

*1st September, 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. SIR SHOU-SON CHOW, KT.

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

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

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 under section 9 of the Public Health and Buildings Ordinance, 1903, on 5th July, 1927.

Extradition Acts, 1870-1906, on 15th July, 1927.

Royal and Parliamentary Act, 1927.

Recission of the Order proclaiming Bangkok to be an infected place, on 27th July, 1927.

Declaration under the Merchant Shipping Ordinance, 1899, Table L, Quarantine Regulations, on 4th August, 1927.

Rules under section 23 of the Estate Duty Ordinance, 1915, on 9th August, 1927.

- Forms prescribed under section 23 of the Estate Duty Ordinance, 1915, on 9th August, 1927.
- Regulation under section 19 of the Police Force Ordinance, 1900, on 10th August, 1927.
- Extradition Acts, 1870-1906, on 12th August, 1927.
- Declaration under the Merchant Shipping Ordinance, 1899, Table L, Quarantine Regulations, on 15th August, 1927.
- Order under section 12 of the Rope Company's Tram Way Ordinance, 1901, on 16th August, 1927.
- Rescission of the Order declaring Saigon to be an infected place, on 22nd August, 1927.
- Regulation under section 3 of the Licensing Ordinance, 1887, on 25th August, 1927.
- Report from the Superintendent of Botanical and Forestry Department for 1926.
- Report from the Captain Superintendent of Police and Superintendent of Fire Brigade for 1926.
- Report from the Registrar of Supreme Court for 1926.
- Report from the Principal Civil Medical Officer for 1926.
- Report from the Manager, Kowloon-Canton Railway, British Section, for 1926.
- Financial and other Statistics showing the Development of Hong Kong during the thirty years, 1877-1926 (Sessional Paper No. 4 of 1927).
- Recommendation by the Harbour Master as regards Staff Establishment and Salaries for the Government Marine Surveyors' Department (Sessional Paper No. 5 of 1927).
- Abstract showing the Difference between the approved Estimates of Expenditure for 1927 and the Estimates of Expenditure for 1928 (Sessional Paper No. 6 of 1927).
- Bias Bay Piracies (Sessional Paper No. 7 of 1927).

QUESTIONS.

HON. MR. D. G. M. BERNARD asked the following questions:—

Will the Government cause an enquiry to be held into

- (a) the circumstances connected with the shooting of dogs at Jardine's Corner, Peak, on Saturday afternoon and Sunday morning, the 23rd and 24th July, having due regard to the people using the roads and the necessity or otherwise of such drastic action;
- (b) the method of enforcing the muzzling regulations and make recommendations for the future?

THE COLONIAL SECRETARY, in reply, stated—(a) The Government has caused full enquiries to be made into the occurrences referred to in the first part of the Honourable Member's question. The shooting near Jardine's Corner was carried out by experienced Police Officers as the result of a complaint from a Peak resident of the danger to children from the presence of so many unmuzzled dogs in that neighbourhood, and the Government much regrets that by an error of judgment the shooting took place in the presence of children and that one child received a slight scratch apparently from a ricochet or a piece of stone. Orders have been issued that every possible care is to be taken to avoid the shooting of dogs in the presence of children, but it is obvious that the presence of spectators cannot always be avoided. The Government much regrets the necessity for undertaking the unpleasant duty of shooting dogs, but this necessity is forced upon it by the wholesale disregard of the law by dog-owners in this Colony. Among these law-breakers are to be numbered many Peak residents. It must be within the knowledge of all Honourable Members that, even since the occurrences referred to, dog-owners on the Peak and elsewhere still permit their dogs to roam about unmuzzled. As to the necessity for drastic action on the Peak as well as elsewhere it does not seem necessary to add anything to the bare statement of the fact that no less than 20 dogs from the Peak have been reported to the Police as having bitten people since the 1st January, 1926, that there were 184 reported cases of persons being bitten by dogs in Hong Kong Island since that date, 11 reported cases of rabies and 11 reported cases of hydrophobia. The risk of the terrible disease of hydrophobia arising from the presence of unmuzzled dogs in a Colony infected with rabies appears to be quite inadequately appreciated.

(b) With regard to the second part of the Honourable Member's question the Muzzling Regulations will be enforced by prosecution of owners, capture of dogs when this is practicable and can be effected without undue risk of danger to the Public Servants employed, and by shooting. As regards the future, the Government is determined that dog-owners shall not, by their disregard of the law, imperil the lives of others and proposes, after this public warning, to give orders for the most rigorous enforcement of the law with a view to the extermination here, as in other law abiding countries, of the scourge of rabies and the danger of hydrophobia.

HON. MR. D. G. M. BERNARD—Arising out of the replies to my questions I should like to ask (1) what experience is considered necessary before Police Officers are entrusted with the duty of shooting dogs and (2) what weapons are used.

THE COLONIAL SECRETARY—I ask that notice may be given of these questions.

FINANCE COMMITTEE REPORTS.

THE COLONIAL SECRETARY, by command of H.E. The Governor, laid upon the table reports of the Finance Committee, No. 8 dated July 25th, 1927, and No. 9, dated August 18th, and moved that they be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

ASYLUMS ORDINANCE.

THE ATTORNEY-GENERAL moved the first reading of "An Ordinance to amend the Asylums Ordinance, 1906."

He said—The main object of this Bill is to surround with greater safeguards the procedure under which persons suspected of being of an unsound mind are sent to asylums for purposes of observation. The intended safeguards are of two kinds. In the first place it is provided that no Order for sending a suspected case of lunacy to an Asylum for observation shall be made until there has been an attempt to communicate with some relative of the patient. In the second place it is provided that an application for the Order under this new Ordinance must be made on a definite statutory form. That will have the effect of producing undoubtedly clearness and accuracy in the application and also in the Order. When persons have to fill up a statutory form, containing definite headings and calling for definite facts, there is much less danger of the Order being made on vague and insufficient grounds. The opportunity is taken to make some other minor improvements in the Ordinance, but that is the main intention of the present Bill.

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

OBJECTS AND REASONS.

1. The object of this Ordinance is to define more clearly the procedure requisite for the admission of patients into mental asylums, and to ensure, so far as possible, that the removal of a patient to an asylum shall not take place without notice to the patient's relatives.

2. Section 2 of this Ordinance inserts in the principal Ordinance, Ordinance No. 6 of 1906, a new section 4 which gives the Governor in Council power to make regulations for various purposes connected with the objects of the Asylums Ordinance.

3. Section 3 of this Ordinance repeals section 7 of the principal Ordinance and substitutes a new section therefor. The section in question deals with the procedure for removal of a person to an asylum for temporary detention and observation. The principal features of the new section 7 are that it requires both the application, and the order of the magistrate or justice of the peace, to be in a

statutory form, and that it lays down that, except in case of necessity, no order shall be made until an attempt has been made to communicate with some relative of the patient. The insistence on the use of definite statutory forms will undoubtedly tend to greater strictness and particularity. A draft containing the proposed forms is published with this draft Ordinance. The opportunity is taken to make it clear that the seven days detention for the purpose of observation shall date from and including the date of the order.

4. Section 4 of this Ordinance also deals with the same point of the exact duration of the period of detention for observation, and it amends section 8 of the principal Ordinance on this point.

5. Section 5 of this Ordinance makes two technical amendments in section 9 of the principal Ordinance. These amendments are necessary because the forms will in future be prescribed by Order in Council.

6. Section 6 repeals section 10 of the principal Ordinance and substitutes a new section which allows two extensions of 7 days each in addition to the initial period of 7 days detention for observation. The Government has been advised that a period of 14 days may not be enough in some cases, but that the whole period of detention for observation should not exceed 21 days in all.

7. Section 7 of this Ordinance repeals section 11 of the principal Ordinance and substitutes a new section. The section in question deals with the removal from an ordinary hospital to an asylum of patients who show symptoms of suffering from delirium tremens. The principal features of the new section 11 are as follows:—

- (a) the order for removal must be made in a definite statutory form;
- (b) the new section is not confined to the Government Civil Hospital;
- (c) the power to order removal is not confined to the superintendent of the hospital but may be exercised by the senior medical officer for the time being present in the hospital and on its staff. It is obvious that it might be necessary to act during the temporary absence of the superintendent;
- (d) the power to order removal from a hospital to an asylum is confined to the person who either is a registered medical practitioner or is a person who is by law deemed to be a registered medical practitioner.

The persons who come under the latter category are (i) Government medical officers, (ii) medical officers of His Majesty's Navy or Army serving in the Colony on full pay, and (iii) professors of the Faculty of Medicine of the University of Hong Kong. The reference to professors of the Faculty of Medicine of the University of Hong Kong is inserted here in anticipation of a proposed amendment of section 19 of the Medical Registration Ordinance, 1884, Ordinance No. 1 of 1884.

8. Section 8 of this Ordinance repeals section 15 of the principal Ordinance and substitutes a new section therefor. The section in question deals with the treatment of prisoners of unsounded mind.

The language of sub-section (1), which deals with persons ordered to be detained until His Majesty's pleasure shall be known, is assimilated to that of section 76 of the Criminal Procedure Ordinance, 1899, Ordinance No. 9 of 1899.

Sub-section (2) deals with prisoners who are discovered during the imprisonment to be of unsound mind. The corresponding passage in section 15 of the principal Ordinance deals only with prisoners who *become* of unsound mind during their imprisonment.

Sub-section (3) is similar in terms to part of the repealed section and deals with the case where a person of unsound mind becomes sane during the term of the sentence.

Sub-section (4) deals with the case where the person confined is still of unsound mind at the expiration of his sentence. This is not dealt with in the principal Ordinance. If two medical practitioners certify in the prescribed form that the person in question is still of unsound mind at the expiration of his sentence he will be detained in an asylum until he is released by the order of the Governor or discharged by the medical practitioner in charge of the asylum, or otherwise released in due course of law.

9. Section 8 of this Ordinance repeals the Schedule to the principal Ordinance because, as stated above, the forms will in future be prescribed by Order in Council.

10. Section 10 postpones the commencement of the Ordinance in order to allow time for forms to be prescribed.

AFFORESTATION OPERATIONS.

THE ATTORNEY-GENERAL moved the first reading of "An Ordinance to enable certain areas to be declared prohibited areas with a view to the protection of afforestation operations.

He said—The Botanical and Forestry Department have been greatly hampered in their operations by the destruction of trees which they have planted. That destruction occurs in two ways. In the first place very young trees are often cut down carelessly by persons who are cutting grass on the hill-side. In the second place older trees are very often deliberately cut down in order that the wood may be sold. At present it is perfectly easy for a man who goes out on the hill side deliberately to cut down and steal trees of this kind to cease his cutting operations when he sees the Forest Guard approaching. He hides his saw or axe, and perhaps lights a cigarette and sits down and he is perfectly safe. He waits until the Forest Guard has passed.

and then he resumes his cutting and stealing. The present Bill proposes to tackle this problem from a new point of view. The proposal is that certain definite, carefully selected areas should be declared prohibited areas and it will be an offence not merely to cut trees in such areas but an offence to be found in those areas. The areas will be carefully selected by the Governor-in-Council, the boundaries will be clearly marked and there will be no excuse for anyone straying into those areas inadvertently. It will be made quite clear that the area is one that should not be entered. The prohibition against entry into these areas will be absolute so that only will persons who wish to cut wood or grass be prohibiting from entering, but also shooting parties and picnic parties will, for the general good, have to keep out of these areas as well. It is the intention at the moment merely to make a beginning by declaring prohibited a certain area on the hill-side between Tai Tam harbour on the West and Big Wave Bay and Shek O on the East. The Ordinance does not apply to the New Territories, other than New Kowloon.

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

OBJECTS AND REASONS.

1. The afforestation operations of the Botanical and Forestry Department are greatly hampered by the practice of cutting and stealing the trees in the afforestation areas. Very young trees are sometimes also cut in the course of grass cutting. The areas in question are so widely spread that it is difficult to detect and catch offenders. One expedient adopted by them is to hide their cutting implements in a plantation, so that they are not found approaching the plantation or coming from it with any cutting implements. Further, if while engaged in cutting in a plantation they see forest guards approaching, they hide their implements and, when questioned, say that they are merely passing through the plantation. The forest guards have to proceed on their patrol and the wood stealer can then recover his implements and continue his cutting.

2. This Bill is an attempt to preserve the plantations from such depredations by making it an offence to enter any prohibited forestry area without lawful authority or excuse. It will be much easier to detect and prove presence in such an area than to prove actual cutting or stealing.

3. The area will be declared by the Governor in Council in each case to be a prohibited area, and the boundaries will be marked or indicated by means of fire barriers or otherwise. Warning notices in English and Chinese will be placed along the boundaries at intervals not greater than 440 yards.

4. It is obviously necessary to make the prohibition of entry into the prohibited area an absolute one applying to all persons, because

it is clearly impossible to distinguish the class of persons who would be likely to cut and steal wood. This absolute prohibition, which thus seems to be necessary in any case, has the additional advantage of tending to prevent damage by fire or by trampling which might be caused through the carelessness of shooting and picnic parties.

5. As the prohibition will be absolute, regulations in the Schedule to the Wild Birds Ordinance, 1922, Ordinance No. 15 of 1922, are being amended so as to prohibit the shooting or taking of game in an area prohibited under the present Ordinance, or the entry into such an area in pursuit of game or for the purpose of taking nests or eggs. The regulations in question will be further amended so as to provide for the insertion on the form of game licence of a note drawing attention to the prohibition now proposed. A draft of the proposed regulations is published with this Bill.

6. The Ordinance does not apply to the New Territories (other than New Kowloon), and the only area which it is at present proposed to declare a prohibited area is a certain portion of the hillside between Tai Tam Harbour on the west and Big Wave Bay and Shek O on the east.

FINANCIAL REVIEW.

H.E. THE GOVERNOR said—Honourable Members of the Legislative Council,—When framing the Colony's budget for a future year, it is always wise to look back over the past, in order to estimate the stability of our financial position, to measure the rate of colonial progress and development, and thereby to get an insight (if possible) into what the coming years have in store for us. Such retrospect is valuable even in normal times; but, when times are abnormal, when the Colony has been subjected to special storm and strain, when China—of which Hong Kong is geographically speaking a part—has been swept by Bolshevism and devastated by civil war, and when an end of the chaos and anarchy now unhappily prevalent in the Eighteen Provinces is not yet in sight, retrospect becomes essential and must be carried further into the past than usual. On this occasion, therefore, as a preface to the introduction of next year's budget by the Colonial Secretary, I propose briefly to review the Colony's financial history for the past thirty years, from 1897 to 1926, both years included.

Chronologists reckon thirty years to be a generation, and the thirty years in question do in fact coincide with the service in Hong Kong of several official members now seated at this Council table. They coincide very nearly with the period of my own experience of Hong Kong: and there are also unofficial members of this Council who have had personal knowledge of Hong Kong throughout these years. I have, however, chosen this period mainly for three other reasons, the first being that it is practically co-extensive with the time during which the New Territories have formed part of the Colony,

the second being that 1900 was the Boxer year and that useful lessons may be drawn from a comparison of conditions in the Colony then and now, and the third being that at the commencement of this period our 1893 loan had been fully expended and that since then the Colony's development has been financed almost entirely from annual revenue.

Thirty years ago, on the 1st January, 1897, the Colony's surplus balances amounted to \$548,964. The revenue of the Colony collected during 1897 was \$2,686,914 and the expenditure was \$2,641,409. The total civil population of the Colony in that year was estimated to be 243,565 souls: the total shipping engaged in foreign trade entered and cleared at Hong Kong, excluding junks, was 12,124,599 tons and of this total 67 per cent. was British. It is interesting to place in immediate juxtaposition the figures for last year. On the 1st January, 1926, the Colony's surplus balances amounted to \$8,113,482. The revenue collected during 1926 was \$21,131,581 and the expenditure was \$23,524,715. The total civil population of the Colony was estimated to be 874,420 souls; the total shipping engaged in foreign trade entered and cleared at Hong Kong, excluding junks was 26,983,190 tons and of this total 54 per cent. was British. Therefore, during these thirty years the Colony's revenue increased more than eight-fold, its population was more than trebled, and its shipping engaged in foreign trade, exclusive of junks, was more than doubled. This is a wonderful record and the remarkable continuity of the progress made is shown in a sessional paper which has to-day been laid on the table.

The revenue increased steadily from \$2,686,914 in 1897 to \$7,035,011 in 1906. Then there was a brief set-back, for the revenue in 1907 was only \$6,602,280 and in 1908 it fell to \$6,104,207. Thenceforward the increase was again continuous until in 1918 the revenue collected was \$18,665,248. There followed another set-back, the revenue for 1919 being \$16,524,974, for 1920 being \$14,689,671 and for 1921 being \$17,728,131. Thereafter the revenue suddenly leaped up again, reaching the Colony's record, namely \$24,783,762, in 1923. Since then there has been another decline; but even so the revenue collected last year was \$21,131,581, appreciably more than in any year of the Colony's history prior to 1922.

The Council will see that during the thirty years under review there has thrice been a set-back in the steady expansion of the colonial revenue, the first in 1907-8, the second in 1919-21, while the third is being experienced at the present time. On the first of these occasions the trouble was due to trade depression consequent on over-speculation in 1904, followed in 1905 by the boycott of American goods in China as a protest against the United States' exclusion law. Imports to, and exports from, China fell off. Moreover, the reduction of the British fleet in China, which took place at this time, adversely affected Hong Kong in many ways, especially

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repairing and docking of ships. The general trade depression continued in 1906, when there were heavy losses through the fall in price of Indian yarn, while shares in local undertakings much depreciated in value. It was accentuated towards the end of 1907 by world-wide restriction of commerce following upon a financial crisis in America. Shipping in particular suffered and the same trouble continued in 1908. Thereafter a gradual improvement began both in trade and in shipping, and this was at once reflected in an improved collection of revenue in Hong Kong.

The second set-back was during the years of world-wide disorganization which followed the conclusion of the Great War. The trade depression of that time was by no means confined to Hong Kong, but it was aggravated here by the disturbed state of the neighbouring province of Kuang-tung and of China generally. Eventually, however, this very state of chaos and anarchy in China reacted beneficially upon the revenues of Hong Kong, because the Chinese realized that this Colony afforded a safe refuge from the storm and they, therefore, became anxious in increasing numbers to find some foothold within it. There followed a land-boom in Hong Kong and Kowloon: and the recent statistics of the revenue of this Colony from land-sales are so significant that I give them in full:—

1919 revenue from land-sales	\$ 263,960
1920 do.	556,349
1921 do.	1,634,098
1922 do.	2,721,804
1923 do.	3,488,797
1924 do.	1,909,236
1925 do.	570,243
1926 do.	286,342

We were, therefore, last year back again at the pre-boom figures of 1919: but at the height of the boom, during 1923, the Colony derived more money from land sales alone than the amount of its total annual revenue prior to the beginning of this century.

The land-boom was already on the decline, when Bolshevik intrigue launched against this Colony the anti-British boycott which began in June, 1925. It is interesting in retrospect to observe how little injury that boycott did to Hong Kong. In one way it even did good, for it united the Chinese and European communities of this Colony, as they had never been united before, in a fixed determination to destroy the menace of Bolshevism and to root out communism from among us. I venture to believe that the same determination now animates the Government of the Kuangtung Province and I hope, therefore, that it may not be long before the old spirit of friendship and co-operation will again prevail between Hong Kong and Canton to our mutual advantage.

In considering the stability of our financial position it is, of course, necessary to examine the principal sources from which our

revenue is derived, and in this respect also a comparison between the years 1897 and 1926 is full of interest. Such a comparison has been made in detail in the sessional paper to which I have already referred. I need, therefore, only deal with the chief items and my task is simplified by the fact that of last year's total revenue 77.7 per cent. was derived from no more than fifteen sources, the figures for which I have tabulated for convenience's sake side by side with the corresponding figures for the year 1897.

<i>Heads of Revenue.</i>	<i>1926.</i>	<i>1897.</i>
Assessed taxes.....	3,636,668	429,136
Stamp duties.....	2,928,339	252,216
Opium monopoly.....	2,831,305	286,000
Tobacco duties.....	1,835,345	—
Liquor duties.....	1,186,313	—
Postage.....	698,407	268,616
Crown rent of leased lands (including the New Territories).....	664,105	241,798*
Railway.....	538,045	—
Water supply.....	471,679	110,047
Liquor licences.....	393,898	67,136
Land sales.....	286,342	224,500
Kowloon West Ferry licence.....	247,130	—
Carriage, chair, etc., licences.....	240,156	43,323
Interest.....	237,444	4,576
Markets.....	232,594	70,519
Total.....	<u>16,428,770</u>	<u>1,997,867</u>

*—Exclusive of New Territories.

In 1897 there was no railway, nor was there a Kowloon West Ferry. Liquor duties were first imposed in 1909 and tobacco duties in 1916. So these four sources of revenue did not exist in 1897. Nevertheless the remaining eleven items produced 74.3 per cent. of that year's income and were, therefore, then as now, the principal foundations of the Colony's financial structure. A scrutiny of these heads of revenue shows that each one of them is sound. Objection might perhaps be taken in some quarters to the revenue derived by the Colony from opium, which is now 13.3 per cent. of our total income and was 10.6 per cent. of the total in 1897, thus showing at first sight a relative increase. But, whereas in 1897 the sale of opium in Hong Kong was farmed out by the Government to a Chinese syndicate, there has since 1914 been a Government Monopoly, which is run with a view to control of the traffic rather than to profit. Therefore, in order to arrive at a just comparison, it is necessary to deduct from last year's opium revenue the cost of manufacture, namely \$690,913; and the remaining \$2,140,392 can then properly be compared with the net revenue of \$286,000 derived by this Government from opium in 1897. So it results that the Colony's opium revenue

last year was 10.1 per cent. of our total income, while in 1897 it was 10.6 per cent., and the apparent relative increase vanishes. Moreover, this Government is very willing to prohibit the consumption of opium in the Colony and to forego its revenue from this source as soon as the production and consumption of opium in China are suppressed. Until then prohibition is not a practical proposition in Hong Kong, and all we can do is to keep the price high enough to make opium a luxury and yet not so high as further to encourage smuggling.

Turning now to the statistics of the Colony's population, it is necessary first of all to observe that these figures have by no means the same degree of accuracy as the financial returns. There was a census in 1901, in 1911 and 1921: but for the intervening years the total civil population is only an estimate based upon the excess of births over deaths and of immigration over emigration. Towards the end of an inter-censal period these figures are apt to be wide of the mark, and this fact no doubt accounts for the sharp rises in 1911 and 1921, when the previous estimates were suddenly corrected by actual enumeration. The full figures are given in the sessional paper No. 4 of 1927, to which I have already referred. The figures for the census years are:—

1901	total civil population	290,124
1911	do.	464,277
1921	do.	686,680

Consequently the rate of increase in the population during the first decade was 60 per cent. and during the second decade 47 per cent. We are now in the middle of an inter-censal period and it is difficult to say what degree of reliance can be placed on the estimate of 874,420 souls as the total civil population of the year 1926. But it is certain that our population is larger now than in 1921, and I shall be much surprised if the 1931 census does not again reveal a very appreciable increase in the Colony's population.

It is, of course, the harbour of Hong Kong and its shipping which has made the greatness of Hong Kong. In this respect also the progress achieved during the past thirty years is wonderful and shows a remarkable continuity. In 1897 the total number of ships engaged in foreign trade entered and cleared at this port other than junks was 9,944 with a total displacement of 12,124,599 tons. Statistics of the total tonnage of all kinds entered and cleared are unfortunately not available for that year; but in 1902, the first year in which these figures were recorded, a total of 21,333,566 tons of shipping of all kinds entered and cleared in Hong Kong. By 1924 the total tonnage of all kinds, entered and cleared, had reached the record figure of 56,731,077 tons. In that year 30,240 ships engaged in foreign trade other than junks entered and cleared at Hong Kong, and their aggregate displacement was 35,471,671 tons. It is interesting to compare the shipping statistics of London and New York for that year. The

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given in sessional paper No. 4 of 1927, but the result can be shown at a glance as follows:—

<i>Ports.</i>	1924. <i>Total tonnage of all kinds.</i>	<i>Foreign going tonnage excluding junks.</i>
Hong Kong	56,731,077	35,471,671
London	47,064,975	32,557,466
New York	40,022,503	37,773,000

Indisputably, therefore, Hong Kong is one of the greatest shipping ports in the world; and, although the anti-British boycott of 1925 and 1926 caused a decrease in the number and tonnage of the shipping entered and cleared at Hong Kong, there is every reason to believe that this set-back is only temporary and that a rapid recovery will be made as soon as normal trading conditions in China can be restored.

The achievement of Hong Kong in financing its amazing development during the past thirty years by means of its annual revenue, and without recourse to borrowing, is unexcelled in any part of the British Empire. In 1893 the Colony raised a loan of £200,000 at $\frac{3}{2}$ per cent. interest and spent it chiefly on water-works and on resuming insanitary properties at Tai-ping-shan. By 1898 the whole of this loan had been expended. Since then all public works in the Colony, both ordinary and extraordinary, have been paid for from current revenue, with the exception of the construction of the British section of the Kowloon-Canton Railway, which was financed by a sterling loan raised in 1906. It is worth while to pause a minute and to reflect what this means. It means that the whole of the development in the Kowloon peninsula has been paid for from current revenue. This development has been nothing less than the transformation of a rural district into a large modern town, where in years to come it is not unlikely that a million or more persons will reside. This town has been provided with an ample water supply, with a splendid road system, with drainage and sewerage, with a hospital, with fine police stations at Yaumati, Shamshuipo and Kowloon City and with a breakwater and typhoon shelter at Mongkoktsui. All public works in the New Territories, except the railway, have been paid for out of current revenue. In broad outline this means that, without raising any loan, we have made a detailed cadastral and contour survey of the New Territories, showing every paddy field and every house contained therein; we have built the Taipo Road and the road *viâ* Castle Peak to Fanling and across to Shataukok: we have erected all the police stations and public buildings in the New Territories; we have extended the Government telephone system throughout the Territories; we have made the Shamshuipo reclamation and materially assisted in the Kowloon Tong Development Scheme. Meanwhile on Hong Kong Island itself we have constructed a system of first class motor-roads. We have built the magnificent Tytamtuk waterworks. We have participated in the original Praya Reclamation

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reclamation. We have done much drainage and harbour dredging work. We have built the Wireless Station at Cape d'Aguilar, the Blake Pier and the Queen's Pier. We have also erected a large number of excellent and spacious buildings, chief among which are the Supreme Court, the Post Office Building with the Government Offices therein, the Fire Brigade Station with the Government Offices therein, the King's College, the Victoria Hospital extension, the Bacteriological Institute, the Central Police Station, the new Magistracy, the Harbour Office and the Western Market. The donation of £250,000 towards the cost of the Imperial Naval Base at Singapore was also made without recourse to borrowing.

The present position with regard to the Colony's loans is satisfactory and can be summarized in a few words.

(a) In 1887 the Hong Kong Government raised a 4 per cent. loan of £200,000 for the purpose of constructing various public works. Of this loan a sum of £60,000 had been repaid by 1893 and the balance, namely £140,000, was in that year converted into $3\frac{1}{2}$ per cent. inscribed stock and amalgamated with the additional loan of £200,000 then raised. When, in 1906, the Hong Kong Government floated a further $3\frac{1}{2}$ per cent. loan for the construction of the British Section of Kowloon-Canton Railway, this loan also was amalgamated with the Colony's previous loan. The total of the consolidated $3\frac{1}{2}$ per cent. loans thus became £1,485,733; and with a view to repayment, annual contributions of 1 per cent. are made to a sinking fund, which at the close of last year amounted to £533,787. This loan is due to be paid off in April, 1943.

(b) During the Great War a local loan of \$3,000,000 was raised by the Hong Kong Government as a contribution to the Imperial Government on account of the mother country's war expenditure. This loan bears interest at 6 per cent. *per annum* and is in process of liquidation. By the 1st May this year \$2,100,000 had been repaid and arrangements have been made to repay the outstanding \$900,000 on the 1st November next. No call will be made on the current year's revenue for this purpose, as the sinking fund will more than suffice. This liability will, therefore, soon disappear.

(c) The only other loan now outstanding is the Trade Loan, raised in 1925 to alleviate commercial difficulties due to the anti-British boycott. Sums totalling \$15,624,688 were granted under this scheme and nearly a third of this total has already been repaid. The amount now outstanding is \$10,936,958. We have thus been able to repay £680,000 of the original loan of £1,800,000, which was floated in London to finance the scheme; and, as we recover money from local borrowers, it is applied to reduction of our sterling liability. The interest paid by local borrowers more than covers the interest due by this Government in respect of the loan, which therefore throws no burden on the general taxpayer.

At the opening of this year, inspite of heavy expenditure on extraordinary public works
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boycott, the Colony still had a surplus balance of \$3,486,290, of which a sum of about \$1,400,000 can be regarded as liquid assets realizable for current expenditure. It is a splendid record and may well inspire us with confidence and give pause to those who talk wildly of making Hong Kong once again "the barren island" it was before the Treaty of Nanking.

Gentlemen, we have no intention of calling any halt in the development of Hong Kong. On the contrary, we have it in mind to make further progress by constructing an aerodrome, which will enable us to participate in the world-wide development of commercial aviation, by further improving our water supply to meet the needs of our increasing population and by dredging the harbour, where necessary, to a greater depth. But we think that future generations of colonists, who will benefit from the schemes now initiated, ought to share with us in the cost. We propose, therefore, soon to raise a loan by means of which to finance these new schemes: and if, as I for one fully expect, the future progress of Hong Kong is such as to rival its progress in the past, the burden of the interest and sinking fund on the new loan will not weigh heavily on the community.

The stability of our financial position has been amply tested by the events of the past thirty years. At the beginning of that period the Boxer year came and went without any check to the Colony's progress. The Russo-Japanese War of 1904-5 did not disturb local development in Hong Kong. Even the Chinese Revolution of 1911, followed by the Great War of 1914-18, and succeeded by disastrous years of civil war in China, continuing to this day, has not impeded the advance of this Colony, which finds itself stronger now than when the cataclysm began. We have, therefore, every right to look into the future with perfect confidence. This Colony is a marvellous exemplification of the results which can be achieved when Britons and Chinese collaborate in the development of a country. Such collaboration has done wonders for the Far East in years gone by and I am quite sure that the future holds even better things in store.

THE BUDGET.

THE COLONIAL SECRETARY said—Your Excellency,—In accordance with your instructions I rise to move the first reading of a Bill intituled, "An Ordinance to apply a sum not exceeding seventeen million four hundred and fifty thousand one hundred and three dollars to the Public Service of the year 1928." I would once again remind Honourable Members that the total estimated expenditure as shown in the printed estimates exceeds the total shown in the Bill by the amount of the Military Contribution and Public Debt Charges.

The last two years have been difficult years for the Colony, but as Your Excellency has just pointed out in the historial retrospect which must have been of great interest to
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is not the first time that it has experienced, not a set back, but a halt in its progress. I share Your Excellency's confidence and I am sure Honourable Members do so too, that it will not be long before we are not only back where we were prior to the outbreak of the strike and boycott, but advancing far beyond. But until that time comes we must be content to hold firmly on to what we have got, and to restrain ourselves from any undertakings which would jeopardize our financial stability when we wish to take the next big step forward. Consequently the present budget has been framed on the most conservative lines possible. Economy has been our watchword in framing it, and, however much we may have wished to proceed with eminently desirable works, we have decided that for the present we must cut our coat according to our cloth, and I am afraid it has resulted in a somewhat tight fit. In accordance with our policy of maintaining our estate, and a very fine estate it is, at the highest possible efficiency, we have left our Administrative and Protective Services at full strength, and have even increased them in some minor particulars, *e.g.*, in the Clerical and Accounting Staffs, in the Harbour, Police and Medical Departments and in the Defence Corps; and we have allowed a small increase for Education, a matter of great importance, and in Public Works Recurrent votes for maintenance. There is a reduction of nearly \$32,000 in Public Works Department Personal Emoluments. After providing for the full maintenance of all the essential services, we were left with a certain sum of money for Public Works Extraordinary, and the first items to be provided for were those works in progress which could not be abandoned or delayed without serious loss. The small sum of money left, after provision had been made for these works, has been devoted to some of the most urgent of the minor works which are awaiting attention.

It would, of course, be possible to increase taxation and so to raise sufficient money to pay for some of the works we have felt obliged to postpone. But it would be unwise to lay additional burdens on the community just when trade is beginning to pick up. It must be our first duty to foster that recovery by every means in our power. Consequently with two small exceptions to which I shall refer later, it is not proposed to alter any of the existing sources of revenue. We have not, however, overlooked the possibility of proceeding with works of development by means of a loan, and I shall at a later point in our proceedings this afternoon move the first reading of a Bill authorizing the provision of a loan of \$5,000,000 to carry out the Shing Mun Water Scheme, the Harbour Dredging and the Colony's share of the Kai Tak Aerodrome. It must be remembered, however, that nearly \$2,000,000 of this amount is required to pay back to our balances sums already expended on the waterworks scheme. This sum is expected to be available before the end of this year, and is duly taken into account in considering the money available for expenditure next year.

Before proceeding with the details of the budget, I propose to deal briefly with the general financial position of the Colony, and in this connection I would ask Honourable Members to refer to my remarks when introducing the Supplementary Supply Bill for 1926 on 23rd June last. We started this year with a Surplus Balance of \$3,486,290 of which we regarded \$1,400,000 as liquid assets. We budgetted for a deficit of \$1,307,305 to be met from the surplus balance. The Estimates of Revenue and Expenditure for the current year have been carefully revised and are shown on pages 5 and 12 of the draft Estimates now in Honourable Members' hands. It will be seen that we anticipate a shortfall of revenue of nearly \$500,000 and an under expenditure of some \$730,000. Since the figure were printed it has been decided to charge to revenue, instead of to the loan, the cost of the old site of the Diocesan Boys' School, viz., \$253,500 which will reduce our under-expenditure to \$476,544, and leave us with an estimated deficit on this year's working of \$1,302,257, to be met from our estimated liquid balance of \$1,400,000. We might, therefore, have expected that we should have to commence next year with a surplus balance of \$2,184,033 of which only some \$97,000 would be liquid and available. As it happens, however, more of our balances have become liquid during the current year and there should be at least \$500,000 available for expenditure at the end of this year, without taking into account repayments from loan. To this will have been added before the end of the year the sum of \$1,916,406 expended from revenue on the Shing Mun Scheme, and reimbursed from the loan. We, therefore, expect to start the year 1928 with a Surplus of Assets over liabilities of \$4,100,439 and liquid balances of \$2,416,406.

Revenue for the present year has not come in quite as well as we hoped. The new Liquor Duties have not come up to expectations, and the total liquor duties show an estimated shortfall of \$350,000, Opium Revenue shows a shortage of \$200,000, Stamp Duties of \$300,000 and Land Sales of \$200,000. While the last two no doubt reflect the fact that trade conditions, though certainly improving, are still far from normal, the first two, which ought to have shown increases owing to the increased population, can only be explained by the extensive smuggling, which we know goes on in spite of all our efforts to prevent it. In view of the shortage this year we have not felt justified in estimating our revenue for next year at more than \$20,103,390, approximately four lakhs less than the revised estimate for this year, which has been raised by certain windfalls in the way of interest and miscellaneous receipts on which we cannot rely next year.

Expenditure is estimated at \$22,183,045. This is \$131,657 less than the original estimate for this year and \$598,387 more than the revised estimate. Estimated expenditure for next year exceeds the estimated revenue by \$2,079,655 to meet which we expect to have liquid balances of \$2,416,406 available at the end of this year. It may be asked

what of the future, what is to be done if revenue does not markedly improve during the next few years? We have been living for some years on our accumulated surpluses, which we are consuming at a rate which is certainly more rapid than we like, but it must be remembered that with practically no additional taxation we are carrying the burden of a programme of works undertaken in the spacious days of an overflowing exchequer. Luckily these works, where it has not been possible to shut them down, are rapidly nearing completion, in some cases I regret to say, in a much abbreviated form, and at the end of 1928 we hope to find our commitments of the past reduced to a comparatively small figure.

We must, however, recognize that when we reach the end of our liquid balances we shall have to rely on revenue alone for any Public Works Extraordinary which are not chargeable to loan, and unless our revenue increases, either by increased prosperity or by increase in taxation, we shall have to be content with a much smaller annual expenditure on Public Works Extraordinary than has been usual in the last few years. No longer shall we be able, as in the days of plenty, to assist enterprising bodies in their schemes for development, however admirable, with advances from the public purse. The fact that we have an item in our assets of over \$1,500,000 locked up in Building Loans to private bodies and individuals is some indication of the measure of our past assistance by way of advances. This money we now require, as soon as we can recover it, for works of public utility. The Secretary of State for the Colonies has, therefore, requested that a warning be issued to the effect that Government will not for the present be able to entertain appeals for financial help from private or semi-public bodies, who must restrict any schemes or projects they have in view to the amount they can raise from other than Governmental sources.

There are only two changes contemplated in the sources of revenue next year. One is a small increase in school fees at certain schools, which will bring Government fees more into line with private school fees. This is expected to bring in about \$60,000 and cannot be considered a serious burden. Notice of this increase was given in June last. The other is an increase of survey fees for steamships and steam-launches. As is well known to Honourable Members the Government is as anxious as any one to maintain the attractiveness of our splendid harbour, and it will be found that we have provided for a very considerable increase of expenditure on the Harbour Department with that aim in view. As a means of recouping ourselves for some of that expenditure, we have felt justified in raising some of our survey fees to bring in an additional sum estimated at \$32,000. The matter is of such interest and importance that a sessional paper has been prepared and laid before Honourable Members to-day, fully explaining the proposals, and I trust justifying both the expenditure and the increase of the fees.

Before leaving revenue I should like to make a few remarks concerning the loan which it is proposed shortly to float in Hong Kong, and the works which it is proposed to finance from it. The total amount of the loan is to be \$5,000,000 at 6 per cent. Of this total \$3,500,000 is provisionally allocated for water works of which the Shing Mun Scheme is likely to absorb just over \$3,100,000 according to the latest figures I have available. \$1,000,000 is provisionally allocated for the Harbour Dredging and the Colony's share of the Kai Tak Aerodrome and the remaining \$500,000 is unallocated. The Secretary of State for the Colonies has proposed that the Imperial Government shall bear three quarters of the cost of the Aerodrome and the Colony one quarter, but the matter has not yet been finally decided by His Majesty's Government. If that proportion should be adopted the cost to the Colony according to the latest figures available would be \$602,700 for Dredging and \$594,500 for Kai Tak Aerodrome, and it will be necessary to draw on the unallocated funds of the loan to the extent of \$197,200. It is proposed to raise \$3,000,000 of the total loan in November next. While dealing with loan works I would observe that it had been intended to issue in time for to-day's meeting sessional papers on the proposed Aberdeen Reservoir, on the Vehicular Ferry Scheme and on the New General Civil Hospital Scheme, but our Engineers were very fully occupied earlier in the year with work for the Military, in connection with the arrival of that part of the Shanghai Defence Force which is stationed here, and it has not been found possible to complete the investigations in time. The sessional papers will be issued at a later date.

I would invite the attention of Honourable Members to Appendix V. in the Draft Estimates, which gives a statement of the position of the 1925 Trade Loan. This, of course, has nothing to do with the budget, but it is published for information in what is considered a convenient place.

Turning now to expenditure, the total estimate is \$22,183,045. There is a decrease in Public Works Extraordinary of \$1,239,100. This, however, is offset by an increase of \$130,638 for Military Contribution and \$158,076 for Pensions, neither of which can we regulate at will. Other large increases are \$247,181 for Miscellaneous Services, \$162,401 for the Harbour Department and \$185,525 for the Police Department. The more important decreases and increases are the following:—

Head 2—Cadet Service.

Provision has been made for one more cadet who will be necessary to keep the cadre up to strength.

Head 3—Senior Clerical and Accounting Staff.

Altogether there are three new posts under this head. One Class II. post for the Registry of the Supreme Court; recent experience

has shown that it is necessary to detail an officer specially to look after the accounting and financial work of the Supreme Court; one Class III. post for the Marine Surveyor's Office; this is in connection with the increase in staff of that office, and is referred to in the sessional paper on that subject; and one more Probationer. Officers with special scales of salary different from those fixed for the various classes of the Senior Clerical Service have been grouped in the 1928 Estimates in a different way from the grouping shown in the 1927 Estimates. This involves no increase other than the stipulated increments.

Head 4—Junior Clerical Service.

The whole of the postal staff of the Junior Clerical Service has been transferred from this head to Head 11—Post Office. The reason for this is that postal clerks unlike clerks in other departments are not ordinarily transferable, and depend for promotion on vacancies in the Post Office only, and not in the service as a whole.

The number of posts in the Higher Class and Classes I. to III. has been slightly increased, and the numbers in Classes IV. and V. correspondingly reduced. It was found that promotion to the higher classes was unduly slow, and that efficiency was liable to be affected in consequence, and it is proposed to work up gradually each year until a fixed ratio between the numbers in each class has been reached. The clerical staff in the Post Office will also be worked to the same proportions.

Additional posts are one Class IV. Clerk for the Malarial Research Officer, to whom I will refer when dealing with the Medical Department, and four Class VI. Clerks for the Colonial Secretary's Office, Education and Prisons Departments.

Head 7—Treasury.

The post of Assistant Crown Solicitor for this office is for the present in abeyance. An Assistant Crown Solicitor has been at the Treasury since November of last year and has done very good work in getting the system into working order, and it is hoped that next year it will be possible for an Assistant Crown Solicitor from the Crown Solicitor's Office spending half his time at the Treasury to cope with the work. It may be necessary in more flourishing times to consider the restoration of this post.

Head 11—Post Office.

The increase is due almost entirely to the transfer of provision for the clerical staff from Head 4—Junior Clerical Service.

Head 12—Imports and Exports Department.

Under personal emoluments provision is made for one more European Revenue Officer. The inadequacy of the present staff, which

does not allow for an officer to be detailed exclusively for ship searching, has been aggravated by the reduction in the period qualifying for home leave from $4\frac{1}{2}$ to 4 years. Provision has also been made for granting rent allowances to Chinese Senior Revenue Officers and 1st Class Revenue Officers of ten years' service on the same basis as the grants to Chinese Sergeant Majors and 1st Class Constables, respectively, in the Police Force.

\$3,000 has been inserted under Special Expenditure for the purchase of a motor car. This is required in connection with the control of distilleries. At present the train and motor-bus have to be relied on, which involves much waste of time. A motor cycle and side car would not be suitable as it will be necessary to transport one European and two Chinese Revenue Officers, as well as bulky materials and samples of spirit. Provision has also been made, but under the Harbour Department on page 26 of the printed Estimates, for a motor boat at a cost of \$7,000. A considerable amount of opium smuggling is done by junks and sampans on the Kowloon side of the harbour, where there is no definite water front as there is on this side of the harbour, and the occasional hiring of a launch has proved unsatisfactory, chiefly because it robs the raids and searches of the essential element of surprise.

Head 13—Harbour Department.

Apart from the increase in the staff of the Marine Surveyor's Office, to which I have already referred and which is fully dealt with in the sessional paper on the subject, there are only minor increases under personal emoluments. Provision is made for the crews of the two new launches and motor boat which it is proposed to build next year, and there is also inserted on page 30 of the printed Estimates one Boatswain for the Government slipway at Yaumati. All stores, etc., for Government launches are issued here, and it is anticipated that the appointment of this boatswain whose duties will be largely that of a storeman will more than pay for itself by the prevention of leakage of the stores. Subhead 2—"Coal and Oil Fuel for Launches" and Subhead 12—"Repairs, Minor Improvements and Stores for Launches and Boats" are increased with the greater number of craft. Subhead 4—"Electric Fans and Light" has also been increased, as the former offices of the Imports and Exports Department have been taken over by the Harbour Department. A sum of \$25,000 has been inserted for the purchase of a new launch for the Boarding Officers. The number of Boarding Officers was increased from three to five this year, and there is available for them only one launch, which is quite inadequate for the work to be performed, particularly since the limits of the harbour have been extended to Lyemun Pass.

The present motor launch H.D.5 is now quite unseaworthy for anything but a flat calm. She is to be tried for junk inspection work at Aberdeen where the water is calm, and must be replaced in the harbour.

The sum of \$40,000, with the supplementary vote of \$10,000 added, for the launch to replace the "Victoria" has been carried over to next year. The matter was fully discussed in Finance Committee and the work will be in progress this year but payment is not expected to fall due until 1928.

Head 15—Fire Brigade Department.

A European Sub-Officer is substituted for an Inspection Officer; this will mean a slight saving as the salary of the former is less than that of the latter.

Subhead 2—"Clothing" has been increased by \$3,500. The present material used is not satisfactory, and it is proposed to purchase "Wet Proof" material from England. This should prove much more durable, and so more economical in the long run.

\$10,500 has been inserted for the purchase of a light motor pump to replace a worn-out machine.

Head 17—Attorney-General.

In order to obviate the necessity of taking a supplementary vote in a small department, where there would not be sufficient savings to pay the salary of the officer acting for an officer on leave, it has been decided that where such liability can be foreseen provision shall be made in the Estimates. There is a case in point in this department.

Head 23—Police Force.

There is a nett increase on this head of \$185,525, of which \$128,100 is accounted for by two launches. Under personal emoluments provision is made for one more European Sergeant, who will take the place of one European Lance-Sergeant. Provision is, however, made for seven additional European Lance-Sergeants, so that the Estimates show one additional Sergeant and six additional Lance-Sergeants. This increase has been very carefully considered by the Government, and has only been allowed because the Government is satisfied that it is necessary. One of the seven is required for the finger print and photography department, for which at present only one officer can be spared; the work is very much on the increase, and extra assistance is urgently required; one is needed for duty in the Pass Office to assist in keeping track of and rounding up undesirable aliens. Of the remaining five, two are required for street duty in the Mongkok District, and three for the Kowloon City District, which embraces Kowloon Tong. Both these districts are expanding rapidly, and it is necessary that they should be properly policed. The only other change in personal emoluments is the increase in the Indian contingent by forty-five posts, to balance the decrease of forty-five posts in the Wei Hai Wei contingent.

Under other charges subhead 2—"Ammunition" and subhead 7—"Clothing and Accoutrements" have been increased by \$4,000 and \$8,000 respectively to provide for the Police Reserve. Subhead 19—"Passages" has had to be increased by \$5,000 to meet the increased cost due to the reduction of the qualifying period from $4\frac{1}{2}$ to 4 years. Subhead 20—"Petrol, etc.," is increased by \$1,500 owing to the formation of the Police Flying Squad. Subhead 22—"Rations for Indian Police" has gone up with the increase in the strength of the Indian contingent. Subhead 24—"Repairs to Police Cars and Cycles" was under-estimated in previous years, and a supplementary vote for \$2,000 was taken last April. The vote has now been increased by \$2,500. "Secret Service," subhead 27, has been reduced by \$2,500, the amount now inserted being considered sufficient.

One hundred rifles will be required for the Police Reserve, and provision has accordingly been made under subhead 32—"Purchase of Arms." A recurrent expenditure of \$2,500 which is required for spares and replacements has been transferred from subhead 32 to subhead 3. One of the Police motor cars and three of the cycles require specially extensive repairs, and provision is accordingly made under subhead 33. The Harbour Launch, \$25,000, is to replace No. 8 Launch, which was quite worn out, so much so that, when the engines had been removed, not more than \$200 could be obtained for the hull. At the present moment therefore the Police are one launch short for harbour duty, which means that the remaining launches have to be run almost continuously night and day, without adequate provision for overhaul and repair, or actual breakdown. The cruising launch is to replace the present No. 3 Launch formerly the "Shun Lee" which was only bought as a stop-gap. The Government Marine Surveyor has reported that she is quite unseaworthy in anything but the most sheltered waters; consequently she is to all intents and purposes useless as a cruising launch. The new launch will be fitted with wireless and a 3-pounder gun. The Indian beds, subhead 44, are for the increased number of Indian Police.

Head 25—Medical Department.

As a result of the investigations and recommendations of the Naval Malaria Preventive Officer, Singapore, who visited Hong Kong, in conjunction with the Medical and Sanitary Departments, it has been decided that the only really effective way, and at the same time the most economical way, of tackling the malaria problem in the Colony is to appoint a specially trained malarial research officer, with a small staff to assist him, to investigate and advise on the work to be undertaken. At present the incidence of malarial fever in some parts of the Island and in the New Territories is very high; and it is largely due to the prevalence of malaria that districts such as Taipo, Stanley and Shek O have not been developed as residential areas. In view of the great progress which is being made in other

parts of the world in combatting the ravages of malaria, it is a standing reproach to this Colony that so little improvement has been made here. In spite of the need for economy we can no longer afford to neglect this all-important problem and the first step necessary is to obtain expert advice on the best way of attaining our end. I have been much interested to notice since the estimates were printed that this subject has received considerable public attention as the result of a recent article on Malaria by a well known Medical Professor of the Hong Kong University. The cost for next year is estimated at just of \$20,000. This provides for the Research Officer at \$8,000, a European Inspector, six coolies for work in the field, \$2,000 for equipment, microscopes, etc., and \$5,000 for field works. As the investigations proceed it will probably be necessary in subsequent years to increase the amount provided for field works.

It has been decided that the Medical Officer of Health and the Assistant Medical Officers of Health should more properly appear under the Medical than under the Sanitary Department Estimates, though they will remain seconded to the latter department. Provision has been made for one more Assistant Medical Officer of Health. He will be required for work in rural districts both on the main-land and on the Island. It is not proposed that these districts shall be brought under the control of the Sanitary Board in the same way as the urban districts are; the officer's work will be more in the nature of educating and instructing the villagers in sanitation and hygiene. He will, of course, work in conjunction with the District Officers.

With the opening of the new central medical store, a very necessary and long-needed provision to insure the economical use of valuable stores, it will be necessary to engage an additional Assistant Apothecary, and provision has accordingly been made. It is intended to use the Victoria Hospital for men as well as for women. It is more suitable than the General Civil Hospital for Europeans and there is now sufficient accommodation. To cope with the increased number of patients which this will entail, provision has been made for two more Nursing Sisters. Probationer Nurses have been increased by six posts. In time it is hoped that these Chinese nurses will be able to take the place of Europeans, and it is considered desirable that as many as possible should be trained.

Under Other Charges subhead 14—"Fuel and Light" has been increased by \$2,500. Previously this vote was under-estimated. Two of the votes of the Bacteriological Institute have been increased in order to meet the growing demand for vaccines and sera. The sale of these is a source of revenue to Government.

Head 26—Sanitary Department.

The scavenging at Aberdeen, Aplichau, Stanley and Tytam which is at present done by a contractor, is to be done departmentally on the expiration of the present contract at the end of
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anticipated that the work will be much more efficiently done. Provision has been made for the extra staff required, which will cost \$3,856 next year. Drivers of bullock carts have again been considerably reduced with the progress of the scheme of replacing bullock refuse carts by motor lorries. Subhead 24—"Purchase and Maintenance of Bullocks" has for similar reasons been cut down to \$1,000. Motor lorries are proving most successful, and more economical than bullockcarts.

The number of subheads under other charges has been reduced by amalgamating those which provided for similar services. This has enabled reductions to be made on many of the votes, and is also more convenient in working.

Provision is made for the purchase of one more motor refuse lorry, and for the fitting of solid tires to all Sanitary Department lorries. Owing to the nature of their work, the use of pneumatic tyres has been found uneconomical.

Head 27—Botanical and Forestry Department.

There is an increase of nine gardeners, six of whom will be required to look after the extensive lawns surrounding the Kowloon Hospital, two for the nursery and propagating department and one for the General Civil Hospital.

Head 28—Education Department.

At present we are without King's College which is being used as a military hospital. It is, however, necessary that provision should be made for staffing it and running it in the event of the number of troops in the Colony being so reduced next year that they will not require King's College. Six British mistresses on the temporary staff who were formerly paid from savings on personal emoluments are now included in the estimates. The teaching staffs of the Vernacular Middle School and the Normal School for Women have been increased by one English teacher at the former, and by three lecturers at the latter. Both these schools are proving very popular and are expanding.

Subhead 7—"Incidental Expenses" has been increased so as to provide uniforms for office attendants, messengers, and collies in accordance with the recommendations of the Committee which investigated the matter. The same scale applies for all office staff throughout the service. Subheads 10 and 11—"Students-in-training" have been reduced with the decrease in number of these students.

Coming now to grants and subsidies, Government may under the Grant Code make various grants to non-Government schools which fulfil certain conditions as regards buildings, the number of pupils entered for various examinations, etc. It has been the policy in the past for schools to regard these grants as almost automatic. It is, however, necessary to fix a limit to these increasing demands on the

public purse. Such sums as the Government considers equitable are provided in the Estimates, and it will be the duty of school managers so to regulate their arrangements, in consultation with the Director of Education, that their requirements can be met from the sums provided. Unauthorized expansion involving claims beyond the amounts provided will not be recognised by the Government as a legitimate charge on the Revenue. The amounts now inserted in the Estimates have been scrutinized very carefully and will it is hoped prove adequate. It will be noticed that the sum for Building Grants has been reduced, and I invite the special attention of persons interested to the remarks I have made elsewhere on the inability of Government to subsidize schemes started without adequate financial provision.

The \$11,639 inserted for equipment for King's College includes gymnastic apparatus, physics and chemistry apparatus for 3rd year pupils, drawing models and a few minor items. Part of this sum will not be required until King's College is again available for educational purposes.

Head 29—Public Works Department.

There is a nett reduction of \$31,677 on personal emoluments of the Public Works Department. Of the increases \$39,525 is for stipulated increments and \$19,987 for new posts. Of the decreases \$31,280 is accounted for by posts abolished and \$46,445 by posts left vacant. Posts have been abolished and omitted from the Estimates where it is felt that there is no likelihood of their being required in normal years. Vacant posts are those which are regarded as necessary for the normal establishment of the department, but though shown in the Estimates they are at the moment left unfilled and without provision of funds for their salaries, owing to the reduction in the amount of Public Works provided for. Reduction has been effected by leaving unfilled posts which have become vacant through retirements, resignations, expiration of agreements and other causes. It will probably be possible to make further reductions as time goes on, if the programme of Public Works is not increased. Meanwhile, however, provision must be made for all officers who will be on the establishment on 1st January of next year.

It may seem curious that new posts are required in the Public Works Department, but it must be remembered that the Public Works Department comprises many different sub-departments, not all of which are affected by the reduction of Special Expenditure. The amount required for new posts provides for one Stenographer for the Accounts and Stores Branch, one Wireless Telegraphist for the Police Department, one Foreman Mechanic for the Government Garage at Wantsai, two 1st Class and two 2nd Class Assistant Land Surveyors required in connection with the revision of the survey of the Colony, one Cable Jointer and one Foreman. When considering the staff of the Public

Works Department it should be remembered that to the \$2,467,164 provided for expenditure under Public Works Extraordinary must be added a sum estimated at over \$2,000,000 to be expended next year from Loan Funds and funds provided by His Majesty's Government on the Water Schemes, the Harbour Dredging and the Aerodrome, all of which are being carried out under the supervision of the existing Public Works Staff.

Under Other Charges "Conveyance Allowances" show a decrease with the reduction in staff. Subhead 3—"Drawing Materials and Mounting Plans" has been reduced by \$2,000. Sub-head 4—"Electric Fans and Light" has been increased to \$28,000. The whole of the lighting of the new Fire Station building is to be paid for by the Public Works Department. Subhead 5—"Incidental Expenses" has been reduced by \$3,000, and subhead 6—"Lifts Maintenance" has been reduced to \$4,000. The Fire Brigade which provides the operators will in future also pay for the maintenance of the lifts in the Fire Station building. More surveying instruments will be required next year, and the vote has been increased accordingly. With the purchase of more Government cars not so much will be required for the "Transport and Travelling" vote, and a reduction of \$2,000 has been made. Subhead 9—"Uniforms" has been increased so as to provide the office staff, messengers, etc., with uniforms in accordance with the fixed scale. The motor and steam rollers will require more extensive repairs next year, and the vote has been increased to \$8,000. A reduction of \$2,000 has been made on subhead 13—"Upkeep of Quarry Plant." The Radio Telegraph Branch has been steadily expanding, and next year it is proposed to install a short wave transmitter and receiver which will enable commercial messages to and from the United Kingdom, and possibly other countries, to be handled. It is anticipated that this will bring in a considerable amount of revenue, as well as effecting a saving on Government messages. Provision is made for the necessary apparatus under Special Expenditure, and with more apparatus it will be necessary to increase the subhead "Repairs, Stores and Current." Provision has also been made for an additional receiver to improve the reception of Rugby press messages, which often cannot be received owing to atmospheric conditions. With the new apparatus it is expected almost all will be clearly received. The equipment of the Government garages and workshops on which \$3,000 is being spent this year is not yet complete, and it is necessary to provide a further \$5,000 next year. This will enable all cars on this side of the harbour to be repaired here, instead of having to be sent over to the already overburdened Railway Workshops.

Head 30—Public Works Recurrent.

There is a nett increase on this head of \$69,750 but of this amount \$13,000 for upkeep of bathing places has been transferred from Head 34—Miscellaneous Services.

Among the chief increases are a total for Hong Kong, Kowloon and New Kowloon of \$11,750 for lighting and extensions of lighting to keep pace with the development of the Colony. Item 2 of subhead 13, "Water Meters" for Kowloon, has been increased by \$10,000. There are at present nearly 400 applications for metres outstanding, and \$15,000 is the minimum sum necessary to meet these demands. "Maintenance of Praya Walls and Piers" at Kowloon has been increased by \$7,000. The corresponding vote for New Kowloon has been placed at the proper figure of \$10,000, the figure of \$100 in the current year's estimate being an error. "Maintenance of" and "Improvements to Buildings" in the New Territories have been increased by \$8,000 and \$6,000 respectively. This is chiefly due to the number of Police Stations which will require heavy repairs next year. "Maintenance of Roads and Bridges" in the New Territories has been increased considerably in order that the roads may be maintained in a fit condition for vehicular traffic. The Colony is justly proud of its splendid roads, and it would be false economy not to keep them up properly.

Head 31—Public Works Extraordinary.

It has been customary to speak at length on the details of this head when introducing the Budget. This year a memorandum by the Director of Public Works on the works which it is proposed to undertake has been placed before each Honourable Member. This gives fuller details than would be possible in a speech, and it is hoped that this new departure will prove a convenience to Honourable Members.

The Head, Public Works Extraordinary, is in some ways more interesting for what it omits than for what it contains. Almost all the large items are for works to which the Colony is committed, and until these are completed no new schemes of any magnitude can be contemplated except from Loan Funds. A very long list of urgent public works was most carefully considered, but as Honourable Members will see from the figures placed before them the services we have provided for have used up practically the whole of our available balances, and we cannot undertake further liabilities without funds. It is needless for me to enumerate the many works which have had to stand over, apart altogether from large schemes such as the Vehicular Ferry and the Increased Water Supply which can only be considered in conjunction with a further loan. There are Hospitals, Markets, Latrines, Bath Houses, Schools, Roads, a Police Training School, Police Stations, Public Bathing Beaches, the Kowloon Point Improvements, Wireless Direction Finders, and many other works which the Government would gladly undertake if they could be accomplished without increasing the burden of taxation. As matters stand they must wait until we have cleared off our commitments or until our revenue increases.

Head 32—Kowloon-Canton Railway.

At first sight there appears to be a considerable increase on this head. Actually it is not so. The extra cost in staff, coal, repairs, etc., resulting from our locomotives running through to Canton is over \$97,000. This is all to be recovered from the Chinese Section, so that the apparent increase of \$70,000 on this head is converted into a decrease of \$27,000. The present arrangement whereby our locomotives run through to Canton is working very satisfactorily. It is very gratifying to see the two sections of this railway co-operating so harmoniously to the mutual benefit of both. It is to be hoped that this spirit of mutual help will extend to other activities. As a result of the resumption of through-traffic, receipts have gone up.

Apart from the increases just referred to there are no alterations of importance under either Personal Emoluments or Other Charges.

It is necessary to replace certain of the workshop machines, such as the electric welding plant, and pneumatic hammers and drills which are worn out. A sum of \$9,000 has accordingly been inserted under Special Expenditure. It is proposed to keep the Fanling-Shataukok branch running until the end of 1928, by which time it is hoped the future prospects of the district may be more clear. For this purpose a sum of \$9,000 is inserted for special repairs. The future of the line will depend on the state of affairs in the adjacent portion of Kuang-tung in 1928, and if it is to be continued permanently a heavy outlay will be necessary in 1929. The position will be reviewed next year.

Head 33—Defence: Hong Kong Volunteer Defence Corps.

The Ammunition vote sub-head 3 has been increased by \$2,500, partly owing to the greater number of machine guns which will mean a greater expenditure of ammunition, and partly owing to the formation of the Portuguese Company, which is also responsible for the increase in the Uniform vote. As Volunteers are considered as mobilised when in camp they will receive pay; this is included under sub-head 5, "Camp Expenses," which is increased by \$5,500. The infantry are to be armed to a greater extent than heretofore with Machine Guns. It is proposed to purchase four next year and four the year after. Similarly the Armoured Car Section is to be augmented by two motor cycles fitted to take Machine Guns. With the growth of the Corps certain constructional alterations at Headquarters are necessary and provision is made accordingly. At present there is one armoured car. It is desirable to add one more, so that one can be available on either side of the harbour; I trust no occasion for using them will ever arise, but it is necessary to be prepared for any eventuality. As Honourable Members are aware it is proposed to purchase a Regimental and a King's Colour for the Corps. They have already been ordered, but it is not expected that they will be ready until

next year and provision has, therefore, to be made. Should either or both of the Colours be presented to the Corps there will be a corresponding saving to the Revenue.

It has been decided by the Secretary of State for the Colonies to postpone for the present the formation of a Royal Naval Volunteer Reserve in Hong Kong.

Head 34—Miscellaneous Services.

The matter of the Government's contribution towards the cost of three armed launches for anti-piracy work in the delta has already been before the Finance Committee. The agreement terminates in March of next year, but as it is possible that it may be renewed, provision for the whole year is made. The cost is admittedly heavy, but it is essential that the commerce of this Colony should be protected from piratical attack.

A small vote has been inserted for extra clerical assistance to avoid trivial items of supplementary supply.

Subhead 24—"Chinese Faculty at the University of Hong Kong." Your Excellency is keenly interested in the promotion of higher education in the Chinese language at the University. At first the beginnings must be small, but in time it is hoped that the faculty may attract students from China, Malaya, and elsewhere. For the present it cannot be expected to be self supporting, and provision is made for the salary of an adviser, the Reverend H. R. Wells, O.B.E., and one lecturer.

The allowance for teachers to subordinate officers studying Cantonese has been increased to \$15 per month. It is most important that officers who have to work with and amongst the Chinese should have some knowledge of the language. Sub-head 27 has been raised to \$17,000 to cover the cost of the increased allowance.

The increase in subhead 29—"Other Miscellaneous Services" from \$23,250 to \$200,000 is due to the fact that the Emergency Vote which was omitted from the Estimates for 1927 was later found necessary, and had to be furnished to the extent of \$200,000 by Supplementary Supply. The outlook is still so uncertain that expenditure on this account is likely to be unavoidable next year and it is preferable to budget for the amount now and thereby avoid, as we hope, any need for a supplementary vote next year.

Asiatic subordinate officers receiving a salary of more than \$450 per annum are granted a rent allowance after 10 years' service. More officers are qualifying for the allowance year by year, consequently the vote has had to be increased.

The vote for telegrams had to be augmented by a supplementary vote of \$11,000 in March of this year, owing to the great increase in telegraphic correspondence resultant on the

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China. \$12,000 has been inserted for next year. There will it is expected be a saving on this vote once the short wave wireless apparatus is installed, but it is too early for any accurate reduction at present.

Sub-head 45—"Transport of Government Servants" has been increased by \$50,000 to meet the extra cost resultant on the reduction in the period qualifying for home passages from $4\frac{1}{2}$ to 4 years.

Head 35—Charitable Services.

There are two new votes under this head. They are \$10,000 for free burials for the Tung Wah Hospital and \$7,000 for the Kwong Wah Hospital. These two hospitals have in previous years paid for the cost of coffins, etc., for free burials from the mortuary and General Civil Hospital, both Government institutions. The Tung Wah Hospital Committee has appealed for a reimbursement of the cost and the Government feels that this is a proper charge on the Revenue. The work could not be done so satisfactorily if undertaken departmentally. The amounts inserted in the Estimates are based on the expenditure for this service by the two hospitals for the last five years.

A sum has been provisionally inserted under Head 36 for service of the 1927 Loan. Repayment on the existing War Loan will be completed this year.

The question of amending the Pension Minute to enable a gratuity of a year's salary to be paid to an officer's dependants on his death, whilst serving, has already been before the Finance Committee, and is at present being considered by the Secretary of State for the Colonies. In order to avoid the necessity for making each grant the subject of a separate supplementary vote as has been done this year, a sum of \$20,000 has been inserted in the Estimates.

I trust that I have not wearied Honourable Members by what may seem a tedious narration of details, but it has been my endeavour to explain as clearly as is in my power what the Government proposes to spend its money on next year, and why it proposes so to spend it.

There may be disappointment that it is not intended to proceed with such eminently attractive and popular public works as the schemes for improved bathing beaches, but as I made evident at the beginning of my speech the present time is not one for embarking on anything that is not absolutely essential.

For the last few years we have been making both ends meet by using up the savings of the past. Those savings are now coming to an end. We are borrowing money for essential works which will benefit future generations, but the ordinary day-to-day expenses of administration, and of upkeep of the harbour, roads, etc., must be met out of current revenue. With care that revenue will suffice; and it has been our endeavour in framing this budget to exercise that care.

We depend, Sir, for our prosperity now as ever on peace and prosperity in China and particularly in South China; the removal of the chief seat of trouble further North has resulted in a slight alleviation of our difficulties here, but our own clouds cannot roll away until the horizon in China once more becomes clear and serene. It is the earnest hope of every well-wisher of Hong Kong and of China alike, and this Government numbers itself among the well-wishers of both, that that happy event may be consummated at no distant date.

Before closing my remarks I should like again to express my indebtedness to Heads of Departments generally and especially to the Colonial Treasurer and his Assistants, and to my staff in the Colonial Secretary's Office for the willing help they have given in the preparation of the Budget, and not least to Your Excellency for the personal interest and advice with which you have assisted me throughout.

I now move the first reading of a Bill intituled, "An Ordinance to apply a sum not exceeding Seventeen million four hundred and fifty thousand one hundred and three Dollars to the Public Service of the year 1928."

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

LOAN OF FIVE MILLION DOLLARS.

THE COLONIAL SECRETARY said—I rise to move the first reading of an Ordinance to make provision for a loan of \$5,000,000 for the carrying out of certain Public Works.

I have, I think, already dealt sufficiently fully in my remarks, when introducing the Budget at an earlier stage of this afternoon's proceedings, with the causes which have led the Government to a decision that the Colony can no longer finance expensive schemes, largely intended for the benefit of posterity, from current revenue and surplus balances. We need our revenue and our remaining balances for our current needs. I have also given sufficient details of the works for which it is proposed to utilize the loan now under consideration, and I need not repeat them here, but I might emphasize the fact that, of the amount set out in the allocation for Waterworks Development, a sum of \$1,916,406 has already been expended from our surplus balances, and will be at once restored to those balances as soon as the loan is floated. This procedure was foreshadowed by Sir R. E. Stubbs when he introduced the Budget in 1925. The technical details of the bill are explained in the statement of objects and reasons.

The question of the kind of loan to be floated was very carefully considered by the Government. It was found that with the repayment of the \$3,000,000 War Loan there existed a very definite desire for a local Dollar Loan, and the Government has every reason to believe

that the new Loan will be fully subscribed. Such a loan to be attractive locally had to be at six per cent. It might have been possible to float a Sterling Loan in London at a small discount at a slightly lower rate of interest, but after mature consideration it was thought to be in the best interests of the Colony to float a local 6 per cent. loan in Dollars at par. It may well be that, when things have settled down in China and the commerce of the Colony is once more prospering, it may be possible to float a Sterling Loan at a considerably lower rate of interest and for a considerably larger amount, wherewith to redeem this loan, which has advisedly been made a short term loan, and to finance some of the large schemes of development which are for the moment held in abeyance. The present moment is not a favourable one for raising money in London for anything connected with China. As Your Excellency has pointed out, our indebtedness is so small that our credit should stand high, and we hope to reap the full advantage of this in the future when Chinese investments are less unattractive than they are just now.

It is proposed to raise \$3,000,000 out of the amount authorized by the Bill in November next. Bonds will be issued in denominations of \$1,000, \$5,000 and \$10,000 and applications from small local investors will receive special consideration. We shall continue to advance money from our balances for Loan works so long as we can do so without embarrassment, as no advantage is to be gained from borrowing money at 6 per cent. while we have balances available. When this is no longer possible we propose to raise the remaining portion of the loan and recoup our balances therefrom. The proposals will I trust receive the unanimous approval of the Council.

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

Council adjourned until Thursday, September 15th.

FINANCE COMMITTEE.

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

H.E. The Governor's message No. 10, comprising items of supplementary expenditure Nos. 76 to 78 of 1927, totalling \$2,000, was considered. The votes were agreed to.

THE CHAIRMAN—There is one item of \$4,000 for the railway for the repair of typhoon damage caused on August 20th which I could not include in the printed agenda. If you will give authority for that expenditure the vote will be formally put before you at the next meeting of the Finance Committee.

Authority for the expenditure was given.