

23rd June, 1927.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR CECIL CLEMENTI, 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. MR. W. T. SOUTHORN, C.M.G.).

THE ATTORNEY-GENERAL (HON. SIR JOSEPH HORSFORD KEMP, KT., K.C., C.B.E.).

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

HON. MR. E. R. HALLIFAX, C.M.G., C.B.E. (Secretary for Chinese Affairs).

HON. MR. H. T. JACKMAN (Acting Director of Public Works).

HON. MR. E. D. C. WOLFE (Captain Superintendent of Police).

HON. SIR SHOU-SON CHOW, KT.

HON. MR. D. G. M. BERNARD.

HON. MR. A. C. HYNES.

HON. MR. J. OWEN HUGHES.

HON. MR. W. E. L. SHENTON.

MR. E. W. HAMILTON (Deputy Clerk of Councils).

ABSENT:—

HON. MR. R. H. KOTEWALL, C.M.G., LL.D.

MINUTES.

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

PAPERS.

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

Order made under section 4 (1) of the Tobacco Ordinance, 1916, on 16th June, 1927.

Financial Returns for the year 1926.

Report of the Finances for the year 1926.

Report on the Assessment for the year 1927-1928.

Report on the New Territories for the year 1926.

FINANCE COMMITTEE REPORT.

THE COLONIAL SECRETARY, by command of H.E. The Governor, presented the report of the Finance Committee No. 6, dated 16th June, 1927, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

TRAMWAYS.

THE COLONIAL SECRETARY moved—

That whereas by the provisions of section 7 of the Tramway Ordinance, 1902, it is *inter alia* provided that subject to the approval of the Governor in Council after timely and adequate notification by public advertisement or otherwise of the intention of the company to apply for such approval and after such approval has been confirmed by a resolution of the Legislative Council the company may construct and maintain subject to the provisions of the said Ordinance and in accordance with plans to be previously deposited in the office of the Director of Public Works all such lines, crossings, passing places, sidings, junctions, turntables and other works in addition to or as extension of those particularly specified in and authorized by the said Ordinance as may be approved of by the Governor in Council and may work and use the same:

And whereas timely and adequate notification by public advertisement of the intention of the company to apply for the approval of the Governor in Council to the construction of approximately 145 yards of single track tramway in Percival Street and also to the provision of an additional curve leading from Morrison Street into Connaught Road Central with the necessary points in accordance with the plans dated 23rd February, 1927, and 21st April, 1927, respectively and deposited with the Director of Public Works:

And whereas the company has duly applied for the approval of the Governor in Council to the construction and maintenance of the said track and additional curve:

And whereas the Governor in Council did on the 1st day of June, 1927, approve the construction and maintenance of the said track and additional curve, subject to certain conditions:

Now it is hereby resolved that the approval of the Governor in Council so given as aforesaid shall be and is hereby confirmed: Provided that (1) any alteration of Mains, cables, services, sewers, drains, manholes or other works belonging to the Government of the Colony shall be carried out by the Director of Public Works at the cost of the company, (2) all the other works shall be subject to the approval and shall be carried out to the satisfaction of the Director of Public Works, and (3) the said track and additional

curve respectively and all the works in connection therewith shall be subject to all the powers and provisions of the Tramway Ordinance, 1902.

THE ATTORNEY-GENERAL seconded and this was agreed to.

PUBLIC HEALTH AND BUILDINGS.

THE ATTORNEY-GENERAL moved the second reading of the Bill intituled, An Ordinance to amend the Public Health and Buildings Ordinance, 1903.

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

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

Under clause 9, the date "24th (day of) June" was inserted in the 4th line of sub-section (1) of the proposed new section 162, and the date "23rd (day of) June" was inserted in the 1st and 2nd, and 6th, lines of sub-section (2).

Upon Council resuming,

THE ATTORNEY-GENERAL moved the third reading of the Bill.

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

JAPANESE RESIDENTS' ASSOCIATION.

HON. MR. D. G. M. BERNARD moved the second reading of the Bill intituled, "An Ordinance to provide for the incorporation of the Directors of the Japanese Residents' Association of Hong Kong (Hong Kong Nipponjin Kwai)"

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

Council went into Committee to consider the Bill clause by clause. No amendments were made in committee and upon Council resuming,

HON. MR. D. G. M. BERNARD moved the third reading.

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

THE CHARGES OF THE YEAR 1926.

THE COLONIAL SECRETARY said—Sir, By your Excellency's command I rise to move the motion standing in my name, *viz.*, the first reading of a bill to authorize the appropriation of a supplementary sum of \$1,083,892.42 to defray the charges of the year 1926.

The details of all items have been very fully supplied to Honourable Members in Finance Committee from time to time, and it is, I think, unnecessary to weary you with long explanations now. The reasons

for the excesses will be found in the Draft Appropriation Account and in the Treasurer's report of the Finances of the year 1926, copies of which have been furnished to every member. The items for which legislative sanction is now sought are those which could not be met from already sanctioned votes. Many of the items, particularly those for the Royal Observatory, Fire Brigade and Kowloon-Canton Railway are due to outstanding 1925 accounts which could not be paid till 1926. The largest item is \$623,116.80 for the Public Works Recurrent vote. Items charged to this vote in excess of the Estimates amounted to \$767,929 of which \$744,810 represents excesses on the vote for typhoon and rainstorm damage. Almost the whole of this was due to the great storm of July 19th last, and as Honourable Members are aware, there are several lakhs of additional expenditure on this account which are being charged to the 1927 votes. There were savings, mostly small, on most of the sub-heads of this vote, amounting in all to \$144,812 leaving a nett deficit of the amount appearing in the Bill.

The increase in the vote for the Kowloon-Canton Railway is more than accounted for by the necessity of paying in 1926 for the new carriages for which it was intended to pay in 1925. Apart from this the savings were far more than adequate to cover the cost of re-opening the Fanling-Sha-Tau-Kok Branch.

The increase on the Charitable Services vote represents almost entirely the special grant to the Little Sisters of the Poor. The increase in the Miscellaneous Services vote is due mostly to the Emergency Expenditure connected with the strike and boycott, with the need for which members have been made acquainted in Finance Committee from time to time. Increased rent of Public Telephones, against which must be set the increased royalty, the vote to close the accounts of the British Empire Exhibition, and the increase in cost of transport account for practically the whole of the balance of the increase on this vote.

Three main items alone which could not have been foreseen, *viz.*, typhoon damages, the payment of the 1925 account for railway carriages and the emergency expenditure account for almost the whole amount asked for in the Bill.

More interesting, perhaps, than the details to which I have referred will be a brief review of the position as disclosed by the final accounts for 1926 and a reference to its bearings on the current estimates and on those which will be presented to the Council a few months hence.

When the Budget for 1926 was framed shortly after the beginning of the boycott, the revenue was estimated at \$21,367,743, and expenditure at \$23,790,615, a deficit of \$2,422,872, to meet which we actually had at the end of 1925 a surplus balance of \$8,113,482. When I introduced the 1927 Budget last October the state of affairs was such that we did not feel justified in estimating our 1926 revenue at more than \$19,486,657. The figures now laid before the Council, which disclose a revenue of \$21,131,582, show a decided improvement

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estimate but it must be remembered that the difference is more than accounted for by the two fortuitous items of Profits on exchange and Profits on the sale of investments, which have been transferred to revenue account from our balances to meet the views of the Accountant and Auditor General. This is an adjustment covering several years and we cannot reckon on these as normal sources of income. The deficits shown on page 2 of the Treasurer's report for 1926 are a sufficient justification for our caution.

Turning to expenditure, the original estimate was \$23,790,615. Our revised estimate (see Hansard for 1926, page 60) was \$24,857,786. The actual expenditure was \$23,524,716, being, in spite of the supplementary votes in the Bill now before you, \$265,899 less than the original estimate.

For the full details of the savings I would refer Honourable Members to the Treasurer's report and the Draft Appropriation Account. My thanks are due to Heads of Departments for the care taken to restrict expenditure within the amounts voted; the sum of the small savings so effected is considerable. Of the larger departmental savings a few items, *e.g.*, under Police Department and Medical Department, have to be carried forward to 1927 account owing to late delivery of stores; some are due to postponed works, *e.g.*, the refuse barge for the Sanitary Department.

Public Works Extraordinary requires special mention. There was an under expenditure on the original vote of 1926 of no less than \$1,746,195, full details of which will be found in the papers in Honourable Members' hands. It was necessary for us to restrict Public Works Extraordinary to essential works and to works to which the Government was committed, and it was well that we did so, for, as Honourable Members will remember, we were suddenly faced with an unexpected call for \$1,000,000 for the rainstorm damages. Some of the under-expenditure represents savings on the estimates, some represents only payments deferred, some works postponed, some works for the present abandoned, and awaiting better times for the resumption of a forward policy. Against this under-expenditure we had an over-expenditure on other items of \$1,477,695 the nett result being that the Department spent on Public Works Extraordinary only \$268,499 less than its original total estimate.

The year's working resulted in a deficit of \$2,393,134 against an estimated deficit when the Budget was introduced of \$2,422,872 and a revised estimated deficit of \$5,371,129, the difference being accounted for by the unexpected and somewhat fictitious increase in revenue account already referred to, by the delay in the completion of some of the Public Works for which funds had been provided, and by unexpected savings on certain votes, *e.g.*, \$200,000 on the sinking fund vote.

The financial position of the Colony at the opening of 1927 was, therefore, rather better than we anticipated when we framed our

budget for the current year. We estimated our surplus of assets over liabilities at \$2,742,353. We actually had a surplus of \$3,486,290, of which a sum of not more than \$1,400,000 can be regarded as liquid assets realizable for the balancing of a deficit.

We budgetted this year for a deficit of \$1,307,305 exclusive of the expenditure of the Shing Mun Water scheme. As our balances no longer permit us to finance the Shing Mun Scheme from Revenue, the Government proposes in due course to raise a loan to which it is proposed to charge the whole cost of the Shing Mun Water Scheme. To it will also be charged the cost of purchasing the site of the old Diocesan Boys' School, the cost of the Harbour dredging and the Colony's share of the cost of the Kai Tak Aerodrome. From this loan a sum of \$1,916,406 expended on the Water scheme prior to the 31st December last will be credited to revenue as foreshadowed by Sir R. E. Stubbs in 1925, increasing our total balances as at the 31st December, 1926, to \$5,402,696 and our liquid assets to meet a deficit on 1927 working to about \$3,316,000.

It remains to be seen how the Estimates for this year will turn out. Our expenditure we hope by rigid economy and in the absence of any cataclysm of nature to keep within the total amount voted, *viz.*, \$22,314,702, as although various items of supplementary supply have been found necessary, there are inevitable savings due to lapsing salaries and under expended votes which will go far to meet them.

Revenue up to date has come in slowly and we were at the end of our 23rd week, with nearly half the year gone, about \$400,000 short of our Estimates, and should this continue throughout the year we should find our deficit increased by some nine lakhs. There is, however, reason to believe that revenue will improve in the latter half of the year and that death duties alone will wipe out a large part of the deficit.

The Colony's financial position Sir, is sound, but the most careful economy is essential and will be essential for a year or two more if we are to avoid the necessity for increased taxation. The outlook to-day is more hopeful than it has been for a long time past and if we husband our resources carefully we can look forward to the future with the utmost confidence.

I now formally move the first reading of the Bill intituled An Ordinance to authorize the Appropriation of a Supplementary Sum of \$1,083,892.42 to defray the charges of the year 1926.

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

TO PROTECT THE REVENUE.

THE ATTORNEY-GENERAL moved the first reading of a Bill intituled, "An Ordinance to protect the revenue of the Colony." In doing so he said—This Bill, Sir, might with equal appropriateness be called a Bill to protect the community against the acts of individuals who would otherwise be able to avoid the payment of duties and other

taxation which the community, through its legislature, intended they should pay. Such avoidance of the payment of duties may, of course, be quite legal and may be quite justifiable from the point of view of the person who avoids the payment, but it is undesirable from the point of view of the community, and none the less undesirable because there is no means of ensuring that the duty or tax avoided will be avoided for the benefit of the consumer. The benefit may be taken entirely by the importer although, of course, one knows there are many cases where the importer gives the consumer the benefit of a higher exchange or lower duties.

It seems to be thought by some that this Bill is an abridgement of the rights of the public in some way. Instead of that it is rather an enlargement of the opportunities of the public for the proper discussion of proposals to increase duties and taxes. At present it is essential that any proposal to increase such duties as the liquor duties should be introduced suddenly and without any previous publicity. Otherwise, of course, importers might clear stocks from Bond and so avoid payment of the increased duties. The result of that is this—when a proposal comes before the Legislative Council everyone feels the matter must be disposed of immediately and there is a temptation to give the matter less careful consideration in Council than if ample time were available. The proposal of this Bill is that when any scheme to increase duties is to be put forward, H.E. The Governor can bring the increased duties into operation at once. That order of the Governor is not permanent. It is provisional and temporary but before it ceases to have effect there is ample time for full discussion among the community, in the Press and in the Council, of the new proposals. If they are adopted, of course the new duty remains in force. If the proposals are not adopted then the former position is restored and any duty paid in excess is refunded. This Ordinance was suggested last October when the liquor duties were raised. It was made perfectly general so as to include all forms of revenue.

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

Council adjourned until Thursday, 30th June, at 2.30 p.m.

FINANCE COMMITTEE.

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

H.E. The Governor's message No. 7 containing items of supplementary expenditure Nos. 56 to 59 of 1927 was considered. The votes required totalled \$22,730 and all were approved.