the rural industry of agriculture. Another reason for this neglect was the thought that the farmer and the fisherman—the farmer of the sea—knew their business better than anyone else and couldn't be taught anything. They certainly do know their business, but that is no reason why they should not be aided and helped by modern agricultural science which will help them to improve the quality and quantity of their vegetable and livestock crops, and to make their fishing vessels more efficient, to the mutual benefit of producer and consumer. In this we are being successful. As examples of this success I would mention that the local production of vegetable has more than doubled since 1947, whilst the increase in 1953 was ten per cent over 1952. The manner in which mechanization has caught on with the fishermen is also quite remarkable. Whereas eight vessels were mechanized in 1952, the number jumped to 116 last year.

But there is still much to be done in all these fields. One particularly encouraging feature in all this is the spirit of cooperation that exists between farmers and fishermen and the Government officers concerned. And whilst on the subject of co-operation it is interesting to note that today between 45% and 50% of local vegetables are being handled by farmer cooperatives themselves. Amongst the fishermen co-operation, in the technical sense, was a slow starter, —and it is no good trying to force it on them ; they have got to want it themselves. But a start has now been made, and today there are a dozen fishermen's credit societies.

I turn now to our greatest social problem, that is housing, with which is connected resettlement. Practically every civilized country in the world suffers from a shortage of low cost housing. We are not unique in this. What makes our difficulties exceptional is the proportion of our total population which is living without proper housing and the fact that such a large percentage is not our own people but the efflux of a neighbouring country where thousands more are waiting to pour into houses as fast as, or even faster than, we build them. Consequently progress here is bound to be even slower than it has been in most other countries. In addition we have the further disadvantage that land here is much scarcer than it is elsewhere. As regards the size of the problem, it is estimated that at least 350,000 people should be rehoused. It is unnecessary for me to stress the scarcity of land in Hong Kong. That is so well known and so obvious as to call for no further comment from me. It may mean that we shall have to develop satellite towns outside the urban areas, but this is also bound to be a slow process because it is no good having low cost houses if they are too far away from the places of work of the people living in them. To give some idea of the high cost of low cost housing I would mention the latest scheme of the Hong Kong Housing Society to erect 1,000 flats at Hunghom. This does not sound like a tremendously large project, but when I tell you that the site preparation will Cost \$2 millions it does give one some idea of how much more difficult the problem is here than it is in other places. Incidentally, the \$2 millions is a grant from the Colonial Development and Welfare Fund. In addition to this a loan of \$7½ millions from our own Development Fund has been promised to the Housing Society for the erection of the flats. In out of

town sites there would be lacking water and similar services which already exist in urban areas such as Hunghom. These services would have to be provided at no little cost. It is a difficult but not an insoluble problem. We have got to feel our way. At the same time we should realize, as we all do realize, that it should be pressed on with as rapidly as possible. We are gaining experience all the time and we should not throw that experience overboard. That is why it is intended that when the Housing Authority, to which I referred last year, is set up the Authority will not, at any rate to begin with, be the exclusive organization to deal with low cost housing. Schemes of other organizations such as the Housing Society will continue simultaneously, because we want all the assistance we can get. Before, however, approval or Government assistance is given to schemes of other agencies it is essential that we should be satisfied that the particular scheme proposed is a sound one. The legislation to establish the Housing Authority is already in draft form and will, I hope, shortly be presented to this Council. One thing we should bear in mind is that low cost housing either by the Housing Authority or by other organizations which receive financial aid from Government, whether by direct grant or by loan, is subsidized housing. This means that it will compete with private low cost housing. We do not want to get to the stage where subsidized housing will kill private housing. However, this is unlikely to happen for a long, long time as there is so much to be done. Meanwhile we shall have to devote the greater part of our Development Fund to low cost housing.

Resettlement of squatters is another serious problem allied to low cost housing, but it is not quite so difficult because it is shorter range and the numbers involved are not so great. Nonetheless it is difficult enough in all conscience because about one eighth of our population is living in resettlement or tolerated areas of one kind or another. It is sometimes said that we are doing too much for the squatters, giving them better conditions than the tenement dweller gets. It should however be remembered that what we are doing for the squatter is not done primarily for his benefit but for the benefit of the community at large. The purposes of squatter clearance and resettlement are threefold: firstly to put an end to the appalling fires; secondly, to eradicate the risks to health and good order which the illegal squatter colonies present; and thirdly, to free land for the large

scale organized low cost housing schemes which are the only way to relieve overcrowding in the tenements. It must also be borne in mind that we do not know precisely how many squatters there are and that as fast as squatter areas are cleared the work of squatter patrols in keeping these areas cleared is bound to increase. An indication of the magnitude of these problems is given by the fact that during the period April to December, 1953, no less than 7,200 structures were removed by squatter patrols from roof-tops or from previously cleared areas.

Progress in squatter resettlement has been steady but slower than we would have wished. So far only some 45,000 squatters, exclusive of the Shek Kip Mei fire victims, have been resettled. The reason for this slowness is mainly two-fold: delay in clearance of squatter areas because the people cannot be cleared unless there is somewhere else for them to go to and the slowness of screening. If the screening is to be effective and free from rackets it has necessarily to be careful, and that takes time. It may be necessary to increase the screening staff. It may be asked why it should have taken two years to resettle 45,000 persons by normal process whereas 60,000 will have been resettled within a quarter of the time after the Shek Kip Mei disaster. The main reason is because in the Shek Kip Mei operation, clearance, site preparation, and screening were much simpler. However, resettlement could be speeded up, and the most effective way of speeding it up is now being actively considered by the Urban Council and Government departments concerned. If we had unlimited money and unlimited land the problem would be very much simpler. As it is we have neither, which makes it that much more difficult. Actually we haven't done so badly, for if we take the figure of squatters as say, 300,000, well over one third will have been rehoused by the time the Shek Kip Mei operation is completed. We certainly shouldn't have made such good progress if it hadn't been for the part that has been played by the Settlers' Corporation and other voluntary organizations in erecting resettlement houses. The Colony owes them a debt of gratitude.

I referred last year to the new policy which had been adopted for hawkers, that is that hawker licences should be issued more freely and that open spaces should be set aside for hawkers' pitches to be operated at certain times only. This policy has now been brought into effect: during the year the number of

licensed hawkers increased by 16% and a number of "miniature markets" have been set up. So far these have been confined to Resettlement Areas and this experiment has been designed to show whether meat and fresh fish could safely be sold in open spaces. This has proved to be a success and it is proposed to extend this system to other areas.

I now turn to education. Educational growth can be measured in several ways. Measuring it statistically, thirty-nine new school buildings and ten extensions to existing schools were completed last year at a total cost of over \$6 millions. Of this amount Government contributed almost \$3 millions in direct expenditure of interest free loans. Altogether, the number of children attending school is now 16,000 more than it was a year ago, bringing the school population up to 217,000; a figure which compares with that of any city in the United Kingdom outside London.

An equally significant trend of educational development is the gradual improvement, both in quality and scope, of the instruction which our schools are giving. This is an inseparable part of progress, and it is bound up with a number of factors. Of these the first is the teacher himself; his fitness to teach and his social and economic status. Our teacher training programme, to which I referred in my speech last year, is now well under way. Since then, in addition to the normal work of the three training colleges, special courses have been arranged for 758 teachers, mostly unqualified, and it can be anticipated that within a few years all teachers employed in Subsidized as well as Government and Grant-in-Aid schools will have been satisfactorily trained. At the same time, the increases in salaries for qualified teachers in Subsidized schools, which came into force on April 1st last year, is having its effect not only on the quality of work being done by these teachers, but also, on the standard of entry to the training colleges. A record number of candidates for these colleges presented themselves last summer, and the keen competition for admission is the best guarantee for the future that the quality of our teachers will be preserved. But the training colleges were intended only to provide for primary education. Teacher supply for secondary schools, and particularly for our Chinese Middle Schools, is a different and more difficult matter. Until recent years the middle schools had been staffed largely by men and women whose higher education was received outside

the Colony; but it is neither possible nor desirable to rely on these outside sources of recruitment for the future. As the inevitable wastage occurs a serious position will arise unless steps are taken to provide local facilities for the education and training of teachers for these Schools. Government is giving the matter very anxious attention.

Another condition of qualitative improvement is the existence in adequate numbers of text-books suited to the special needs of Hong Kong children. The preparation of text-books is necessarily a slow process, but the work of the past few years is now being shown in the appearance of text-books on several subjects, particularly the social sciences, that have either been written or adapted to our own requirements and are based on a democratic conception of education.

The bulk of the Chinese Middle Schools are privately owned and receive no direct and recurrent financial assistance from Government. Nevertheless they are an essential part of our school system, and, as such, have a strong claim on whatever sympathy and support Government can give them. In the past year, and for the first time, certain non-profit-making private schools were helped by grants of land and by interest free loans. In this way, as well as by enlisting their co-operation in the organization of public examinations and other professional activities, they are more and more becoming part and parcel of an educational unity that is all the richer for the diverse nature of its elements.

Honourable Members will have studied the Report on Technical Education and Vocational Training that was tabled in this Council on December 2nd, 1953. Its recommendations are now under consideration, but two points emerge from the Report about which there can be little argument: the first is that an efficient and up-to-date system of technical education is indispensable to any community, such as this, which is determined to hold its place in the international field of industry and commerce; the second, that to achieve this there must lie the closest co-operation between Government and the various trades and commercial professions. This co-operation is vital, and I propose shortly to set up a Standing Committee, composed of representatives, of Industry, Commerce and interested Government departments which, in conjunction with the Board of Education, will advise Government on this important aspect of Education.

An inseparable part of any educational system is a university and Hong Kong is fortunate in having its own university, and a very good one too. In the past there has been a tendency to regard the University as not really our concern beyond giving it a minimum amount of financial assistance, and leaving the rest to the University to do the best it could. This attitude of mind arose no doubt from the fact that the University is not subject to the Education Ordinance, and also from the very laudable desire not to interfere in the running of the University. But universities all over the world are coming to rely more and more on the state for financial assistance. Hong Kong is no exception to this inevitable development and it is a fact that we have got to face. Honourable Members as members of the Court of the University will have received copies of the Report of Sir Ivor Jennings, and Dr. Logan. It is a very sound report. It is now being considered by the University authorities. But it is evident that Government will have to increase its subvention both for recurrent and capital expenditure very considerably. The Report has recommended that so far as the former is concerned the subvention should be raised from \$1½ millions to \$4 millions for the year 1954-55, and thereafter it will be a matter of annual negotiation with Government after the latter has satisfied itself that previous grants have been administered reasonably and efficiently. As far as capital grants are concerned the Report recommends that the University will need something in the nature of \$3 millions per year for some years to come. This will bring the percentage of Government's contribution to the total of the University's income more nearly, but no more than that, in line with the position which exists in the United Kingdom. The University of Malaya which has roughly the same number of students as we have, receives, I understand, from Government sources some Straits \$4,800,000 per annum, It has been thought desirable to make the necessary provision in the Estimates pending full consideration of the Report by the University and, so far as Government is concerned, Government's decision thereon. Whether the capital sums should be taken out of the Colony's allocation under the Colonial Development and Welfare Fund or should be met from local funds is a matter for further consideration. It is probably as broad as it is long, because if capital grants for the University come out of our Colonial Development and Welfare Fund allocation there will be that much less for other capital projects, which would then have to

be paid for out of our current revenues. In any case the recurrent grant to the University must Come out of our ordinary revenue.

Another possible claimant on the Colonial Development and Welfare Fund is the proposed new airport at Kai Tak, and I regret that Government is not yet able to put the proposed scheme before this Council, as there are some points still to be cleared with the Secretary of State and through him with the Ministry of Transport and Civil Aviation. Suffice to say that the present scheme envisages a single runway jutting out into Kowloon Bay with a length of 7,500 feet and a width of 700 or 750 feet. The estimated cost of this is somewhere around \$90 millions which includes \$3 millions for dredging the approaches in the western end of the harbour. This is necessitated by the adverse effect that a runway Jutting out into Kowloon Bay will have on the typhoon anchorage in Kowloon Bay, and we cannot afford to jeopardize the harbour, for without the harbour Hong Kong would not be Hong Kong. As soon as we are in a position to do so the relevant papers and proposals will be laid before this Council. If we want a good airport it must not be at the expense of the harbour, although a reasonable compromise is possible, and we must also be prepared to pay for it.

Honourable Members, there is so much to be done. Wouldn't it be wonderful if a fairy godmother were to wave a wand and give us all the money we needed? But that wouldn't be enough for we should then have to have a considerably increased staff to build the hospitals, and the schools and the houses and everything. And in the case of the two former we should need trained staff costing still more money to run them. Moreover in the case of the schools we haven't even now got all the trained teachers we want. We have first got to train them. Tile fairy godmother would have to do a lot more than pour millions of dollars into our lap. There is, I am afraid, no alternative to tackling the problem the hard way, and to accepting the fact that we cannot do everything all at once. We have always to bear in mind, too, that in nine cases out of ten capital expenditure inevitably means increased recurrent expenditure, thus leaving less for further capital expenditure. We have got to be realistic and practical. The Colony is fortunate in having as members of its legislature persons who though idealistic and progressive are not starry-eyed, but are practical and full of sound common sense. Together we

have done much. Together we will do more, marching forward with the aim of making Hong Kong a better place for its citizens. (*Applause*).

APPROPRIATION FOR 1954-55 BILL, 1954.

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding three hundred and eighty eight million two hundred and twenty seven thousand four hundred and twenty four dollars to the Public Service of the financial year ending the 31st day of March, 1955".

He said: Sir, it is customary and indeed it is very necessary on the occasion of the first reading of the annual Appropriation Bill, that there should be a general review of the Colony's financial position and a forecast of how that position is going to alter in the foreseeable future. Before, then, I come to the actual estimates of Revenue and Expenditure for the financial year which commences on the 1st April next, I think I should give a brief summary of what has happened in the past twelve months.

The full details of our revenue and expenditure during the last period for which final accounts are available, that is, the financial year 1952/53, have been published. In the current estimates which were published twelve months ago, the revised estimate of revenue for that period was given as \$359.2 millions; the revised estimate of expenditure was \$322 millions, giving an estimated surplus of \$37.2 millions. The final accounts for the year showed that revenue actually came to \$384.6 millions, an increase of per cent over the revised estimate, and that expenditure came to \$311.8 millions, a short-fall of 3 per cent on the revised estimate. The final result was that instead of a surplus which was estimated at \$7.2 millions we had a surplus of \$72.8 millions. This was not the whole story, because for the first year for some time our investments appreciated in value by no less an amount than \$4.9 millions, which, added to the surplus already given, meant an increase of \$77.7 millions in our general reserve.

Against this surplus the liability on account of advances pending reimbursement from loan, stood at only $\$3/4$ million, so that the true effective surplus for the year was almost \$77 millions.

During the same year Our profit on trading Came to \$3.5 millions, which was somewhat more than the figure I forecast twelve months ago, but is still comparatively small and reflects credit on those who are in charge of Government trading operations who have instructions to keep profits to a minimum. This profit, in accordance with the normal practice, fell to be credited to the Development Fund.

Thus on the 1st April, 1953, that is, the beginning of the present financial year, the position was as follows. The General Revenue Balance stood at \$196,962,295.53; the Revenue Equalization Fund, which was inaugurated last year, stood at \$111,414,760.94; the Development Fund which, against expenditure of \$7,489,653.08 benefited to the extent of over a million from appreciation of investments, stood at \$83,026,619.071 with a further \$3,523,253.03 to be added, being the trading profit of the year. The Trading Reserve Fund stood at \$30, 162,393.73.

The Revenue Equalization Fund is fully liquid, but of the General Revenue Balance of almost \$197 millions, \$115 millions were not readily realizable. Advances of various kinds account for \$8 millions, and the balance of \$107 millions is tied up in stocks of food and fuel. At the beginning of this financial year stocks were much higher than they were a year ago, and I shall have more to say about this in a few moments.

On the same date the Colony's public debt amounted to \$61,354,000, a comparatively trivial amount in relation to the annual revenue of the Colony, especially as sinking funds now total \$16¹/₄ millions.

I think that on these figures it cannot be argued that the financial position of the Colony at the commencement of this year could be regarded as other than sound.

I come now to the current financial year. So far as revenue is concerned, it has not been marked by anything really outstanding, such as the very large increase in yield from Earnings and Profits Tax that occurred last year. The Revenue estimate of \$348.6 millions has now been revised to \$385.8 millions, an increase of over \$37 millions. This increase is spread over all heads of revenue except Head 12, Colonial Development and Welfare Grants, which in any event is exactly balanced by expenditure. It will be observed that the biggest increase on any

Head is under Inland Revenue, which is up by over \$19 millions, of which \$15 millions is attributable to Earnings and Profits Tax, now expected to produce \$115 millions. The Post office is up by \$3½ millions, partly due to the increased rates of postage on air mail, and partly to the success of the issue of Coronation stamps. Rates are up by almost \$3 millions. This is not due to the two new posts which were inserted in the estimates. It is largely due to the fact that one vacant post which could not be filled for some time past was filled in the early part of the year. The two new posts have still not been filled although one candidate is in prospect. Had it not been for the heavy burden of work thrown on the department by the alterations in the Landlord and Tenant Ordinance, the Rating Department, according to what the Commissioner has told me, would have done much better, and the recruitment of candidates for the two vacant posts, if and when suitable candidates can be found, should further increase the yield from rates.

On the Expenditure side the original estimate of \$328 millions has been reduced to \$326.3 millions. There will be a shortfall in expenditure on Public Works Non-Recurrent, on which only \$34 millions will be disbursed as against an estimated \$47½ millions. Other savings have also been made. These savings are largely offset by additional expenditure, such as \$10½ millions for relief and rehabilitation measures at Shek Kip Mei and by over \$8 millions for increases in cost of living allowances over an eighteen month period. On these revised figures the estimated surplus for the present year is therefore \$59½ millions. It is probably fair to say that this estimate may be conservative. It is based on the working of the first nine months of the financial year up to the end of December, and on the expectation of known commitments for the final three months from January to March, but it does rather seem that the departmental estimates of expenditure over these three months may in certain cases have been somewhat optimistic—or pessimistic—according to the point of view that one takes—and it looks as if actual expenditure may fall somewhat short of \$326 millions. It is possible, too, that the final revenue figure may exceed the revised estimate. I shall not, therefore, be surprised, if the surplus for the year exceeds \$59½ millions. Nor, indeed, shall I be disappointed.

Against this surplus it is proposed to charge off the total of advances which have been made from surplus funds against the proposed Loan which has now been abandoned. This figure will be under a million dollars. It will also be necessary to take approximately \$2 millions to meet the University's anticipated deficit on its current accounting year which ends on the 30th June next. It is also proposed to charge off against the surplus the total of expenditure to date on the Tai Lam Chung water scheme which will, subject to the approval of this Council, no longer be a charge on the Development Fund. The sum involved is approximately \$14 millions.

Finally, it is proposed to appropriate from the balance of the surplus a further sum of \$25 millions to the Revenue Equalization Fund. With heavy financial commitments in the future and the probability of additional taxation, it seems desirable that the cushion against a very heavy burden of expenditure in one particular year should be as resilient as possible. These proposals will mean that the General Revenue Balance—our general reserve—will be brought up from \$197 millions to \$214½ millions, and that the Revenue Equalization Fund will go up to \$137½ millions. The total of these two funds will then approach the level of one year's revenue.

The Development Fund commenced the year with an available balance of \$81 millions to which during the course of the year was added \$1 million provided in the estimates and \$3½ millions being the profit on trading during the previous financial year. Expenditure from the Fund during the year is expected to total \$9.6 millions, but as I mentioned earlier, a sum of approximately \$14 millions will be reimbursed from General Revenue as a result of the proposal that the Tai Lam Chung Scheme shall no longer be paid for by the Development Fund. The balance in the Fund on the 1st April next should then be \$90 millions.

I mentioned a year ago that the usual source of income of the Fund, that is, the profit on Government's trading and financing, was drying up. This year I regret to say the contribution will be nil. It seems now quite certain that we shall take a heavy loss on our trading for the first time. During the year 1952 when the rice situation was acute, we were obliged in the interests of maintaining an adequate reserve stock to make emergency purchases of rice from various parts of the world.

We realized that these rice supplies were not altogether to local taste, and that prices were not such as could be considered reasonable, but we were bound to maintain adequate reserves in the Colony. Had the supply situation continued acute, or indeed other than easy, we should probably have been able to maintain our position, but as it happened, during 1953 the rice supply position eased very considerably, and indeed very suddenly. The result is that our stocks of rice for some time now have been well above requirements, as our contracted supplies continued to come in, whereas the off-take, despite restrictions on commercial import, went down very considerably. Altogether we expect that the loss, taking into account the writing down of our existing stocks on the 31st March next, may well be in the region of \$13 millions. Honourable Members will recollect that some years ago we put away a reserve of \$30 millions against this very contingency. They will also recollect that at the time I forecast that when the supply position eased and prices fell we were likely to lose money on trading. This has now happened, but thanks to the existence of the Trading Reserve Fund, the loss will be taken care of. Those concerned are doing their utmost to ensure that this loss will not recur, but they are faced with an almost impossible task when bound to maintain, and to turn over, a minimum reserve stock at a time when the market is falling.

So far as Government trading generally is concerned, the accounts which are annexed to the annual report of the Director of Commerce and Industry, show that we have now finally finished with Government trading with Japan; and it is also I think well known that we have succeeded in divesting ourselves of the sugar business. Efforts have been made, and are being made, to return coal to private hands, but so far it has not been possible to solve the problem of marrying private trading in coal to the necessity for maintaining a minimum reserve stock in the Colony.

The Loan Schedule appears in the current year's estimates but not in the draft estimates. This is the last year in which expenditure will occur on Loan projects. The only large outstanding item on the Loan is in respect of rolling stock for the Kowloon-Canton Railway, and the necessary provision for this has now been accepted in the draft estimates for the forthcoming year under the Railway Head. The final position of the Loan will be shown in the Colony's accounts for the current year.

The Waterworks Renewals and Improvements Fund, which has been wound up by resolution of this Council, also disappears from the Estimates.

I now come to the forthcoming year, the financial year 1954/55. The draft estimates of revenue and expenditure have been tabled to-day and Honourable Members will readily be able to follow any figures that I may have to quote.

Revenue is estimated to total \$389½ millions, yet another record in the history of the Colony. Heads 1, 2 and 3 of revenue are the main ones, and between them produce three quarters of the total.

Head 1 consists of duties of various kinds. In this case the estimate for next year has been put as equal to the revised estimate for the present year and \$1½ millions higher than the approved estimate for the current year. The yield from duties is somewhat difficult to estimate accurately. I mentioned last year that duties on hydrocarbon oils, that is largely petrol, were running at the lowest level for three years. This year they have recovered. But on the other hand, both liquor and tobacco this year are at their lowest level for three years. Tobacco, for instance, over the first forty-five weeks of this year averaged only \$658,000 a week as against \$721,000 a week in 1951/52 and \$682,000 a week in 1952/53. I have heard it said that during a trade depression, consumption of tobacco goes up, and if that is correct then there can be no trade depression in Hong Kong.

Rates, Head 2, are estimated to produce \$39 millions as against the approved estimate for the current year of \$33.9 millions and a revised estimate of \$36.7 millions. This estimate is in my view not very satisfactory. As I mentioned earlier it has not been possible to fill the two vacant posts in the Rating Department, and the existing staff has been swamped by thousands of applications for certificates of standard rent, so that the time that should have been spent on revising assessments has been spent on Landlord and Tenant work. The result is that despite the increases in rents which have been permitted, no real benefit will accrue to revenue because it will not be possible to make a general re-assessment this year. I can only hope that in due course the volume of work occasioned by the Landlord and Tenant amending legislation will fall off and that the vacant posts will be filled.

Inland Revenue is estimated at \$156.8 millions as against \$144.1 millions approved for the current year. It will be noticed that the revised estimate for the current year is \$163.8 millions, but this is a head of revenue which is somewhat susceptible to economic conditions. The major sub-head is Earnings and Profits Tax, and the estimate there has been put at \$110 millions. Now this estimate could well be increased. It would be quite possible for the Commissioner of Inland Revenue, if he so wished, to concentrate his energies on the assessment of large taxpayers and gather in money as quickly as possible, neglecting the considerable arrears of small cases which he has in his department. I have given him instructions that this must not be done; that his first and foremost task must be to clear up all the outstanding arrears in his department; and that he must see to it that evaders of tax in past years are brought to book. This policy is not so immediately productive of revenue, but I think it is the right one, and I propose that it should be applied as rigorously as possible. The estimate of \$110 millions is \$5 millions less than the revised estimate for the present year. A sub-head like Estate Duty is of course quite impossible to assess; we have been fortunate—financially fortunate—during the last two or three years and may be so again, but we cannot count on it. Entertainment Tax, which is also included under Inland Revenue, this year has been a little disappointing. Despite the numbers of new cinemas which have been opened, collections of entertainment tax have been falling, no doubt due to the effect of the fall in trade and the reduced earnings of many of the population; possibly due even to the quality of the entertainment provided.

The Expenditure estimates show a few, very few changes in form as compared with those of the current year. It will be noticed that the Broadcasting Department appears for the first time. Hitherto broadcasting has been the responsibility of the Public Relations Officer and broadcasting was shown as a division of the Public Relations Office. For the forthcoming year the two undertakings, if I may so describe them, are shown as entirely separate.

The Defence Head will be seen to have acquired a number of additional sub-heads. This is not a change of policy, but represents an attempt to establish closer financial control over

Defence expenditure. In the current year's estimates, the Auxiliary Fire Service and the Auxiliary Medical Service, to take two examples, are provided for as one line votes under Defence, Miscellaneous Measures. In these cases, as with others for the forthcoming year, they are provided for as separate divisions under Defence, with the Staff, Other Charges and Special Expenditure set forth as fully as possible. Another case is that of the Special Constabulary which was also a one line vote under Defence, Miscellaneous Measures. Special Constabulary is now amalgamated with the Police Reserve as a separate division under the Police Head, shown as Hong Kong Police (Auxiliaries).

Another change which so far as money is concerned is a minor one, but represents a big development in policy, is the addition of a fourth division to the Urban Services Department, the Housing Division. The total financial provision is trivial, being the cost of one Cadet Officer and a Woman Confidential Assistant, but the appearance of this new division represents the first concrete step in Government's policy of development of low cost housing, to which Your Excellency has referred.

I do not propose to explain the changes in the Expenditure Heads as there is a very full memorandum which gives all information. But I would draw attention to the point that the expenditure estimates for the forthcoming year are in most cases well up on the approved figures for the present year, and in many cases are well up on the revised estimate. The reason for the first increase is to be found mainly in the revised cost of living allowances which were approved some months ago, and which necessarily increase the bill for personal emoluments. The reason for the latter increase is to be found in the constantly expanding scope of the public service and in the increasing activity of all departments everywhere. It will be noticed, for example, that there is another heavy increase in the cost of the Education Department and in subventions to educational institutions under the Subventions Head. There is also another large increase in the cost of the Medical Department, caused not only by the revised cost of living allowances, but also by additional staff.

Before going on to Public Works Non-Recurrent, I might perhaps call attention to the Subventions Head. The total for subventions again shows a very considerable increase, and it will

be noticed that one or two voluntary organizations which have not hitherto appeared in the Subventions list now come in for the first time. It is possible that the total bill for Subventions might have been somewhat larger if all the recommendations of the Social Welfare Advisory Committee had been accepted, but this was not possible. There appears to be some slight misconception as to the nature of an annually recurrent subvention. Recurrent subventions are designed purely and simply to meet the recurrent costs of the activities of particular organizations so that they shall not run at a loss which cannot be made up from other sources such as private subscriptions. Now in one or two cases it has been found that an organization which was receiving a recurrent subvention from Government was in fact able to show a substantial surplus on the year's operating; not only so, but it was able to put away to a building reserve an amount which in at least one case equalled the amount of the Government subvention. Now recurrent subventions are not meant for this purpose. As I have explained, they are meant to cover the cost of running the organizations; and if any particular organization wishes to expand its activities and to incur capital expenditure, then any assistance from Government for that purpose must be in the form of a special subvention; for as Honourable Members will no doubt realize, expansion of an organization's activities by capital expenditure inevitably means an increase in recurrent costs and a further request to Government for more assistance. It is therefore in Government's view absolutely essential that recurrent subventions must not be diverted to special capital expenditure. This must be insisted upon in fairness to the long queue of worthy claimants to the limited available funds.

It will be noticed that the subvention to the Tung Wah Hospital and its associated hospitals has been increased by \$1½ millions. The excellent work being done by this organization is recognized by Government and it proved necessary to supplement the provision in the current year's estimates in the course of the year as the organization was running at a loss. The increased subvention has had to be increased again for the forthcoming year.

Your Excellency has already referred to the financial problems of the University. As against a recurrent subvention of \$1½ millions in the current year, provision is made in the

draft estimates for a recurrent grant of \$4 millions and a special capital grant of \$3 millions; a net increase of \$5½ millions. Other educational grants go up by over \$4 millions.

The programme of Public Works for the forthcoming year was again considered by a sub-committee of Finance Committee, whose report is I think, before Honourable Members to-day. For various reasons, mainly financial, it has not been possible to accept all the recommendations of this Committee. Not only are the reasons financial, but I believe I am correct in saying that if all the desirable---and admittedly desirable---works which were recommended were put into the estimates, the Public Works Department would have to be very greatly expanded; indeed staff might have to be increased to such an extent that problems of accommodation and organization would become acute. Nevertheless, it will be seen that the programme of public works is formidable. The figure of \$69 millions is again a record, but it is swollen in that it now includes the cost of the Tai Lam Chung scheme which is transferred from the Development Fund.

The reason for the change is perhaps a little involved. The cost of the scheme as shown in the current year's estimates is \$4 millions, and it will be observed that the revised cost is \$80 millions. That is not the whole story, for the final cost of the full scheme is estimated to be of the order of \$125 millions.

The story briefly is that when the original scheme was put up, the water situation, relative to our financial prospects, was not considered so serious as to justify such a large development all at once. A revised scheme was then prepared under which the work would be undertaken in three distinct stages. The first stage involved building the dam up to a height of 150 feet, laying mains, and providing filtration plant and a distribution network sufficient to cope with the amount of water that could be stored by the lesser dam. Stage two involved raising the dam by 50 feet, blocking three gaps in the perimeter of the reservoir, and increasing the trunk main, filtration, and distribution capacity. Stage three, which could be undertaken at leisure, involved the building of catchwaters, and general improvements for maintaining the reservoir at top level throughout the year.

A recent complete investigation by the Public Works Department with the Consulting Engineers has now revealed that if the two stages are taken together the cost will be \$80 millions. The estimated cost of the third stage, which will not be attacked until the first two stages have been completed, and then be spread over a period of some years, is \$45 millions.

Now, there is no doubt that it will be much cheaper in the long run to do the two stages together. Moreover, the continued development of the urban areas, and coupled with this continued development, the increased demand for water, made it necessary to reconsider the original decision not to proceed with Stage two at once. It is now quite clear that the first stage, which a few years ago, it was thought, was good enough to provide us with an adequate supply of water for a few years, will not be sufficient. Indeed, it is now far from clear that the two stages together will provide anything like a 24-hour supply of water.

In the circumstances the decision has been made to go ahead with the two stages as quickly as possible, and to proceed with the third stage as required. It is, I understand, possible that proceeding with the two stages at once, instead of proceeding only with the first stage, may involve a delay of up to a year in the period before which any water can be obtained from Tai Lam Chung; but on the other hand, it is quite possible that if only stage one were proceeded with now, it might be necessary at a later date to interrupt the supply of water in order to carry out the additional works that would be needed for stage two.

With the cost of the first two stages of the scheme coming to \$80 millions and the cost of the total scheme to \$125 millions, it is clearly out of the question to meet the cost from the Development Fund, unless substantial payments are to be made into the Fund from General Revenue. It therefore seems only sensible to treat the whole scheme as part of our ordinary expenditure and to provide for it under Public Works Non-Recurrent as from the forthcoming financial year. As I have already indicated, it is proposed also that the Development Fund shall be reimbursed from General Revenue with the cost of the work that has been done so far.

Before I leave this subject of Tai Lam Chung, which is but one of a number of schemes in the Public Works Non-Recurrent Head for improving the water supply, estimated to cost \$24

millions next year, I think that I ought to give a warning that the heavy capital expenditure now being incurred must inevitably necessitate a rise in the price of water in the course of a year or so. As Honourable Members are aware, the policy adopted many years ago is that the Waterworks undertaking shall be self-supporting. Our costings go to show that so far this is the case, but the figures, and particularly the Tai Lam Chung figures indicate that the cost of production of water is going to increase. It is not proposed to increase the price to the consumer until it is apparent that the cost of production is exceeding the present charges.

Very few really large new schemes have been provided for this year in Public Works Non-Recurrent. We have much work already in hand, and we feel it desirable that we should get our present schemes well under way before committing ourselves to new ones. It will be noticed that only \$2 millions is provided for airport development. As Your Excellency has indicated, the final decision has not yet been taken, and the \$2 millions is thus in the nature of a token vote, balanced by a corresponding revenue item being a loan from Her Majesty's Government. It follows from this that in fact no financial provision has yet been made for the airport, a point to which I shall refer later. The educational programme continues, \$3½ millions being provided for it. The various reclamations and piers are well under way, and there is a formidable programme under the Medical and Health section, although it will be noted in certain cases mere token votes have been provided, pending decisions as to the scale and nature of the work to be done. The Police programme is still carried on, but it is now proposed, at the instance of the Commissioner, only to proceed, at least for the present, with stage one of Police Headquarters, and to defer the second stage in order to get on rapidly with police quarters and with extensions of facilities at the existing police stations, which in many cases are inadequate.

\$400,000 is provided for the City Hall, and from this vote will have to be paid the staff engaged in planning and drawing. The programme of reconstruction of public motor roads is continued, the annual \$4 millions being provided, and it is hoped that considerable progress will be made during the year on the intercepting sewer and outfall in Yaumati, a very necessary development if we are to get rid of dry sanitation in the middle of Kowloon.

There is one rather unusual item which appears as sub-head 76, somewhat oddly placed in the section headed "Roads, Drainage and Bridges". It is a "Cadastral Survey of the New Territories". The New Territories are developing very rapidly, and the only general survey of this kind was done fifty years ago. Unless we are prepared to allow matters to drift until chaos ensues, it is imperative that a new survey be made as soon as possible. The estimate of cost is over \$3 millions, and $\$3\frac{3}{4}$ millions is provided for next year. The whole survey will probably take three years.

The total estimate of expenditure for the forthcoming year comes to $\$388\frac{1}{4}$ millions, and just falls short of the estimate of revenue which I have already given. The estimated surplus is $\$1\frac{1}{4}$ millions—a very slim margin, especially with a Salaries Commission due to finish its labours very soon, and almost certain to make recommendations which will cost more money.

Now, before I touch on the broader aspect of our present and future financial position, I should dispose of the question of the Development Fund. As I mentioned earlier on, the available balance, leaving aside any question of appreciation or depreciation of investments on the 1st April next, should stand at round about \$90 millions. Against this balance we should have from 1st April next no commitments other than housing, neglecting a small one for the stadium. Now housing is undoubtedly going to take a great deal of money, but it is probable that it will be spent over a period of years. We propose therefore, subject to anything that the Secretary of State may have to say on the matter, that if the inter-departmental committee now sitting, to which Your Excellency has referred, is able to produce any practicable economic scheme for providing a site for large scale factory development, or to use the expression now popular in the United Kingdom, a satellite town, the Development Fund shall be utilized for the necessary financing. Any other schemes proposed for financing from the Development Fund will have to be considered on their merits, but stand little chance of receiving approval if the balance of \$90 millions is not to be exhausted in a couple of years.

If then the Development Fund is committed in this way, with its funds earmarked for housing and for a possible satellite town, it may well be asked where are the funds to come from

for financing large scale projects like the new airport or the new Kowloon Hospital. Or indeed any other big schemes. Were it possible to finish off one or two of our present large scale public works before we have to start on new ones, the problem would then be much simpler, but the biggest project of all which we have on hand at the present time is Tai Lam Chung, which will go on probably for another three or four years. It is costing over \$20 millions next year, and is expected to cost \$25 millions the following year. There is in the public works programme, in Government's view, not one single item of any consequence which can be cut out. It follows therefore that a decision to proceed now with the airport must mean an even heavier bill for public works in coming years. Where is the money to come from?

I must for the purpose of argument ignore the possibility of Colonial Development and Welfare Funds being made available; then the obvious answer is increased taxation, which in view of the slimness of the estimated surplus for next year seems in any event inevitable sooner or later. But it is well not to be too pessimistic about the matter. Had it not been for the Shek Kip Mei disaster this year our actual expenditure would have fallen very considerably short of the estimate. In estimating expenditure one must provide for all probable contingencies, but normally considerable savings are shown because posts for example fall vacant and are not filled immediately, or because wet weather holds up public works, or, most commonly, because plans are changed and expenditure is deferred. This may yet happen in future years, and indeed I should be surprised if it does not. If the actual expenditure then falls short of the estimate by a sufficient amount it is always possible to meet some additional commitments without having to resort immediately to increased taxation.

Another important point is that we have now established our Revenue Equalization Fund. Subject to the views of the Secretary of State, I think that if we were to take on, and bear the full cost of, such a scheme as the airport, which might cost something like \$100 millions over five years, at the same time as we are proceeding with a vast scheme like Tai Lam Chung, it might well be justifiable to draw on that fund for at least part of the cost during the years when expenditure is being incurred at its maximum rate. There is one grave disadvantage in adopting this course. Our surplus funds do not tie idle in the

bank. They are largely invested, always, I may add, in dated securities, and the estimate of revenue from our investments for the forthcoming year is \$9 millions. If, therefore, we propose to draw on these reserves even temporarily to meet exceptional expenditure, we necessarily reduce our revenue. And I would add that even now the sum of our reserve funds, that is the General Revenue Balance and the Revenue Equalization Fund, still barely reaches the level of one year's revenue, which is rather less than our declared aim.

Taking all these factors into account, and above all, taking into account the present economic state of the Colony, the decision has been made not to endeavour to raise the level of revenue by an immediate increase in taxation. I can, however, hold out no prospect that we can manage to carry on very much longer without some such increase.

I have already taken up a great deal of the time of this Council, but I trust that Honourable Members will bear with me a little longer in order that I may deal with a point that was raised last year by one of their number, who is no longer with us. This was the question of making what was in effect a five-year forecast of Revenue and Expenditure. Honourable Members may recollect that I did not show any great enthusiasm about the proposal, but that I agreed that an attempt would be made to carry out the statistical exercise which was suggested. That attempt has been made. It has been made twice.

The first results which were produced about six months ago have already had to be revised, and a further attempt has now been completed. When we find such difficulty in producing really reliable estimates of our revenue and expenditure for one year ahead, I am sure it will be realized that estimating for five years ahead must be a highly speculative exercise. I will not inflict further masses of figures on Honourable Members who have already quite enough to consider, but I will summarize generally the results.

The estimate of ordinary revenue for this year, that is, the full revenue figure, less Colonial Development and Welfare grants, and less any loan from Her Majesty's Government, is \$384 millions. We estimate that this figure should gradually decrease until in 1958/59 it should be \$358 millions—a fall of

\$26 millions. This fall will be primarily due to the fact that, after next year, collections of Earnings and Profits Tax will fall off, partly because the Inland Revenue Department will by then have largely caught up with its arrears, and partly because of lower taxable profits as a consequence of the present recession in trade. Altogether we estimate that the total collections of ordinary revenue for the five years from 1954/55 to 1958/59 inclusive will be \$1,830 millions.

Now for expenditure. The estimate of total expenditure for the coming year excluding Colonial Development and Welfare projects, is \$385 millions. If we proceed on the basis of the plans already approved, and set forth in the Five Year Forecast of Capital Expenditure on Major Public Works, we find that the total expenditure in future years will be: —

1955/56	\$411 millions
1956/57	\$405 millions
1957/58	\$383 millions
1958/59	\$379 millions.

Of these totals the amounts required for recurrent expenditure only, and by recurrent expenditure I mean Personal Emoluments, Other Charges and Public Works Recurrent, excluding Special Expenditure and Public Works Non-Recurrent, will be: —

1955/56	\$273 millions
1956/57	\$291 millions
1957/58	\$294 millions
1958/59	\$304 millions

as against \$255 millions for next year.

The total expenditure for the five year period will then be \$1,963 millions. This, against the total revenue for the period which I have already given, shows a deficit over the five years of \$133 millions.

But this, unfortunately, is not all. The programme of capital works is far from complete. If all the projects which have been proposed were included in the programme, the total of

recurrent and non-recurrent expenditure over the five years would have to be increased by a further \$301 millions, bringing the total deficit over the five year period to \$434 millions. I would also point out that for low cost housing, the total sum provided in the Development Fund is only \$90 millions, and it is, I think, almost certain that this sum will not last for five years. If we were to estimate an average expenditure even of only \$20 millions a year on housing, we should have to transfer a further \$10 millions to the Development Fund from General Revenue, bringing the total deficit up to \$444 millions.

On the other side of the account there is the probability that Her Majesty's Government will advance to us the sum of £3 millions, or \$48 millions towards the cost of the new airport, but this is a loan which will at some time have to be repaid. There is also a possibility, but no more than a possibility, that some help may be received from Colonial Development and Welfare funds for the airport or for the University.

Now I do not take these figures too seriously, but they are a warning of how things are going. And I would invite Honourable Members to note particularly the figures for recurrent expenditure which I have quoted. They will see that the figure of \$255 millions in the draft estimates now before them will rise to \$304 millions in 1958/59, an increase of \$49 millions. It is dangerous to indulge in prophecy, but I am inclined to think that this figure is probably not too far from the truth and, if anything, is conservative. It must I think be taken as axiomatic that additional recurrent expenditure of this nature can only be met front revenue; and if revenue is insufficient then revenue must be increased. And if it cannot be increased by greater efficiency in collection, it must be increased by additional taxation.

I leave these figures with Honourable Members for their very earliest consideration.

I am sorry, Sir, that I have had to take up so much time; I can only express the hope that this very broad outline of our financial position and of the budget proposals for the forthcoming year has given Honourable Members a fairly adequate picture. There are no doubt many points of interest to which I have not even referred, but I shall be very glad to reply to any queries at a later stage.

I would like, Sir, to conclude by thanking the Unofficial Members once again for their services on Finance Committee during the past year, and I would like also in this Council to express my thanks to Mr. G. T. Hole who, in his first year in this Colony, has been responsible for preparing tile estimates and the memoranda on the table. (*Applause*).

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

**RESOLUTION REGARDING ADDITIONAL PENSION
FOR CHEUNG LAN FONG.**

THE ATTORNEY GENERAL moved the following resolution: —

WHEREAS Police Constable Cheung K wan died on the 15th day of February, 1952, as a result of injuries received—

- (a) in the actual discharge of his duty; and
- (b) without his own default; and
- (c) on account of circumstances specifically attributable to the nature of his duty;

AND WHEREAS the said Police Constable was survived by a widow Wong Yuk Chun and by a daughter Cheung Lan Fong;

AND WHEREAS the Governor in Council granted tinder subsection (1) of section 17 of the Pensions Ordinance a pension of \$480 a year to the said Wong Yuk Chun while unmarried and of good character and a pension of \$60 a year to the said Cheung Lan Fong payable until tile 25th day of April, 1972 or until marriage whichever is the earlier;

AND WHEREAS the said Wong Yuk Chun married on the 15th clay of March, 1953, and whereas from that date she has not been entitled to receive the said pension of \$480 a year;

AND WHEREAS it is provided by subsection (1) of section 17 of the Pensions Ordinance that if no pension is granted to the widow of a deceased officer the amount of the pension which may be granted to a deceased officer's child may be double the amount which may be granted to such child if a pension is granted to a widow;

AND WHEREAS it is further provided by subsection (1) of section 17 of the Pensions Ordinance that if a widow to whom a pension is granted dies the pension of a deceased officer's child may as from the date of death of the widow be double the amount which might be granted to such child during the lifetime of the deceased officer's widow;

AND WHEREAS no provision is contained in law for the increase of the pension of the child of a deceased officer on the marriage of the widow of a deceased officer;

AND WHEREAS it is considered that the pension granted to the said Cheung Lan Fong should be increased on the marriage of the said Wong Yuk Chun in like manner as if the said Wong Yuk Chun had died at the date of her said marriage;

NOW, THEREFORE, BE IT RESOLVED that the pension granted to Cheung Lan Fong on the death of Police Constable Cheung Kwan be increased as from the 15th day of March, 1953, from \$60 a year to \$120 a year, the same to be payable until the 25th day of April, 1972, or until the marriage of the said Cheung Lan Fong, whichever is the earlier.

He said: —Sir: As a consequence of the death of Police Constable Cheung Kwan, pensions under the Pensions Ordinance were granted to his widow and infant daughter, but the widow having remarried, her pension has now ceased. There is provision in the Pensions Ordinance whereby the daughter's pension could have been doubled had the widow's pension ceased on her death, but no similar provision exists where a widow's pension ceases on remarriage. An amendment to the Ordinance to cure this anomaly is under consideration, but in the meantime it is considered right and proper that the daughter's pension should be doubled, and that is the purpose of this Resolution.

THE COLONIAL SECRETARY Seconded.

The question was put and agreed to.

MARKETS (AMENDMENT) BY-LAWS, 1954.

MR. K. M. A. BARNETT moved the following resolution: —

Resolved that the Markets (Amendment) By-laws, 1954, made by the Urban Council on the 16th day of February, 1954, under section 5 of the Public Health (Food) Ordinance, Chapter 140, be approved.

He said: —Sir: The purpose of this amendment is to add to the list of markets four small new markets which have been built in Resettlement Areas.

Each of these markets has six stalls of a simple arid cheap but hygienic design. The design is experimental and is a step in the implementation of the new policy to which Your Excellency has just made reference in your Budget Address.

THE COLONIAL SECRETARY Seconded.

The question was put arid agreed to.

MAGISTRATES (AMENDMENT) BILL, 1954.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled “An Ordinance further to amend the Magistrates Ordinance, Chapter 227.”

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 to 8 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Magistrates (Amendment) Bill, 1954 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

CRIMINAL PROCEDURE (AMENDMENT) BILL, 1954.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled “An Ordinance further to amend the Criminal Procedure Ordinance, Chapter 221.”

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

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

Clauses 1 to 9 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Criminal Procedure (Amendment) Bill, 1954 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

ADJOURNMENT.

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