

13th September, 1934.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR WILLIAM PEEL, K.C.M.G., K.B.E.).

HIS EXCELLENCY THE OFFICER COMMANDING THE TROOPS (MAJOR-GENERAL O. C. BORRETT, C.B., C.M.G., C.B.E., D.S.O.).

THE COLONIAL SECRETARY (HON. SIR THOMAS SOUTHORN, K.B.E., C.M.G.).

THE ATTORNEY GENERAL (HON. MR. R. E. LINDSELL).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. N. L. SMITH).

THE COLONIAL TREASURER (HON. MR. E. TAYLOR).

HON. MR. E. D. C. WOLFE, C.M.G., (Inspector General of Police).

HON. COMMANDER G. F. HOLE, R.N., (Retired) (Harbour Master).

HON. DR. A. R. WELLINGTON, C.M.G., (Director of Medical and Sanitary Services).

HON. MR. R. M. HENDERSON, (Director of Public Works).

HON. SIR WILLIAM SHENTON, K.T.

HON. MR. C. G. S. MACKIE.

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

HON. MR. S. W. TS'O, O.B.E., LL.D.

HON. MR. T. N. CHAU.

HON. MR. W. H. BELL.

HON. MR. J. OWEN HUGHES.

MR. H. R. BUTTERS (Deputy Clerk of Councils).

ABSENT:—

HON. MR. J. P. BRAGA.

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:

Amendment to regulation 16 in Table V under section 29 (4) of the Merchant Shipping Ordinance, 1899.

Regulation under section 25 (4) of the Merchant Shipping Ordinance, 1899, relating to vessels moored alongside ships at buoys in the Harbour.

Order under section 92 (8) of the Public Health and Buildings Ordinance, 1903, for removal of all graves in the Tung Wah Hospital Cemetery at Kai Lung Wan in which bodies were buried during the year 1925.

Order under section 92 (8) of the Public Health and Buildings Ordinance, 1903, for removal of all graves in those portions of Sections B and C in Kowloon Cemetery No. 2 (Ho Man Tin Cemetery) in which bodies were buried during the year 1925, and in Section A and Trenches in which bodies were buried during the year 1927.

Order under section 92 (8) of the Public Health and Buildings Ordinance, 1903, for removal of all graves in those portions of Sections A, B and C in Chai Wan Cemetery in which bodies were buried during the year 1925, and of all graves in this cemetery between the numbers 7,000 to 7,354 inclusive which have not previously been exhumed.

Order under section 92 (8) of the Public Health and Buildings Ordinance, 1903, for removal of all graves in those portions of Section A and Trenches in Kai Lung Wan East Cemetery in which bodies were buried during the year 1927, and those portions of Sections B and C in which bodies were buried during the year 1926 and of all graves in Section B between the numbers 656 to 950, in which bodies were buried during the years 1916 to 1921 and which have not previously been exhumed.

Order under section 92 (8) of the Public Health and Buildings Ordinance, 1903, for removal of all graves in that portion

of Section A in New Kowloon Cemetery No. 4 (Sai Yu Shek Cemetery) in which bodies were buried during the year 1927 and in that portion of Section C in which bodies were buried during the year 1926.

Order under section 92 (8) of the Public Health and Buildings Ordinance, 1903, for removal of all graves in those portions of Sections B and C in Mount Caroline Cemetery in which bodies were buried during the year 1926 and in that portion of Section A in which bodies were buried during 1927.

Report to the Director of Colonial Audit on the Audit of the Accounts of Hong Kong 1933.

Abstract showing the Differences between the Approved Estimates of Expenditure for 1934 and the Estimates of Expenditure for 1935 (Sessional Paper No. 4).

FINANCE COMMITTEE'S REPORT.

THE COLONIAL SECRETARY, by command of H.E. the Governor, laid upon the table the report of the Finance Committee, No. 11 of 23rd August, 1934, and moved that it be adopted.

THE COLONIAL TREASURER seconded, and this was agreed to.

MOTIONS.

THE COLONIAL TREASURER.—Your Excellency, I beg to move the following resolution in connection with the Betting Duty Amendment Ordinance No. 26 of 1934, passed on the 23rd August, 1934.

The circumstances in which this sliding scale was introduced were fully explained in the Objects and Reasons appended to the Bill.

I now move that "Whereas under section 6 (1) of the Betting Duty Ordinance, 1931, as amended by the Betting Duty Amendment Ordinance, 1934, it is provided that on every bet made on any totalisator or pari-mutuel authorised by the said Ordinance there shall be charged a duty on a scale to be determined from time to time by resolution of the Legislative Council, and, Whereas it is expedient that such a scale should now be determined, it is hereby resolved that in the case of bets made on any totalisator or pari-mutuel authorised by the said Ordinance there shall be paid a duty according to the following scale:—

Where in any year ending on the 31st day of March the total gross receipts from the sale of tickets at such totalisator or pari-mutuel

do not exceed \$3,000,000.....	1 per cent of such total;
exceed \$3,000,000 but do not exceed \$4,000,000	1½ per cent Of such total;
exceed \$4,000,000 but do not exceed \$5,000,000	2 per cent Of such total;
exceed \$5,000,000 but do not exceed \$6,000,000	2½ per cent of such total;
exceed \$6,000,000	3 per cent. of such total."

THE COLONIAL SECRETARY seconded, and this was agreed to.

THE ATTORNEY GENERAL moved: "That the Order dated 3rd day of August, 1934, made by the Chief Justice under section 114 of the Bankruptcy Ordinance, 1931, Ordinance No. 10 of 1931, be approved." He said:—The effect of the amendment by this Order of Rule 123 made under the Bankruptcy Ordinance, 1931, is to extend from one month to four months the period of prior notice that must be given by the trustee in bankruptcy of his intention to declare a dividend on a bankrupt's estate.

Under the old rule two months such notice was prescribed, but it is considered much fairer to a bankrupt's creditors, who may be absent from the Colony, to give them four months notice.

THE COLONIAL SECRETARY seconded, and this was agreed to.

THE BUDGET.

THE COLONIAL SECRETARY.—I rise by Your Excellency's command to move the first reading of a Bill intituled "An Ordinance to apply a sum not exceeding \$26,324,219 to the Public Service of the year 1935."

There are certain minor alterations to which I would invite attention in the form in which the Budget for next year is presented. Two new appendices, 1 (A) and 1 (B) show the distribution of the Senior Clerical and Accounting Staff and Junior Clerical Service respectively. The distribution is that for which provision is made

in the Budget, but it will be found in practice impossible strictly to adhere to it, especially in the case of the Senior Clerical and Accounting Staff in view of the leave movements of officers domiciled outside the Colony. The distribution of Public Works Department General Staff, formerly Appendix I, is now shown under Appendix II (A), and Appendix V (C)—Details of Public Works Staff paid from Loan Funds—becomes Appendix II (B). The other appendices have been re-numbered and those dealing with the calculation of Defence Contribution and Expenditure from Loan have been remodelled and expanded with a view to greater clarity. As adumbrated in the Budget debate last year the Government House and City Development Scheme has become a self-contained financial unit the details of which are set out in a new Appendix VII. The Ordinance giving legislative sanction for the creation of this fund appears on the agenda of to-day's meeting of this Council and the reasons for treating the scheme in this way are fully set out in its Objects and Reasons.

I now turn to the Budget itself. As the preamble to the Appropriation Ordinance states, the expenditure of \$26,324,219 which Honourable Members are now asked to vote is in addition to the contribution to the Imperial Government in aid of Military Expenditure and to the Charges on account of Public Debt. These sums in respect of 1935 are estimated at \$4,741,452 and \$1,410,431 respectively, a total of \$6,151,883, and I propose to add this sum to the \$26,324,219 in order that the total estimated expenditure during 1935 may be clearly apprehended and easily compared with the expenditure figure for the current year, and these figures weighed against the estimated revenue for 1934 and 1935. Including this \$6,151,883 the total estimated expenditure in respect of 1935 is \$32,476,102. The estimated revenue for 1935 is \$30,585,650 so that we are budgeting for a deficit of \$1,890,452 to be met from the surplus balances of the Colony.

In connection with these figures I would invite attention to the estimate of the financial position as at 31st December, 1935, shown in Appendix IV, page 116, and to the very full memorandum on the financial position for which I am indebted to my honourable friend the Colonial Treasurer. In view of this memorandum which Honourable Members will be able to study at leisure I shall not take up the time of the Council over unnecessary detail but shall confine my remarks on the general financial position to a few comments on the more salient features.

The surplus balances of the Colony on 1st January of this year stood at \$13,823,625. The estimated surplus at that date as shown in Appendix III of the printed estimates for 1934 was \$13,309,801. Savings in expenditure, largely due to the higher rate of exchange, had more than counterbalanced the decrease in revenue and the Government's financial position was consequently better than had been anticipated. The estimated expenditure for the current year

including \$100,000 in respect of the Government House and City Development Scheme was \$33,442,695 and the estimated revenue \$31,731,625. The revised figures are Expenditure, \$30,893,000 and Revenue, \$29,670,634. From these figures it will be seen that it is anticipated that by the end of this year the surplus balances will be reduced to \$12,601,259 and that revenue will have fallen more than \$2,000,000 below the estimate for 1934.

These two points have been the major factors in the framing of the Budget for 1935; a third important factor has been the rate of exchange.

I will deal with the third factor first. The rate adopted for 1932 was 1s. 0d., for 1933 1s. 2d. and for 1934 1s. 3d., representing a slow but fairly steady appreciation in the value of the local dollar. The Government has adopted 1s. 4d., an advance of 1d. over the rate for 1934, in respect of next year. This may be considered by some to be unduly conservative in view of the fact that the dollar at present stands in the neighbourhood of 1s. 6d., but Honourable Members will remember that it was only four and a half months ago that the dollar, having gradually appreciated to that figure, fell suddenly to 1s. 4 $\frac{1}{4}$ d. In view of the fluctuations in the rate of the dollar which have already occurred this year, the uncertainty as to the future of silver, and the various influences to which the value of the dollar in terms of sterling is subject the Government has thought it safest to follow the policy of recent years and to fix the rate at 1s. 4d. As is shown in the "Abstract of Differences" with which Honourable Members have been supplied, a decrease in expenditure of \$436,196 on Personal Emoluments alone is directly due to this higher rate of exchange. If the dollar continues above 1s. 4d. there will, of course, be a further marked saving in sterling commitments, especially in respect of the salaries of European Officers.

I now turn to the revenue for 1935. The causes of the falling off in revenue during the current year are referred to in the Treasurer's memorandum. If the present depression continues there is no prospect of the revenue figure improving during 1935. The estimated revenue for next year is \$30,585,650. That figure includes, however, a windfall of nearly \$1,000,000. As explained in footnote (16) on page 10 of the Estimates before you the Government has for twelve years paid to Military Contribution Suspense Account twenty per cent. of its profits on certain exchange transactions. These payments have accumulated until they amount to \$975,410. The War Office has now accepted the view of this Government that such profits are not liable to Military Contribution and this sum will in due course be credited to the revenue for next year.

In view of the general depression from which the Colony is suffering the Government has made no attempt to meet the fall in revenue by increased taxation, but it has been out of the question to remit any of the existing taxation. In two matters, however, the

Government has already granted concessions and is prepared to continue to do so as long as present conditions obtain. First a rebate of fifteen per cent. subject to prompt payment of the account has been granted on all new accounts issued by the Government after 1st September, 1934, for excess consumption charges under the Waterworks Ordinance 1903, in respect of rated tenements, hospitals and charitable institutions.

Secondly, the Government has adopted a generous attitude with regard to failure to comply with the terms of building covenants within the specified time and in all cases of genuine hardship free extensions, or in the case of subsequent extensions, extensions at reduced rates, have been granted at considerable sacrifice to the revenue.

The Government envisages therefore an anticipated surplus balance of \$12,601,259 at the end of 1934 and an anticipated revenue of \$30,585,650 for 1935.

There is no disguising the fact, Sir, that the Colony is at the moment suffering from the effects of a very serious depression in trade. Honourable Members are only too well aware that our entrepot trade has fallen off to an alarming extent and that our manufacturers are finding it increasingly difficult to secure outlets for their produce in the face of the high duties with which almost every country of the world is seeking to protect its domestic industries. Our manufactures though comparatively speaking small in volume are far greater than many people realize and provide a livelihood for many thousands of our citizens. Even if a system of protection were possible in this Colony local consumption alone could not maintain our factories. Our entrepot trade which I think Honourable Members will agree is our real *raison d'être* is suffering severely from the general shrinkage of world trade. I have seen it stated that there has been a reduction of fifty per cent in the value of world trade since 1929. Here again protective tariffs have a great deal to answer for. Each country is trying to live on itself and the more it succeeds the greater must be the reduction in international trade on which a great port like Hong Kong so largely depends. One hopes that this is but a passing phase of world history, but while it continues Hong Kong must inevitably suffer. We have in addition our own local difficulties in the unstable conditions in China, which is our closest neighbour and largest customer. I am informed that business with China was never more difficult than at present for to political and financial troubles has been added the hindrance of a high protective tariff. So difficult has our position become that in answer to a strong feeling throughout the Colony Your Excellency has appointed a Commission, now known as the Economic Commission, to enquire into the causes and effects of the present trade depression in Hong Kong and to make recommendations for the amelioration of the existing position and for the improvement of the

trade of the Colony. This Commission, under the chairmanship of Mr. Breen, includes some of the leading business men of the Colony together with the Superintendent of Imports & Exports and His Majesty's Trade Commissioner, and is now actively engaged on its enquiry. It is the earnest hope of the Government that it may be able to evolve some scheme which will lighten the burden of the depression which now weighs on the Colony.

I would not have it thought, Sir, that I am pessimistic as to the Colony's future. Our present circumstances are one more instance of the fact that world depressions strike Hong Kong later than elsewhere with a correspondingly later recovery. We cannot deny that in the early years of the depression we suffered less than most other places; now we are feeling the full effect of the slump and our hope lies in the fact that some other places are already on the upward grade. Our turn must come, though conditions peculiar to Hong Kong may make our recovery painfully slow.

In an atmosphere such as now exists Honourable Members will realize that the framing of the estimates of expenditure has been an anxious task. It has been stated that the correct course in these difficult times is "to take the short view but plan long". The Government's interpretation of this principle has been that we should refrain as far as possible from interfering with those essential services on which the health, security and general well-being of the community depend, and should seek retrenchment in the curtailment of capital expenditure on public works which, however desirable in themselves, can be postponed with less detriment than would follow from retrenchment in the organizations which look after the general welfare of the Colony. We wish to retain our governmental machine as little impaired as possible so that we may be ready to move forward as soon as improved circumstances permit.

The estimated expenditure for 1935 exclusive of Public Works Extraordinary and the final payment for the Naval Arsenal Yard is \$28,976,652, a reduction of \$774,093 from the approved estimates for 1934. There are reductions on twenty-three out of the thirty-three heads concerned, and where there are increases they are due to demands which the Government felt unable to resist. I shall deal with some of these increases in more detail in a later part of my remarks. A slump does not necessarily mean less work in Government Departments and indeed in some cases it increases their work. My Honourable friend the Colonial Treasurer has drawn my attention to one such case for he tells me he is experiencing difficulty in the collection of rates. Hitherto these have been paid with commendable speed and the number of late payers has not been out of proportion to the total. Ratepayers are now beginning to be more dilatory in payment, resulting in more reminders having to be despatched. This quarter, some 9,000

reminders were despatched out of a total of about 29,000 on the roll. This means a large increase in work, including searches of Land Office registers, much correspondence and, in some cases, resort to legal proceedings. Some years ago, an Assistant Crown Solicitor was attached to the Treasury with two clerks and the names of all defaulters were turned over to him to deal with. By arrangement with the Crown Solicitor, the Treasury took over the greater part of this work and much overlapping and expenditure were saved. If, however, the number of late payers continues, steps will have to be taken to speed up collection. Several alternatives present themselves of which the two most feasible are: (a) an increase in the rate with a corresponding decrease if payment is tendered within the legal period provided in the Rating Ordinance, (b) a surcharge in the case of delayed payments. Another alternative is an increase in the present Treasury staff, or the re-appointment of an Assistant Crown Solicitor to be attached to the Treasury with his staff and provision of office accommodation. It is hoped, therefore, that ratepayers will help the Government by paying promptly and so save extra expenditure which in its turn has to be met by increased taxation.

Before dealing with the Public Works Extraordinary Vote I would ask Honourable Members to note that the sum of \$500,000 has again been inserted to pay the final instalment to the Admiralty in respect of the Naval Arsenal Yard and Kellet Island. Payment has been in abeyance for the last twelve months and the exact date of payment is still under correspondence with the Secretary of State for the Colonies, but is not unlikely to fall within the next financial year.

The Public Works Extraordinary vote has been reduced from \$3,591,950 in 1934 to \$2,999,450 in 1935. For the details of this expenditure I would refer Honourable Members to the memorandum supplied by my Honourable friend the Director of Public Works. A perusal of this memorandum will indicate the lines on which the Government has worked. We have endeavoured to carry on expeditiously our already heavy programme of commitments most of which are for works long overdue but we have inevitably been forced to postpone all new works except those which are regarded as essential. Of these I assume there will be no differences of opinion about the need for the Trade School which the Building Contractors' Association has generously offered to construct at cost price.

I invite attention to subheads 33 and 60—Yards for storage of sand. This expenditure has been forced on the Government by the rapid exhaustion of the sand supplies of the Colony and the work is to be undertaken in pursuance of a scheme for conserving sand supplies for the benefit of consumers within the Colony. A Bill to give effect to the new scheme will be laid before the Council at an early date. It is anticipated that the scheme will not only

pay for itself but will bring in a small addition to the revenue when it is in full operation. Of the major works which have been postponed because they had not reached a point at which delay was impracticable I refer with special regret to the new market at Wanchai and the new Government quarters on May Road.

In spite of the heavy pruning of the Public Works Extraordinary vote there remains an expenditure of nearly \$3,000,000, and when to this is added the estimated expenditure of \$4,727,679 from loan funds I think the Colony can be congratulated on being able to finance so large a programme of works at a time of serious depression without any increase of taxation.

It has not been possible to accomplish this result without encroaching on our surplus balances to the extent of \$1,890,452, thereby reducing our estimated surplus at the end of 1935 to \$10,710,807. Some Honourable Members may think this reserve is excessive, but I would ask them to remember that our heavy commitments run on far beyond 1935 and it is essential to keep funds in reserve if we are to be able to carry our major works to completion. I should indeed view the future with some misgiving were it not that we have certain sources of revenue which we have not yet been able to tap. Among these I would refer specially to the Naval Arsenal Yard, part of the Victoria Gaol site, part of the Government Civil Hospital site, the Kowloon Tsai Development and the North Point reclamation. From the sale of these areas we hope in course of time to replenish our depleted balances and when our present commitments are liquidated we hope then to be in a position to embark on some of those many works the postponement of which is no less disappointing to the Government than it is to the general public.

I do not propose to deal at any length with the details of the Heads of Expenditure, on which I would refer Honourable Members to the very full footnotes in the printed Estimates. There are, however, certain points on which Honourable Members may wish to have further information.

Head 2—Colonial Secretary's Office.

The anticipated retirement of certain Class 1 Cadet officers in the near future necessitates the recruitment of two new Cadets. As Honourable Members are aware officers of the Colonial Administrative Service now undergo one year's training in England before proceeding abroad so that with the two years spent in Canton in the study of Chinese it is three years from the date of recruitment before an officer becomes available for departmental work. The two "unpassed Cadets in training" referred to in the current Estimates have arrived in the Colony and proceeded to Canton, increasing the number of unpassed Cadets in Canton from three to five. They will be replaced by the two "unpassed Cadets in training" whom it is now proposed to recruit.

There are three new posts provided under Class VI (b) Junior Clerical Service. Although these clerks appear in the departmental Estimates of the Colonial Secretary's office they are really intended as a pool from which officers may be drawn to relieve clerks in other departments absent on sick or casual leave in cases where the departments have not sufficient staff adequately to carry on their work in the absence of the officers on leave.

Head 3—Secretariat for Chinese Affairs.

A new post, Inspector of Mui Tsai, appears. It has been customary in the past for the inspection of mui tsai to be carried out by a senior Sub-Inspector seconded from the Police. The officer at present seconded has done good work in the post for several years but would in the natural course of events revert to the Police next year and it has been considered desirable, in view of the importance of the work, that the specialized experience which he has gained therein and his aptitude for the duties of a post which calls for considerable tact and discretion, should not be wasted. The Government, therefore, on the advice of the Secretary for Chinese Affairs, proposes to transfer this officer to the Secretariat for Chinese Affairs as Inspector of Mui Tsai on a salary scale equivalent to that of an Inspector of Police. A reduction of one Sub-Inspector has been made in the Police Estimates in respect of this transfer.

Head 4—Treasury.

The Acting Colonial Secretary commented in his Budget speech last year in connection with the personal emoluments vote for the Treasury on the obscurity resulting from the allocation of general staff such as Cadet officers and clerical officers to individual departments, and some explanation seems required in respect of the Estimates for 1935 when it is sought to compare them with those of 1934. The Acting Treasurer, Cadet Officer Class I, has reverted to Postmaster General. There remains provision for three Cadet Officers Class II as in 1934. One of these is at present on leave. In addition to the two Cadet officers Class II normally employed at the Treasury as Assistant Treasurers the Treasurer proposes next year temporarily to increase the number of his Cadet assistants by one who will act as Superintendent of the Stamp Office during the leave of the officer of the Senior Clerical and Accounting Staff who normally fills that post.

It is proposed also to increase the number of Assistant Assessors from one to two. One additional Assistant is considered essential if assessments are to be carried out in a manner which is fair both to the ratepayers and to the revenue. Making deductions for "chargeable water" and passing for payment refunds on account of vacant tenements have considerably increased the work of the Assessor's office.

Head 6—District Office, North.

The District Office, North, under the system referred to in my remarks on the Treasury has to provide for two Cadet Officers Class II, one of whom is at present on leave although there is no prospect of more than one Cadet officer being employed at any one time in the District Office, North, during 1935. An additional Land Bailiff is also shewn, one officer at present being on leave. This is an increase in establishment. The approved establishment of Land Bailiffs is nine of whom six (including two Senior Land Bailiffs) are attached to the Public Works Department, two to the District Office, North and one to the District Office, South. These officers are interchangeable among the Departments mentioned but two are normally required by the District Office, North. As the total number is insufficient to allow of the transfer of an officer from the Public Works Department to replace the officer on leave it has been found necessary in view of such leave movements to increase the cadre from nine to ten. On the return of the officer on leave from the District Office, North, the third Land Bailiff will be transferred as a relief to the Public Works Department.

Head 8—Post Office and Wireless.

Two new posts, one Assistant Superintendent of Mails and one Motor Driver are shown for the Kowloon Branch Office and under Special Expenditure provision is made for the purchase of a motor mail van for Kowloon and the New Territories. Pending the provision of a new permanent Post Office in Kowloon which has had to be deferred owing to the financial condition of the Colony the premises previously occupied by Messrs. Alex. Ross & Company as a garage will be used as a temporary Post Office. It will be observed that under Sub-Head 8—Rent of Branch Offices—\$6,000 additional is provided for next year. This is really an inter-departmental payment as the land on which the Garage stands is railway land and the \$6,000 will be paid to the Kowloon-Canton Railway. It is hoped that the additional expenditure referred to will go some way to meet the desires of the residents of Kowloon for increased postal facilities.

A personal allowance of £50 per annum to the Superintendent of Mails was granted with the approval of the Secretary of State for the Colonies from the date of the death of the senior Assistant Superintendent of Mails. It has been continued in anticipation of the further approval of the Secretary of State.

Owing to the obscurity as to the immediate future of the Government wireless telegraph services there is practically no change in respect of Wireless Services for next year.

Head 9—Imports and Exports.

The partial re-arming of Revenue Officers with Webley-Scott revolvers has become necessary owing to the gradual deterioration of the weapons now in use some of which have already been condemned as unserviceable.

Head 10—Harbour Department and Air Services.

There are certain re-groupings under Harbour Department which, while they complicate the departmental Estimates for 1935, will simplify those of future years. A large increase is shown in Special Expenditure but this is mainly due to the provision of launches and launch engines for other departments such as the Police and the Imports and Exports Department. It will be observed that Sub-Head 20—New Launch to replace H.D. I \$10,000— is a re-vote. The delay in construction is due to certain experiments which had to be carried out in the Model Tank at The National Physical Laboratory at Teddington. As stated in the footnote to Sub-Head 25 the present boat at Tai O has been condemned. A motor boat is essential for patrolling and searching duty at Tai O and outlying districts including Tung Chung. The existing Police Launch No. 9 (Sub-Head 26) is now due for replacement. It was built in 1922 at a Chinese Yard and purchased from stock, the boiler only being built to Government specification, at a time of urgent necessity when piracy was rampant in local waters. The launch has never been up to the standard of the remainder of the fleet and has required constant attention to maintain a reasonable state of efficiency. The existing No. 1 Police Launch, the replacement of which is provided for under Sub-Head 27, is a wooden vessel built in 1900. It is not equipped with wireless telegraphy and has ceased to be seaworthy in other than fair weather. Provision was made in the Estimates for 1930 to replace this launch but as some doubt was entertained as to whether a vessel of the type which could be built for the sum of \$100,000 provided would satisfy the requirements of the Police Department, certain repairs were carried out on the existing launch and the work of building a new launch was not proceeded with. A sum of \$250,000 was included in the draft estimates for the current year for a new No. 1 Police Launch with 3-pounder gun, wireless telegraphy and searchlight and capable of cruising in rough weather. Owing to financial stringency however the item was deleted. The existing launch, owing to her age, is restricted in her movements and cannot patrol the full extent of her beat, particularly in Mirs Bay, in rough or unsettled weather. Her usefulness for anti-piracy work is therefore considerably curtailed. Of the other Police Launches Nos. 2, 3 and 4, only one, No. 4 is a fast vessel and it is most desirable that there should be two of this type to cover the waters to the East and West of the Colony respectively. It is proposed to build the new vessel with internal combustion engines giving a speed of about thirteen knots. In

view of the increasing unseaworthiness of the present launch it is desirable that it should be replaced before the next typhoon season and the sanction of the Secretary of State for the Colonies has been obtained for work to be commenced this autumn. It is estimated that \$70,000 will be required for this purpose during the current year, leaving a balance of \$180,000 for 1935.

It will be observed under "Merchantile Marine Office" that it has been found necessary to create a new post of Assistant Shipping Master while the Chinese Head Clerk (Class 1), who retired in May of this year after thirty-four years service, has not been replaced. The application to the Colony of the provisions of the Merchant Shipping (Safety and Load Line Conventions) Act 1932 is expected to add considerably to the duties and responsibilities of the officer holding the post of Deputy Shipping Master, and it is essential that a qualified officer should be available to act for the Deputy Shipping Master during the latter's absence on leave. It has been possible in the past to provide such relief by means of the temporary appointment of a retired Master Mariner resident in the Colony whose services are no longer available or by the secondment of a Boarding Officer. The Staff of Boarding Officers has, however, been reduced by one as a result of the adoption of a recommendation of the Retrenchment Commission and it can no longer supply the necessary relief.

In view of the defalcations at the Government Gunpowder Depot at Green Island it has been found necessary to put a more responsible officer in charge and an officer on a sterling scale replaces the locally recruited officer who absconded.

(B) Air Services.

The Government, after careful consideration, has decided to discontinue the subsidy to the Flying Club and to devote the whole of the annual subsidy of \$30,000 to the training of Volunteers in flying and the maintenance of the flying efficiency of Volunteers already trained. The Government is prepared to continue the subsidy in respect of any present member of the Flying Club who has actually commenced flying but has not obtained the A Certificate up to a total of fifteen hours flying for each such member. While the Government is anxious to encourage airmindedness in the Colony it is considered that, so far as the expenditure of public funds is concerned, this end can be achieved more properly by training members of the Volunteer Corps in flying than by sub-sidising a Club which includes ladies and non-British subjects among its flying members.

No provision has been made for next year in respect of the subsidy to Commercial Aviation. This represents no change in the policy of Government but as there is still no immediate prospect of the subsidy being required it has been considered inexpedient to continue to burden the Estimates with the amount of the subsidy.

The vote for the upkeep of the Aerodrome has been increased by \$1,000 and retransferred to this Head from Public Works Recurrent. During the current year it has been found necessary to purchase a motor roller and a fire engine for the Aerodrome and the Estimates show certain increases under "Other Charges" and "Personal Emoluments" consequent upon these purchases.

Head 11—Royal Observatory.

A reduction is shown under "Other Charges". Under "Special Expenditure" it is regretted that provision had to be deleted from the draft Estimates for a Schuster-Smith coil for the determination of horizontal magnetic force. It was considered that the purchase of this instrument which costs £325 would have to await more favourable financial conditions.

In regard to the allowances to computers for magnetic observation at \$200 each, I would state that the Director, Royal Observatory, is attempting to train local officers on his present staff to the necessary degree of proficiency as Magnetic Observers in the hope that this will obviate the need of employing another professional assistant to take exclusive charge of the Au Tau Magnetic Station.

The allowance of \$240 per annum to the Hong Kong Wharf & Godown Co., is for hoisting the signals of the non-local code over their premises. These signals were previously hoisted by the Harbour Department at Signal Hill, Kowloon, but were discontinued owing to shortage of staff. The Company has hoisted the local signals free of cost to Government for a number of years. Non-local signals are considerably more complicated and the payment proposed to cover the Company's financial outlay is considered reasonable.

Head 12—Fire Brigade.

I would refer to the provision of ambulances under Sub-Head 14. It is considered desirable to unify the Government Ambulance work under one Department. The Fire Brigade at the present time does all the ambulance work except in the cases of lepers and mendicants where wheeled ambulances, hand-propelled, are supplied by the Sanitary Department which has thirty-three such ambulances and six carrying ambulances. It is considered that two suitably fitted small motor cars, one on either side of the Harbour, would suffice for the work and enable the wheeled hand-ambulances to be dispensed with. The Motor Ambulance (Sub-Head 15) is to replace one of the large Albion Ambulances purchased in 1921. The chassis of these ambulances is obsolete and any spare parts required have to be specially made.

Provision is made for charge allowances to four Chinese Sub-Officers at \$180 each. Owing to the shortage of Europeans in the

Brigade it is necessary to put Chinese Sub-Officers in charge of certain Sub-Stations. These men perform the same duties as a European Assistant Station Officer would perform in charge of a Station. As the employment of Chinese Sub-Officers for the work obviates the necessity of increasing the European establishment provision of such charge allowances is considered equitable and economical.

The provision of three ambulance dressers in 1934 has proved a success and has led to greater efficiency in the Brigade by the relief of Sub-Officers for purely fire duties. It is considered desirable to recruit three more for 1935. There will then be sufficient ambulance dressers to man the Hong Kong and Kowloon ambulances.

Legal Departments.

That able and devoted Government servant, the Crown Solicitor, who attains the age of 60 next year, is proceeding on leave in the Spring prior to retirement and I take this opportunity of placing on record the Government's high appreciation of his most valuable services. It is the Government's intention that, pending the appointment of a successor to Mr. Holmes, the officer holding the post of Registrar, Supreme Court, should act as Crown Solicitor and the emoluments of this officer for six months have been provided under Head 15—Crown Solicitor. As a result it has been necessary to provide salary for the Registrar, Supreme Court, in respect of six months only, and acting pay for one of the Deputy Registrars who will act as Registrar during the remaining six months.

The Land Officer proceeds on leave in April next and it is intended that one of the Assistant Crown Solicitors shall act for him. Only three months provision for that Assistant Crown Solicitor has therefore been made under Head 15—Crown Solicitor, his salary for the remainder of the year being provided under Head 17—Land Office.

Heads 18 and 19—Magistracies.

Last year it was the Treasury which presented certain anomalies in the distribution of Cadet Officers. This year the anomalies appear most conspicuously in the Magistracy, Hong Kong. Provision is made in these Estimates for five Cadet officers for 1935 as against two for 1934. These five include the present magistrates, a Cadet officer acting as Magistrate's Clerk in place of an officer of the Senior Clerical and Accounting Staff and two officers at present absent from the Colony who were Magistrates of the Central Magistracy immediately before proceeding on leave. Even if a Cadet officer continues to act next year as Magistrate's Clerk there will only be three Cadet officers in the department.

Under "Special Expenditure", Magistracy, Kowloon, \$1,000 is provided for the purchase of law books. The Kowloon Magistracy has always been starved in this respect and it is considered that the Magistrates should be provided with the nucleus of a Law Library to which they can refer.

Head 20—Police Force.

There are appreciable reductions in "Personal Emoluments" and "Special Expenditure" and a small increase in "Other Charges". My Honourable friend, Mr. Wolfe, who is described in the Estimates as Cadet Officer, Class 1, retires early next year and the post of Inspector General of Police makes its first appearance in the Estimates, the scale being that recommended by the Salaries Commission for Mr. Wolfe's successor. With Mr. Wolfe's retirement the Colony loses the last of what I may term the older generation of its Cadet Officers for Mr. Wolfe was appointed in the last century and there is a gap of nearly six years between his appointment and that of the next oldest member of the service. Mr. Wolfe will have completed nearly thirty-five years of service under this Government during which he has devoted himself whole-heartedly to the various duties which have fallen to his lot. The present efficiency of the Police and the Fire Brigade bears testimony to his administrative ability and I cannot let this occasion pass without an expression of the Government's appreciation of his services and of its good wishes for his happiness in retirement (Applause).

The Officer shown as a Probationer in the 1934 Estimates becomes an Assistant Superintendent and one probationer will be required next year to maintain the cadre at its proper strength.

A locally recruited Store-Keeper and Assistant Store-Keeper have been engaged to replace an officer of Class II of the Senior Clerical and Accounting Staff. A reduction of one in the Senior Clerical and Accounting Staff attached to this department will be noted. Under "European Contingent" there is an increase under Inspectors and Sub-Inspectors and Sergeants due chiefly to the rapid expansion of Kowloon and the requirements incidental to the administration of the Registration of Persons Ordinance 1934. There are increases in the Indian and Cantonese contingents and reductions in the Northern Chinese contingent and in Northern Chinese constables under "Anti-Piracy Guards". Under "Water Police, Chinese Deck" six Class III Coxswains replace six Sailors and Seamen. This change has been made on the advice of the Harbour Master for the relief of the existing staff of coxswains without increasing for this purpose the number of officers employed. Additional posts have been provided in respect of six months only for the new No. 1 Police Launch.

Head 21—Prisons Department.

The slight increase in "Other Charges" is due to the unfortunate increase in the number of prisoners for which the campaigns against

opium and the "Social Evil" are largely responsible. The Legislative Council has already expressed its concurrence in the small improvements in the salary scales of the Principal Printing Officer and the female staff.

Head 22—Medical Department.

The work of this department has greatly increased in recent years owing to the growth both of the population of the Colony and of the popularity of treatment at Government institutions. There has also been a considerable extension of medical work in the New Territories which has taken up more and more the attention of the Medical Officer-in-Charge New Territories and has left him little time to assist other Medical Officers. The Director of Medical and Sanitary Services considers that his present staff is inadequate to cope with the work which it is called upon to perform and that two additional Medical Officers are necessary. Provision is also made under the Health Division for one additional Lady Medical Officer who will assist the Health Officer for Schools and also relieve the Assistant Visiting Medical Officer to Chinese Hospitals of some of her manifold duties. The increase in the size of Kowloon Hospital and the great extension of work which will follow the opening of the new out-patients department has led to provision being made for one House-Surgeon.

Owing to the increasing amount of X-Ray and Massage work at each of the Government Hospitals a scheme has been instituted for training Chinese Radiographic and Massage assistants. At present there is one volunteer Masseuse who has worked since January 1933 without salary but this is not a satisfactory arrangement and provision for a salary for these Probationers is now made.

The total vote for the Medical Department shows an increase of \$34,644 which goes but a very small way towards satisfying what my Honourable friend the Director of Medical and Sanitary Services regards as the full requirements of the Colony in the matter of modern medical and health services. It is, however, as much as the Government considers the Colony can properly afford in these difficult times.

Head 23—Sanitary Department.

\$44,000 is provided under Sub-Head 7—Conservancy. As Honourable Members are already aware, having approved of special provision for the current year, it has been found necessary for Government to undertake directly through the Sanitary Department the conservancy work formerly carried out by contractors who in former days paid Government for the right to remove nightsoil from the Colony to the interior of China where it was sold as a fertiliser. Owing to the recent depression in the silk trade and the depreciation of Chinese silver currency the contractor has been faced with difficulties which eventually rendered him unable to cope with the

work even on payment of a monthly subsidy by Government. The Government had therefore no alternative but to undertake the work departmentally.

The Sanitary Department also proposes to undertake by direct labour the recurrent work of exhumation and a considerable saving on that sub-head is anticipated.

The replacement of two deep-draft barges and three towing barges is provided for under "Special Expenditure". At present the department is carrying on with the barest minimum of barges, a number which leaves no margin for emergencies and not even a barge in reserve to permit of one of the fleet being taken off for repairs. In connection with the removal of Kowloon refuse to the new dump at Kun Tong provision for a refuse boat pier at Ma Tau Kok Road has been made under Public Works Extraordinary.

It is considered that the time has now come for the creation of a new post of Chief Inspector, Kowloon. There will then be one Chief Inspector functioning on either side of the Harbour. A consequent reduction of one has been made in the cadre of Senior Sanitary Inspectors.

Head 25—Education Department.

In connection with sub-head 21 "University Examination Fees" I would explain that the Hong Kong University, in collaboration with the Director of Education, is substituting for the old Senior and Junior Local Examinations a "School Leaving Certificate" examination. No examination was held during the current year and the first examination under the new syllabus will be held in 1935. For this reason the sum of \$9,900 provided in the 1933 Estimates for University Examination fees was excised from the 1934 Estimates.

The extra provision takes into account a substantial increase in the number of candidates (from provided and Grant-in-Aid Schools) who are expected to sit in 1935 and also an alteration in the method of charging the admission fee, involving probably a slightly increased expenditure.

It is proposed to engage a Pattern Maker from England on a sterling scale in place of the locally engaged Carpentry Instructor and part time Teacher of Building Construction. The work of the Junior Technical School has grown sufficiently to warrant the employment of a full-time officer who will also be available for manual instruction in other schools, in accordance with the policy recommended in 1931 by the Committee on Practical Technical Education. As I mentioned provision has been made under Public Works Extraordinary to commence the building of a Trade School, but as the building will not be completed before 1936 no provision for staff has been made for next year, though this will be a commitment for following years.

Five Anglo-Chinese Masters have been replaced by five University Trained Masters in pursuance of the general policy of the Department.

Head 26—Kowloon-Canton Railway.

As will be observed from the Estimates of Revenue it is anticipated that the receipts of the Kowloon-Canton Railway will continue to improve during next year. The expenditure Estimates do not call for much comment. The Manager is required to reside on the mainland and it was hoped that it would be possible to make provision for the building of a Manager's House at King's Park but this also has had to be deleted from the draft Estimates. The Chief Mechanical Engineer and the Chief Accountant retire during the course of 1935. At present the Chief Accountant is being under-studied by an officer of Class I Senior Clerical and Accounting Staff and provision for the salary of this officer as well as for the officer holding the post of Chief Accountant has had to be made in the Railway Estimates. The additional trains have necessitated the creation of certain minor posts.

Honourable Members will have noted with satisfaction the improvement in the Railway Revenue. If nothing unforeseen occurs we may reasonably hope that the Railway is at last entering on a period of prosperity. For this much of the credit must be given to the late manager and his staff but much is also due to the energy with which the new manager has tackled the problems which faced him. I desire particularly to congratulate the Government representatives on the successful termination of their negotiations for the revision of the Railway Working Agreement, negotiations in which the new Manager of the Railway played a very important part. The new agreement which will shortly be signed should greatly improve the relations between the two sections of the Railway and make for the increased efficiency of both sections.

Head 27—Defence.

The current year has seen the establishment of the Hong Kong Naval Volunteer Force for which provision of \$30,000 is made under Volunteer Defence Corps in the current Estimates. For next year provision is made for this force as a separate department, namely, Head 27 (B) and it has been found necessary to increase the vote to \$35,987. "Military Contribution" formerly Head 27 (B) now appears as Head 27 (C).

Head 28—Miscellaneous Services.

Grants in aid of Farnham House and Imperial Economic, Imperial Shipping and Imperial Agricultural Bureaux (Sub-Heads 8 and 9) are included on the invitation of the Secretary of State

for the Colonies who is of the opinion that the work of these institutions merits the support of the whole Colonial Empire. This provision is in accord with the recommendations made last year by the Imperial Committee on Economic Consultation and Co-operation.

With the approval of the Finance Committee the Government agreed to increase its contribution to the Imperial Institute from £300 per annum to a maximum of £600 per annum, but it is not yet known whether the full sum of £600 will be required.

Head 29—Charitable Services.

The Mercantile Marine Assistance Fund has been in operation since 1st January, 1934, and it was, and still is, difficult to estimate the provision that will be required, but judging from the experience of this year \$15,000 should suffice.

Head 32—Public Works Department.

Special Expenditure under this Head has been severely pruned and it will be observed that of what remains a large proportion is in the nature of a re-vote.

One Architect has been transferred from the departmental Estimates to the Government House and City Development Scheme as shown in Appendix II B. There are certain minor increases in the Electrical sub-department.

Head 33—Public Works Recurrent.

These are for the most part the general maintenance votes for the public works and lighting of the Colony. They cannot be greatly reduced without risk of serious deterioration involving heavy and uneconomical expenditure at a later date. The votes have been carefully examined and a total reduction of \$78,750 has been made. This is as far as the Government feels justified in going at the present time.

I do not think, Sir, I need add to what I have already said on the subject of Public Works Extraordinary, beyond repeating that full details will be found in the memorandum of the Director of Public Works.

There are two other subjects on which Honourable Members may expect me to comment. The Government House and City Development Scheme (Appendix VII) shows an anticipated expenditure of \$250,000 largely in preparatory work on the new Government House site at Magazine Gap. In these uncertain times the Government will proceed very cautiously with this scheme, progress being dependent on the provision of funds from the sale of the remaining portion of the City Hall and other sites

included in the scheme. It is not a favourable moment for the sale of valuable sites and progress will probably be slow until times improve.

Loan Works—Appendix VI.

The other subject is that of the Loan Works. The success of the 1934 Loan which makes the continuation of these works possible is referred to in the Treasurer's memorandum and is a flattering indication of the public faith in the Colony's financial stability.

My Honourable friend the Director of Public Works has given detailed information regarding the loan works for which he is responsible, and I am indebted to the Resident Engineer for the following information regarding the largest and most important of our loan works, *viz*—the Shing Mun Valley Gorge Dam.

Works on the Gorge Dam at Shing Mun began in December 1932. For the first year, up to the end of 1933, the work done consisted of building the Access Road, camp construction, water supply, sanitation, anti-malarial work, drilling for the site of the dam, quarry development, erection of plant and machinery; and towards the end of the year a start was made on the excavation for the dam foundations and on the diversion tunnel. The expenditure up to the end of 1933 was approximately \$1,450,000.

By March 1934 the plant was erected and the actual construction of the dam commenced. Since that date construction work on dam and tunnels has proceeded very satisfactorily, in spite of delays caused by rains since June, and at the end of August about 20,000 cu. yds. of concrete and 24,000 cu. yds. of rock fill had been placed in the dam; the driving of the diversion tunnel was finished and driving of the overflow tunnel nearly finished.

The estimated expenditure for 1934, made on the supposition that the weather from the end of October will enable full working time to be kept, is approximately \$2,020,000, and it is expected that this will bring the dam up to about level 450, or nearly 100 feet above foundation level.

Of the above expenditure about \$700,000 has been spent on plant and machinery and about \$300,000 on camp buildings. About 1,300 to 1,400 men are at present working and are comfortably housed in mosquito-proofed lines, with filtered water supply and proper sanitation. The anti-malarial works, which are very extensive and cover an area of 866 acres, have proved to be successful, and little trouble is now experienced from malaria.

The estimated expenditure for 1935 is about \$2,400,000 and it is expected that by the end of that year the dam will have been brought up to level 530, or about 180 ft. above the foundations.

Also it is expected that by that time the core trench of Pineapple Pass Dam will be completed with part of the core wall above it and the earthworks and rock fill about half complete.

So far, the work has proceeded well and the information now available with regard to costs shows that it is likely that it will be completed for a sum within the estimate.

Resolutions covering expenditure on loan works for 1935 will be moved at a subsequent meeting of Council.

This, Sir, brings me to the end of my review of the Budget for 1935 which I now present for the consideration of my unofficial friends well knowing from past experience that their advice, however critical, will be conceived in a spirit of helpfulness.

It only remains for me to express the thanks of the Government to the Heads of Departments who have accepted with good grace the inevitably ruthless sacrifice of their pet schemes of improvement and to express my personal indebtedness to the Treasurer and to Mr. Butters and the staff of the Colonial Secretary's Office for the very efficient way in which they have relieved me of the detailed work inherent in the preparation of the Annual Budget.

I now move that a bill intituled "An Ordinance to apply a sum not exceeding Twenty-six million three hundred and twenty-four thousand two hundred and nineteen Dollars to the public Service of the year 1935" be read a first time.

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

**GOVERNMENT HOUSE AND CITY DEVELOPMENT SCHEME
ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to make provision for financing and carrying out a scheme for a new Government House and for the development of a portion of the City of Victoria." He said: As indicated in the Objects and Reasons the main purpose of this Bill is to establish a special fund into which the proceeds of the sale of sites such as those of the City Hall and Beaconsfield Arcade are to be paid, and from which the development of the area between Queen's Road Central and Lower Albert Road and the building of a new Government House will be financed.

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

Objects and Reasons.

The "Objects and Reasons" for the Bill were stated as follows:

1. The Government House and City Development Scheme authorised by this Ordinance is essentially a self-contained unit which will be proceeded with as circumstances permit.

2. The Scheme involves the sale from time to time of building sites which it is anticipated will yield more than sufficient to pay for the entire undertaking, though it may be necessary at certain stages to obtain advances from the revenues of the Colony.

3. To pay into the general revenue of the Colony the large sums which have been or will be received from time to time in connexion with such land sales would result in apparent fluctuations in the normal revenue of the Colony which it is desirable to avoid.

4. As, however, the proposal that revenue receipts from such land sales should pass into a special Fund, instead of to revenue, and that the expenditure on the Scheme should be met from the Fund and authorised by Resolutions of the Legislative Council, involves a departure from the ordinary rules of Colonial Accounting, the Secretary of State, in approving the proposal, has required that the Scheme should be conducted under a special Ordinance which would legalise the diversion of the revenue from land sales from general revenue to the Fund and would also empower the appropriation of the expenditure on the Scheme by Resolutions of the Legislative Council.

EMPIRE PREFERENCE AMENDMENT ORDINANCE, 1934.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Empire Preference Ordinance, 1932." He said: The scope of the amendment to be effected by this Bill is clearly stated in the Objects and Reasons.

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

Objects and Reasons.

The "Objects and Reasons" for the Bill were stated as follows:

1. In a despatch dated 2nd June, 1933, the Secretary of State gave instructions that a uniform definition of "the British Empire" should be included in the tariff legislation of all Colonies and Protectorates granting Imperial Preference.

2. The purpose of the present amendment is to give effect to those instructions and to adopt the definition of "the British Empire"

set out in the said despatch in place of that appearing in the principal Ordinance.

**PRINTERS AND PUBLISHERS AMENDMENT
ORDINANCE, 1934.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Printers and Publishers Ordinance, 1927."

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

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

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment and moved the third reading.

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

ADJOURNMENT.

H.E. THE GOVERNOR.—Council stands adjourned until Thursday, September 27th.

FINANCE COMMITTEE.

Following the Council, a meeting of the Finance Committee was held, the Colonial Secretary presiding.

Votes totalling \$149,351, contained in Message No. 12 from H.E. the Governor, were approved.
