

8TH OCTOBER, 1925.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR REGINALD EDWARD STUBBS, K.C.M.G.).

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS (MAJOR-GENERAL C. C. LUARD, C.B., C.M.G.).

THE COLONIAL SECRETARY (HON. SIR CLAUD SEVERN, K.B.E., C.M.G.).

THE ATTORNEY-GENERAL (HON. SIR HENRY POLLOCK, K.C.).

THE COLONIAL TREASURER (HON. MR. C. McI. MESSER, O.B.E.).

HON. MR. H. T. CREASY (Director of Public Works).

HON. MR. D. W. TRATMAN (Secretary for Chinese Affairs).

HON. DR. J. B. ADDISON, M.B.E. (Principal Civil Medical Officer).

HON. MR. P. H. HOLYOAK.

HON. MR. A. O. LANG.

HON. MR. CHOW SHOU-SON.

HON. MR. H. W. BIRD.

HON. MR. R. H. KOTEWALL.

HON. MR. C. G. ALABASTER, K.C., O.B.E.

MR. A. G. M. FLETCHER, C.M.G., C.B.E. (Clerk of Councils).

Minutes

The minutes of the previous meeting were confirmed.

Papers

THE COLONIAL SECRETARY, by order of H.E. the Governor, laid upon the table papers Nos. 1 to 8.

Financial Minutes

THE COLONIAL SECRETARY, by

command of H.E. the Governor, laid upon the table Financial Minutes Nos. 75 and 77 to 79 and moved that they be referred to the Finance Committee.

THE COLONIAL TREASURER seconded, and this was agreed to.

Finance Committee

THE COLONIAL SECRETARY, by order of H.E. the Governor, laid upon the table report of the Finance Committee No. 11, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

The Budget

THE COLONIAL SECRETARY—I beg to move the first reading of a Bill intituled, An Ordinance to apply a sum not exceeding \$18,767,777 to the Public Service of the year 1926.

THE COLONIAL TREASURER seconded.

H.E. THE GOVERNOR—Honourable Members. Contrary to my anticipation it has fallen to me to perform the duty of placing before you the Estimates of the Revenue and Expenditure of the Colony for the year 1926. Existing circumstances have made the task of drawing up these Estimates one of exceptional difficulty, and I must therefore crave your indulgence if they appear to be unsatisfactory and if my comments on them seem somewhat vague and nebulous. An estimate of revenue is necessarily at any time a rather uncertain thing; it is at best, an expression of a belief or an aspiration.

In the present case I cannot claim that it is anything more than a guess—whether a good guess or a bad one we cannot hope to tell until long after I have left the Colony. But before discussing this point further I will deal with some of the figures of the last two years in order to give a clearer view of the situation.

FIGURES IN 1924

When the Estimates of Revenue and Expenditure for the year 1924 were revised on the basis of the actual figures for the first six months of that year it was anticipated that we should have to meet from our accumulated balances a deficit of \$2,217,000 and that our balance of assets on the 31st December, 1924, would therefore be reduced to \$13,750,000. The total revenue for the year 1924 amounted to \$24,209,640, being \$2,839,706 more than the original estimate and some three lacs more than the revised estimate. There were increases under all heads, compared with the preceding year, with the exception of the Railway and Land Sales. The total expenditure brought to account amounted to \$26,726,428 which was \$1,801,761 more than the original estimate and some six lacs more than the revised estimate. The reasons for this increase were fully put before you when the Supplementary Appropriation Ordinance was submitted to Council. A further deficit arises in the Exchange Fluctuation Account of about \$340,000 with the result that we opened this year with a Credit balance of just over 13 million dollars.

GOOD START IN 1925

The year 1925 started well and the revenue up to the end of May was \$9,261,105, showing an increase over the proportionate part (5/12ths) of the estimate for the year of nearly \$200,000 and there was good ground to hope that the heavy deficit for which we had budgetted would be far less than we had estimated. Unfortunately at this stage we were, by the machinations of enemies from outside, involved in troubles which were in themselves no concern of ours and the result has been that our financial outlook has been very seriously affected.

From the latter part of June onwards there has been a considerable falling off under most heads of revenue, though the position in this respect now shows signs of improvement. Owing, however, to the payment of death duties on several very large estates there has been an increase in stamp duties of over two million dollars which goes far to counterbalance the deficits in other sources of revenue and it is hoped that we shall finally exceed our original conservative estimate for the year by some four hundred thousand dollars.

ECONOMIES

We are making every possible effort to effect economies and it is hoped that the expenditure for this year will be less than the Estimate in practically every department. It is, however, difficult to stop works in the middle and usually impossible to cancel contracts or countermand stores without heavy loss so that we cannot hope to close the year without a heavy deficit. It is too early yet to attempt to give even approximately accurate figures and I do not feel able to commit myself to any forecast beyond saying that in any case our balances are sufficient to cover any possible deficit this year and to leave us a margin which should enable us to carry on through the year 1926 without imposing additional burdens on the taxpayer unless the situation should become materially worse than it is at present.

NEXT YEAR'S REVENUE

In framing the Estimate of Revenue for 1926 I have considered that I am justified in believing that conditions during at least the greater part of the year will be normal, and I have therefore taken a figure (\$21,367,743) which is about half a million dollars less than our original conservative estimate for 1925. I cannot believe that the intelligent people of Kwangtung—a race which has been famous for centuries for its commercial ability and practical sense—can be content much longer to put up with the oppression of a regime imposed from outside and supported by mercenaries from other provinces and I think it is not being oversanguine to hope for the establishment of good order by the end of this year or early in the next.

It is, however, obvious that such a return to sanity will not immediately reestablish trade on as good a basis as before. The harm which our enemies have done to us is not by any means negligible but it is, of course, nothing compared with the loss and destruction which they have brought on the unfortunate provinces of South China and it must be years before the consequences cease to be felt. It is, therefore, necessary to proceed with the greatest caution, not to form too high hopes of the near future and to refrain from committing ourselves to costly projects until we are sure of our ground. If the situation clears up early and if trade shows a greater recuperative power than I have thought it wise to assume, I hope that my successor will be able in the course of the year 1926 to place before you a supplementary programme of Public Works which will make it possible to proceed with a number of the important projects which I have to my great regret felt compelled to remove from the Estimates for the present. Meanwhile it is necessary to study the most careful economy and to leave unattempted many things which would be of great value to the community and which in other circumstances I should have felt justified in regarding as necessary.

NEXT YEAR'S EXPENDITURE

The Expenditure for next year is estimated to amount to \$23,790,615. Each item has been carefully scrutinised and has been reduced as far as possible, and the total is less than last year's estimate by \$6,672,996 and less than the revised estimate by \$6,241,512. The various increases and decreases in each department and the reasons for them are fully set out in the Sessional Paper which has been laid on the table.

CADET SERVICE

The increases are due to stipulated annual increments, and salaries for two new cadets. As regards the latter the Secretary of State has been requested by telegraph to cancel the appointments if possible but as no reply has yet been received, it is necessary that provision should be made.

JUNIOR CLERICAL SERVICE

This is a new heading. It has been thought

advisable for the sake of economy in time and labour, as well as to facilitate promotions and transfers of clerks between departments to group the clerical staff under one head as is already done with the Cadet Service. The distribution of clerks amongst the various departments is shown in Appendix I., from which the staffing of the different departments can easily be seen. At the same time I should mention that the order in which the departments appear in the Estimates has been rearranged in a more logical sequence.

IMPORTS AND EXPORTS OFFICE

After careful consideration and discussion with the Chamber of Commerce it has been decided that the Statistical Department of the Imports and Exports Office should be abolished as, in present circumstances, the cost of it is out of all proportion to its utility. This will mean a saving of approximately \$44,000 made up as follows:— Salaries \$25,000, Printing and stationery \$17,000, and Miscellaneous expenses \$2,000. The post of supervisor has been dispensed with. The holder will be transferred to the post of Office Assistant and Accountant, which is falling vacant, in the Harbour Master's Department. There is a reduction of \$75,000 in the vote for the purchase of raw opium.

HARBOUR MASTER'S DEPARTMENT

Provision is made for one new post in the Harbour Master's Department, that of Assistant Inspector of junks and cargo boats at Aberdeen. It is anticipated that the creation of this new post will more than pay for itself by the increase in revenue from Aberdeen which will result. The Revenue Department launch No. 1 has been transferred to the Harbour Master's Department, and provision of the rescue tug must be made for a full year, instead of for the half year only as in the case of last year's Estimates.

In recurrent charges there appear to be large increases in the votes for fuelling, repair, and stores for launches. The increase is, however, only in appearance

and is due to a re-arrangement made in the interests of economy and efficiency. The Harbour Master's Department has taken over the supervision of the Police, Post Office, Revenue and Sanitary Departments launches in these respects and the votes of those departments for those items have been deleted.

Under Special Expenditure provision has had to be made for chains for new moorings. These will be required so soon as shipping begins to become normal again, and should be got ready in advance. A sum has also been inserted for the renewing of buoys and chains of launch moorings. The motors of Police launches Nos. 10 and 11 are past their work and provision is made for new ones. This is the more necessary as the normal programme of replacement of Police Cruising and Harbour launches will be suspended for next year. No provision has been made for the upkeep of the four patrol launches, provided for purposes of anti-piracy work. Such work outside the waters of the Colony cannot be regarded as a proper charge on the local taxpayer and though we were willing in order to ensure that action was taken to provide these launches, in the first instance at our own expense, leaving the question of the final incidence of cost to be decided later we cannot in present circumstances afford to continue to pay out money for them. I may say that I have suggested to the Secretary of State that the sums which we have already expended on them should be repaid to us. I have not yet received his reply.

ROYAL OBSERVATORY

Last year a sum of \$8,000 was voted for magnetic instruments and provision was made in Public Works Extraordinary for the erection of appropriate huts for their housing and use. The latter work will not be carried out, and as regards the instruments the Crown Agents have been requested by telegraph to cancel as much of the order as possible. Some of them were promised for delivery this autumn and a sum of \$3,000 has been inserted to cover the cost.

FIRE BRIGADE

Whilst there are no increases in the personnel of the Fire Brigade excepting four

motor ambulance attendants for the new motor ambulances which arrived this year, it is not considered advisable to make any reductions. The Brigade as at present constituted has no more than the minimum number of Europeans and firemen necessary for efficiency.

POLICE FORCE

The Police Force is more than ever important in times like the present and no reductions have been made. It is an expensive force but I consider that the Colony gets good value for its money. The members of the force have worked with splendid zeal and efficiency during the difficult times through which we have passed. Provision is made for a wireless telephonist to operate the wireless telephone set installed on a cruising launch. This I anticipate will be of great service in securing speedy assistance, or rapid pursuit, in cases of piratical attacks on outlying stations such as have occurred in the past. Two Chinese motor mechanics are also required to keep Police motor cars and cycles in proper repair and running order. A large number of officers will be proceeding on leave, retiring, or being repatriated (in the case of the Weihaiwei contingent). The vote for Passages has accordingly been increased by \$10,000. With the completion of the new Kowloon City Police Station it will be necessary to increase the votes for electric light, fans, coal, and small stores. Larger sums will be required for the rent of Stations and Married quarters, as more stations and more Married quarters have been rented. As I stated when dealing with the Harbour Master's Department there are to be no replacements of launches, which would have been provided for in the normal course of events.

PRISONS DEPARTMENT

The opening of three new halls at Laichikok Prison necessitates an increase in the staff and provision has been made for an additional principal warder and ten warders, and in the Indian staff of two warders, twelve assistant warders, and eight guards. Certain corresponding increases in recurrent charges are necessary. Items are: Cleansing materials, clothing and shoes for staff, light,

rations for Indian warders and subsistence of prisoners. The vote for gratuities to prisoners is also increased to meet the extra amounts that will be required as a result of the scale for gratuities having been raised. It is with great regret that I have been compelled to direct the cessation of work on the New Prison at Ngau Shi Wan. The present makeshift arrangements are very unsatisfactory and uneconomical. I trust that the new gaol will be one of the first of the abandoned works to be undertaken when times improve.

MEDICAL DEPARTMENT

The opening of the Kowloon and Victoria Maternity Hospitals necessitates increases in the staff of the Medical Department, and provision has been made for two more assistant matrons, one Home sister (who will look after the Sisters' Quarters), five nursing sisters and a steward for Kowloon Hospital. This is the bare minimum which will enable the Hospitals to be kept running efficiently. Provision is also included for a dispenser for Victoria Hospital. For the Lunatic Asylum the Secretary of State has approved the creation of a new post, that of assistant attendant, the present attendant becoming head attendant. Work amongst the mentally deranged is admittedly very trying, and apart from the fact that there is now too much for one man to do, it is necessary that there should be someone to take the head attendant's place when he goes on leave. Recurrent charges show an increase of a little over \$60,000.

After careful consideration I have come to the conclusion that the vote for the steam launch for the Health Officer of the Port should stand. Last year a sum was inserted for a motor launch, but it is thought that such a type of vessel would not be so useful as a steam launch. The present launch is obsolete, and the new one will provide for the conveyance of sick persons. Provision has been made for an X-Ray Plant for the Kowloon Hospital. Other items are: Surgical dressings, machinery for new Government laboratory, motor cycle and side car for the New Territory, and pharmaceutical apparatus. All these have been carefully considered and should I think remain.

SANITARY DEPARTMENT

The work of the Sanitary Department is so necessary to the health of the Colony that it would be most unwise to reduce the staff below what is required for the proper performance of its duties which, of course, continuously become heavier with the growth of the population. Provision has accordingly been made for one additional 1st Class Sanitary Inspector, four 2nd Class Inspectors, two foremen, and sixty-seven scavenging coolies. As I stated last year the use of motor lorries for the removal of refuse has proved successful, but I fear that at present we cannot afford the large expenditure that would be entailed by substituting them for all other forms of transport. Provision has therefore been made for only one motor refuse lorry. It is also necessary to provide for one refuse barge, for a replacement in the existing fleet of barges.

BOTANICAL DEPARTMENT

Last year provision was made for the formation of a Forestry Reserve in the Water Works Catchment Area at Tai-po. I do not consider that this work, valuable though it will be, is of sufficient urgency to be proceeded with in existing circumstances. It is, however, necessary that the work already done should not be wasted and a sum of \$2,500 is accordingly inserted on that account.

EDUCATION DEPARTMENT

As a result of the misconduct during the strike of a large number of the older pupils who have shewn themselves to be ungrateful for, and underserving of, the educational facilities which have been generously provided for them at considerable cost to the Colony, there will be a large decrease in the total number of boys attending school. It is, therefore, possible to make reductions in staff without impairing the efficiency of the teaching. As you already know the services of a number of temporary assistant mistresses have been dispensed with and the number of assistant mistresses British staff has been reduced from thirty-two to twenty-seven. Class II. masters of the British staff have similarly been reduced from twenty-seven to
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Class V. Chinese assistant masters have been reduced by six. The University trained graduate teachers have been increased by two. The results of introducing this type of masters into the schools are reported to be most satisfactory. The number of Class IV. vernacular masters has been cut down by three.

It is intended to proceed gradually with the extension of vernacular Education which has hitherto not been dealt with in a satisfactory manner, and a step in this direction is the establishment of the new Saiyingpun Vernacular Middle School, which embodies the former Normal School for Men. For this school additional provision has been made for one head teacher, and three assistant teachers. The Normal School for Women has been expanding and to keep pace with this expansion it is necessary to increase the staff by two assistant mistresses. The Normal School for Men at Taipoo is also part of the scheme for vernacular education, but to begin with only one teacher will be employed.

More classes and lectures are to be held at the Technical Institute in Hongkong and Kowloon. This has proved a most popular form of education and there is a demand for its extension, which it would seem to be greatly in the interests of the community to meet.

With the decrease in the number of older pupils it will not be necessary to provide so much for University Examination Grants and this vote has been reduced by some \$6,000. Similarly the vote Capitation Grants is nearly \$18,000 less. There are other items showing small decreases or increases to which it is unnecessary to refer in detail.

PUBLIC WORKS DEPARTMENT

There has been a further re-organisation in the sub-departments of the Public Works Department. The former Office of Crown Lands and Surveys has been divided into two separate sub-departments, that of Crown Lands and that of Surveys. The work of these two branches is different and the new grouping is more logical and will tend to increased efficiency. At the same time the former Resumptions Office, the work of which is closely connected with the Crown Lands Office, will be absorbed into the latter

Office. The maximum salaries of certain posts in these sub-departments as reorganised have been raised, but as few of the holders had yet reached the maximum of their respective posts before the re-organisation there will be no increase in expenditure next year beyond the normal stipulated increments.

In view of the limitation of the programme of works generally it will be possible to effect savings in personal emoluments. Some posts can be abolished and in other cases on a post becoming vacant, it can be left vacant for the present. I have already telegraphed to the Secretary of State requesting that the selection of candidates for vacant posts should not be proceeded with. This will mean that the staff of the Public Works Department will be reduced considerably. When times are better and more works undertaken it will then be possible to expand the personnel by filling up vacancies.

Chief amongst those abolitions and vacancies I would mention, — in the Architectural Office, three engineers, one temporary engineer, one chief draughtsman, one 2nd class draughtsman, five 4th class draughtsmen; in the Electrical Office the Superintendent of Wireless Telegraphy, three wireless operators, nine apprentice operators, one 2nd class overseer; in the General Works Office nine 2nd class foremen; in the Public Health and Building Ordinance Office two engineers, one temporary office assistant at \$2,400; in the Survey Office three 2nd class land surveyors, one 3rd class assistant land surveyor; in the Waterworks Office one clerk at £320 and one 3rd class assistant land surveyor.

PUBLIC WORKS RECURRENT

The various heads have been revised so that the total expenditure does not exceed \$1,200,000.

PORT DEVELOPMENT

With the smaller programme of work that the Port Development Department will have before it, reductions have been made in the personnel, the engineers being reduced from four to two and 1st class overseers from three to one.

PORT WORKS EXTRAORDINARY

No expenditure on new works of magnitude is provided for, and it is unlikely that the sum of \$605,000 provided will be exceeded.

KOWLOON-CANTON RAILWAY

The Railway has had another bad year. There has been little or no through traffic and until it is resumed the revenue derived from the Railway must remain at a low figure. It is not possible to reduce the staff of a railway in direct ratio to the amount of work which it is doing at all the various departments must continue to function whether the work which they are doing is much or little. The prospects of the resumption of through traffic on a satisfactory basis are, however, so remote, as it will probably take a long time, after normal conditions are restored, to supply the deficiencies in rolling stock on the Chinese section, that it is useless to keep in anticipation of such resumption a large staff than we need to carry on the work now being done. Therefore as posts become vacant through resignations, retirements or other causes they will be left vacant. At present few such vacancies have occurred and provision must be made for the salaries of officers, but it may be assumed that as a result of the policy of gradual retrenchment the estimated amount for 1926 will not all be spent.

Owing to the higher cost of locomotive coal, it is necessary to increase this vote proportionately. Similarly the votes for materials and repair of locomotives and all painting have had to be increased to meet a rise of 30 per cent. in contract prices. With the closing down of the Hongkong Booking Office for local traffic uses, station collection of tickets has been instituted. In order to achieve this satisfactorily it is essential that the stations should be adequately fenced and a sum has been inserted for this work. The galvanised roofing of the workshops was corroded and provision has been made for renewal. The work of the motor department of the workshops continues to increase and a sum has been inserted for additional machines. A sum has been inserted for providing concrete channels at cuttings. At present these channels are mere excavations, providing ideal places for mosquitos to breed.

It is necessary to make provision for the assembly and erection in the Railway yards of the 6 new carriages, which are expected to arrive at the end of this, or at the beginning of next year. A sum has been inserted for a new motor trolley to replace the present one, which is quite worn out.

VOLUNTEER DEFENCE CORPS

There has been a most satisfactory increase in the Corps, the strength of which has risen during the past two years from 280 to 670. Its usefulness was amply demonstrated during the recent strike. With the advice of the General Officer Commanding I have inserted sums which are considered to be the minimum necessary for keeping the Corps up to its present state of efficiency. With the greater number attending, three week end camps will be held instead of two: this is more economical than having two large camps. More uniforms must be provided and a sum is inserted for the purchase of 3 Machine and 6 Lewis guns.

CHARITABLE SERVICES

An arrangement has been come to with the authorities of the John G. Kerr Hospital, Canton, whereby this Government will pay \$8 per month for each inmate sent from Hongkong. This will necessitate a sum of \$20,000 for next year.

MISCELLANEOUS SERVICES

Last year there was a decrease in Miscellaneous Services, largely due as you know to the lapsing of the grant for the British Empire Exhibition. This year, despite most careful scrutiny there is an increase of a little over \$50,000. The Stationery vote was greatly underestimated last year and I consider that for next year it should be increased by \$20,000. With the strictest economy this will I hope suffice. There is a new vote—Purchase of motor cars. It is considered to be more economical, and more satisfactory in every way that all cars should be placed under one engineer, and allotted to departments as required. In accordance with the terms of the contract certain payments

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made to the Government Printers for the revised edition of the Ordinances and a sum has been inserted to meet those payments. Similarly for the revision of the Regulations, which is well in hand, a sum of \$8,000 has been provided. The votes for Rent Allowances for European Subordinate and Asiatic Subordinate Officers have had to be increased. The building of quarters is suspended for the time being, so allowances must be granted in lieu. The amount provided for the entertainment of foreign sailors has been reduced considerably as has also the sum provided for furniture for Government Offices and Quarters as a result of the suspension of the building programme.

PUBLIC WORKS EXTRAORDINARY

The estimated cost of Public Works Extraordinary is \$4,988,500. It is not proposed to embark on any new works of magnitude, and it has been necessary to postpone for the present the extensive scheme of strengthening the main roads in the Kowloon Peninsula.

In Hongkong the Government is committed to the expenditure on the road from Causeway Bay to North Point Item 10 (c) and the large sums entered for drainage at Wong Nei Chong are required to prevent a recurrence of the flooding which has taken place during heavy rains in the last year or two.

It will be observed that New Kowloon has been separated from the New Territories. The district to the South of the hills is so closely connected with Kowloon that extensive works under roads and drainage are common to both and a clearer view of the situation is given if these works are not confused with those in the more rural parts of the mainland territories.

In Kowloon under Drainage it is necessary to spend large sums in connection with the storm water drains and the main sewer to the east of the railway. Under the head Miscellaneous provision is made for making a portion of the Kowloon Bay West Reclamation and for forming areas on the west of the Kowloon City Road to the required levels.

A sum of \$250,000 is provided for Compensations and Resumptions. As the work of road making and raising of levels

proceeds it becomes necessary to resume many old holdings, and compensation in money is required where it is impossible to effect exchanges of land. Endeavours are made to effect such exchanges whenever possible and it is hoped therefore that the whole of the large sum provided will not need to be expended.

In New Kowloon under Communications and Drainage considerable expenditure is provided for in connection with the Kowloon Tong Development Scheme. It must be remembered, however, that the large sewers and storm water drains in that area are part of a general scheme and would have had to be constructed in any case. Under the head Miscellaneous a sum of \$100,000 is provided for continuing the work of excavation and filling at Kowloon Tong. A sum of \$250,000 is also provided for compensations and resumptions in this district for the same reasons as in Kowloon.

In the New Territories the bulk of the expenditure is under "Water Works" in connection with the Shing Mun Valley Scheme. The chief item is a sum of \$600,000 to complete the tunnels and conduit. This work is in progress under contract and cannot be stopped. Similarly the filtering plant and pipes have been purchased in England and must be paid for. Other parts of the scheme can be postponed for the present. Under "Communications" the works for which provision has been made are either under construction or necessary to fulfil obligations which the Government has incurred.

MILITARY ESTABLISHMENTS

It will be noted that the Estimates contain no provision or expenditure in connection with the movement of the Military Establishments from their present central situations. It is with great regret that I am compelled to announce that in present circumstances it is impossible to proceed with the proposed re-provisioning. We were prepared to spend large sums in order to put an end to a situation which has long caused inconvenience to the Colony, contending that the price which we were called upon to pay under the Oakley award was higher than was reasonable but being willing to pay even boom prices rather than forego the opportunity of effecting a long-deferred improvement.

In present circumstances, however, we cannot afford to sacrifice money for which we have so many other urgent uses and I have been obliged to inform the Secretary of State for the Colonies that it is impossible for us to take any further steps in the matter.

QUESTION OF TAXATION

May I, in conclusion, say a few words to forestall an obvious criticism? It may reasonably be asked is it not possible, considering that many of the works which have been excised from the programme are of great value and importance to the Colony, to take the alternative course of providing additional funds so as to enable them to be carried out. I have given this question much anxious thought and I have formed a decided opinion that for the present at any rate the right course is to reduce expenditure rather than to increase income.

Admittedly the inhabitants of this Colony are as lightly taxed as the members of any community in the world and in normal times I should have had no hesitation in advising that, if our revenues, on the present basis, were insufficient to provide for the carrying out of the large programme of public improvements which we have in contemplation, further funds should be provided either by an increase in taxation or by the issue of a loan or by a combination of both methods.

As things are however, I am of opinion that any increase in taxation should be avoided. Most classes of the community have been hard hit by the troubles of the past four months, and if there is any considerable number of persons who have more money than is required for their immediate needs it will, I think, be more in the interests of the community that they should employ it in facilitating the resumption of trade by financing commercial operations. The more loose money there is available in the Colony the easier and quicker will be the return to normal trade conditions and I submit that the Government will within a measurable period of time gain more by the normal income which it will derive from a rapid return to prosperity and increased business than by the more direct process of additional taxation. Therefore, so long as we can pay our way by

the exercise of a wise economy I advise that the existing basis of taxation should not be disturbed.

QUESTION OF A LOAN

There remains the question of whether it would be wise to raise money by loan. For the present I advise against any attempt to do so. Owing to the shortness of money, which I have already quoted as a reason against additional taxation, a loan floated locally would not be likely to meet with success and the present is not a favourable time at which to appeal to the London Market. It is apparent from communications received from England that the general public is under the impression that conditions here are much worse than they really are and the small investor, who is the person to whom the loans of Crown Colonies seem to appeal most, would certainly hesitate to risk his money in a Hongkong loan unless the terms offered were much more generous than is really necessary.

It would, I think, be far wiser to wait until conditions approach the normal and not to endeavour to raise money by a loan until it has been made clear to the public that the efforts of the Bolsheviks to ruin Hongkong have ended in failure. We can then with enhanced credit ask for a loan which should be obtainable on favourable terms when the strength of our position has thus been shown.

The decision will not rest with me but, if it did, I should be inclined to advocate the raising in the course of next year of a loan of moderate amount, preferably in the first instance by Treasury Bills or Debentures to be converted later, if necessary, into Inscribed Stock to cover the cost of some of our more important works of permanent utility. It would, for instance, I consider be a proper financial transaction to raise by loan sufficient sums to cover the money already expended from revenue on the Shek Lai Pui Waterworks, the Shing Mun Scheme, the Praya East Reclamation and the reclamations on the mainland, crediting this money to revenue and thus making it available for further minor works not of sufficient magnitude to be classed as loan works.

These however are matters for my successor whose actions must necessarily be guided by the progress of events in the next few months.

In referring these estimates to you for your consideration I would ask your support for the policy of economy which they embody, distasteful though it must be to everyone, who desires to see the process of development which has been so marked in recent years continue uninterrupted, and I need hardly say that if you can suggest any further economies in the public expenditure the Government will be glad to give the most careful consideration to your views.

The Bill was then read a first time.

H.E. THE GOVERNOR — Council will adjourn until October 22nd at 2.30 p.m.

FINANCE COMMITTEE

A meeting of the Finance Committee followed, the COLONIAL SECRETARY presiding.

Royal Observatory Instruments

The Governor recommended the Council to vote a sum of \$4,000 in aid of the vote Royal Observatory, Special Expenditure, Magnetic instruments.

THE CHAIRMAN—The allowance made for these instruments was \$8,000, but they have cost £1,330.18.0, which comes to about \$12,000. Therefore this vote of an extra \$4,000 is required. I have the details of these very delicate instruments in case any member would like to know more about them.

HON. MR. LANG—Has the money already been spent, sir?

THE CHAIRMAN—Yes, We tried to cancel this order and telegraphed home to stop it, but we were too late.

HON. MR. LANG—In the event of the Committee not voting this sum, what would the position be?

THE CHAIRMAN—I hardly dare to think. (Laughter.)

HON. MR. ALABASTER — What is the nature of these instruments? I think, perhaps,

the public would be interested in hearing something about them.

THE CHAIRMAN then read out a long and highly technical description which it was impossible for anyone to follow clearly, but at its conclusion the Hon. Mr. Alabaster expressed the opinion that the instrument referred to was probably a telescope. (Laughter.)

HON. MR. HOLYOAK—This does not get over our chief objection. Supplementary votes for objects of this nature should not be paid—unless the matter is very urgent—before the votes have been submitted to the Committee.

THE CHAIRMAN—Eight thousand dollars were in the estimates last year. I suppose it was not known at the time exactly what the instruments would cost.

HON. MR. HOLYOAK—The information might easily be circulated when it was known.

THE CHAIRMAN — The Crown Agents might report back that the cost would be so much more than the estimate, and ask whether they should pay the amount.

HON. MR. LANG—Take the other Financial Minutes now before us. I presume the money in some cases has already been expended.

THE CHAIRMAN—In one case the vote has already been approved by the Finance Committee.

HON. MR. LANG—It seems rather a waste of hon. members' time to come up here to pass votes for money which has already been spent.

HON. MR. BIRD—The money has to be voted.

HON. MR. LANG—After the money has been spent, what is the need to have a vote.

THE CHAIRMAN—The money is not spent before hand in many cases. But sometimes it is, as in this case. However it would be easy to ask the Crown Agents to telegraph out when, owing to alteration of prices in England, the cost is more

than the amount on the indent. It would be easy to circulate that telegram to the members of the Finance Committee and ask them if they agreed to the extra charge.

The vote was then agreed.

Trailer Pump

The Governor recommended the Council to vote a sum of \$259 on account of Fire Brigade, Special Expenditure, one Trailer Pump for Un Long.

THE CHAIRMAN—The villagers agreed to pay half the cost of this pump. Members of the Finance Committee agreed last year that the Government should pay half.

HON. MR. ALABASTER — There were similar applications from other villages were there not.

THE CHAIRMAN—I think there was one from Cheung Chau if that is the place of which you are thinking. That is an abeyance at present because we do not know if the villagers are in a position to pay their share.

Motor Ambulances

The Governor recommended the Council to vote a sum of \$3,435 on account of Fire Brigade, Special Expenditure, Purchase of Motor Ambulances.

THE CHAIRMAN—The total cost of these two Motor ambulances was £1,336. The major part of this sum was paid from the balance of contributions to the Red Cross. I do not know whether the money was part of the general balance of the contributions from the Colonies, or of the contribution from this Colony. The authorities of the Red Cross suggested that the money might be used for ambulances. When we first went in for them we thought the balance of the Red Cross money would be sufficient but the Crown Agents were unable to get suitable chassis at

the price estimated.

HON. MR. HOLYOAK — I must congratulate you upon the ambulances which I have seen in the streets.

THE CHAIRMAN — They are very beautiful, aren't they?

HON. MR. HOLYOAK — But on whose authority was the order given?

THE CHAIRMAN—Did you not see the letter from the Red Cross giving authority as to the expenditure of the balance of the money?

HON. MR. HOLYOAK—This is the first I have heard of it.

THE CHAIRMAN—It was a long time ago.

HON. MR. HOLYOAK—The whole trouble is that the Finance Committee is kept too much in the dark.

The vote was agreed.

Compensations

The Governor recommended the Council to vote a sum of \$9,477 in aid of the vote Public Works, Extraordinary, New Territories, Miscellaneous, 124, Compensation and Resumptions.

THE CHAIRMAN — This is to pay compensation in Kowloon Tong and Kowloon City under exchange agreements. Five amounts make this total. The money has not been paid yet has it Mr. Director?

THE DIRECTOR OF PUBLIC WORKS—No, sir.

Agreed.