

15th September, 1938.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR G. A. S. NORTHCOTE, K.C.M.G.).

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

THE COLONIAL SECRETARY (HON. MR. N. L. SMITH, C.M.G.).

THE ATTORNEY GENERAL (HON. MR. J. A. FRASER, M.C., *Acting*).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. R. A. C. NORTH).

THE FINANCIAL SECRETARY (HON. MR. S. CAINE).

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

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

HON. MR. T. H. KING (Commissioner of Police).

HON. DR. P. S. SELWYN-CLARKE, M.C., (Director of Medical Services).

HON. MR. J. J. PATERSON.

HON. MR. CHAU TSUN-NIN, C.B.E.

HON. MR. LO MAN-KAM.

HON. MR. S. H. DODWELL.

HON. MR. LEO D'ALMADA E CASTRO, JNR.

HON. DR. LI SHU-FAN.

MR. B. C. K. HAWKINS (Deputy Clerk of Councils).

ABSENT:—

HON. SIR HENRY POLLOCK, KT, K.C., LL.D.

HON. MR. A. L. SHIELDS.

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:—

Amendments made by the Governor in Council under section 12 of the Female Domestic Service Ordinance, 1923, Ordinance No. 1 of 1923, to the regulations, dated 31st August, 1938.

Amendment made by the Governor in Council under section 2 of the Gasholders Examination Ordinance, 1938, Ordinance No. 1 of 1938, to the regulations, dated 2nd September, 1938.

Resolution made and passed by the Legislative Council under the Public Officers (Changes of Style) Ordinance, 1937, Ordinance No. 25 of 1937, on the 1st September, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in the portion of Section A in New Kowloon Cemetery No. 3 (Cheung Sha Wan Cemetery) in which bodies were buried during the years 1930 and 1931, on the 31st day of August, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in the portions of Sections B and C in Kowloon Cemetery No. 2 (Ho Man Tin Cemetery) in which bodies were buried during the years 1928 and 1929, and in Section A and Trenches in which bodies were buried during the years 1930 and 1931, on the 31st day of August, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in the portions of Sections B and C in Mount Caroline Cemetery in which bodies were buried during the year 1930, in the portion of Section A in which bodies were buried during the year 1931, and in the portion of Tung Wah Hospital, Eastern Extension, in which bodies were buried during the year 1931, on the 31st day of August, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in Shum Wan

Cemetery, Aberdeen, in which bodies were buried before the year 1924, on the 31st day of August, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in the portion of Section A in Chai Wan Cemetery in which bodies were buried during the year 1931, and in the portions of Sections B and C in which bodies were buried during the year 1930, on the 31st day of August, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in the portions of Section A and Trenches in Kai Lung Wan East Cemetery in which bodies were buried during the year 1931, in the portion of Section C in which bodies were buried during the year 1930, and in the portion of Chiu Chow Section in which bodies were buried during the year 1929, on the 31st day of August, 1938.

Order under section 75 (8) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, made by the Colonial Secretary for the removal of all graves in the Tung Wah Hospital Cemetery at Kai Lung Wan in which bodies were buried during the year 1929, on the 31st day of August, 1938.

Amendment made by the Governor in Council under sections 3 and 4 of the Pleasure Grounds and Bathing Places Regulation Ordinance, 1936, Ordinance No. 29 of 1936, to the First Schedule to that Ordinance, dated 3rd September, 1938.

Proclamation No. 8.—Approval and confirmation of the Asiatic Emigration Amendment Ordinance, 1938, Ordinance No. 2 of 1928.

Proclamation No. 9.—The First Volume of the 1937 edition of Ordinances and the First Volume of the 1937 edition of Regulations to come into operation on the 2nd day of September, 1938.

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. 7 of 1st September, 1938, and moved that it be adopted.

THE FINANCIAL SECRETARY seconded, and this was agreed to.

STAMP AMENDMENT ORDINANCE, 1938.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Stamp Ordinance, 1921." He said: The Objects and Reasons for this amendment are set out in a memorandum attached to the Bill.

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. Clause 2 of this Bill inserts a new sub-section (1A) in section 23 of the Stamp Ordinance, No. 8 of 1921.
2. This new sub-section is based upon sub-section (2) of section 74 of the Finance (1909-10) Act, 1910, (10 Edw. 7, c. 8).
3. The object of this amendment is to make it clear that in all cases where from the inadequency of the consideration or otherwise a substantial benefit is conferred on the person taking under an instrument of conveyance or transfer, the proper course is to submit the instrument for adjudication.

FEMALE DOMESTIC SERVICE AMENDMENT ORDINANCE, 1938.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Female Domestic Service Ordinance, 1923."

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

**OFFENCES AGAINST THE PERSON AMENDMENT
ORDINANCE, 1938.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to repeal and replace section 45A of the Offences against the Person Ordinance, 1865, as enacted by the Offences against the Person Amendment Ordinance, 1929."

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

WATERWORKS ORDINANCE, 1938.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to provide for and regulate the supply of water."

THE COLONIAL SECRETARY seconded.

HON. MR. CHAU TSUN-NIN.—I gather from the Financial Secretary's lucid and informative Memorandum on Water Finances, that the two primary objects of this Bill are: firstly, to establish a separate Water Department, and to make a charge for water sufficient to pay all expenses incurred by that department; and secondly, to prevent waste of water.

The estimated gross revenue from water for 1937, based on the revised scale of charges, would amount to \$2,463,459. Subtracting from this amount the sum of \$27,000 for Peak supplies, \$54,950 for Upper Levels supplies, \$184,000 for Shipping and Construction supplies and the two per cent. rate of \$706,739, there would remain a balance of \$1,490,770 chargeable to all other supplies of filtered water, most of which are used by Chinese tenement-houses. According to the figures given by the Chairman of the Urban Council in his report for the year 1936, there were in Victoria 14,024 Chinese houses containing 47,490 floors, and in Kowloon 10,317 Chinese houses containing 31,390 floors, making a total of 78,880 floors. This figure must have been slightly increased by the construction of new buildings since that date, but even taking that figure as a basis, and if each of these 78,880 floors were to be charged a flat water rate of \$19 per annum, it would bring in a total sum of \$1,498,720 which would more than cover the balance of \$1,490,770 required.

This system of charging a flat water rate is not new, and is in vogue in other places including, I am informed, London. I venture to believe that at least 90 per cent. of the landlords would gladly bear this burden in preference to paying for the tenants, as is usually the case, excess water consumption, which is such an uncertain factor. I submit that this method of taxing the Chinese tenement-houses is both simple and economical in that it would dispense with the employment of a large staff for meter-reading, accounting, etc. On the other hand, the regulations under the Bill would be cumbersome; and even if the floors were separately metered, in cases where there are more than one tenancy in a floor, there would always be endless dispute as to the proper share of the excess consumption to be borne by each tenant.

There is of course the obvious answer to my proposal of charging a flat water rate, which is that one of the primary objects of the Bill is the prevention of waste. It might well be argued that by charging a flat water rate, there would be no deterrent from waste, but having regard to the fact that in nearly 90 per cent. of the Chinese tenement-houses, the excess consumption is paid by the landlord and not the tenant, there seems to be no question of deterring the actual consumer. On the other hand, supposing that the actual consumer were to be responsible for the payment for excess consumption, even then, there would appear to be not much inducement for him to economise, because, should there be a deficit in revenue

as the result of economy in consumption, the Government must, in order to balance its water account, raise the water charges.

However, I have always maintained that there is really not much waste by the consumers, the seemingly high consumption being, I think, attributable to an under-estimation of the population and to the leakage of water through structural defects or other causes.

HON. MR. M. K. LO.—Your Excellency,—Our reaction to Government's solution of the water problem must depend upon our point of view as to the history of this problem. If we consider that the water charges have been unreasonably low and that the consumer has not shouldered his fair share of the financial burden of water supply, then we would accept Government's proposals, if not with enthusiasm at least with resignation. But this, Sir, is not the view of those I have the honour to represent. I cannot persuade myself that it is the view of any considerable section of the community, or, indeed, that it is the view of anyone but the Water Authority!

Our view is that the charges for water supply in the Colony have for years been excessive, and have occasioned hardship and dissatisfaction in the community. A casual perusal of the Hansard Reports for the past few years will show that this subject has formed anxious representations by various Honourable members of this Council.

In the Budget Debates for the past two years, in which I had the honour to take part, I endeavoured to express the dissatisfaction of those whom I represent against the excessive water charges. And it will be recalled that in the Report of the Economic Commission, published in February, 1935, the Commissioners expressed the view that existing charges for water "may be fairly described as unreasonably high—clearly some relief here is overdue."

Such being the position, it is neither surprising that Government's proposals as contained in the Financial Secretary's original memorandum should be a great disappointment to the Chinese community, nor that this disappointment should not have been removed by the subsequent modifications of such proposals.

For, on a critical analysis, and despite their attractive appearance, what do these "modifications" in truth amount to? They amount to this:—

1. that the Financial Secretary had in his original estimate of expenditure erroneously included a sum of \$202,160 for Military Contribution on the interest payable in respect of the \$14,000,000 Loan, and that as in fact no Military Contribution was payable in respect of the interest on this Loan, it was decided that this surcharge should be utilized towards the reduction of 5 cents per unit for domestic supplies, and

2. that the 2% on "past capital expenditure out of General Revenue" should now be used to build up a Renewals Fund.

The first "modification" is of course a mere correction of an accounting error; the second "modification", as I hope to show later in the course of my remarks, leaves entirely unanswered the objections raised against the original proposal. Although it is officially stated that "the proposals in the Financial Secretary's memorandum published last April have been considered in the light of the comments made on them by the District Watch Committee, the Chinese Chamber of Commerce and other bodies and in the Press", the truth of the matter is that all the "comments"—at all events by the District Watch Committee and the Chinese Chamber of Commerce—have been entirely ignored by Government.

In setting out our objections to some of these proposals I deal first with a minor point, namely the relative rates as affecting the various localities concerned.

On the abolition of free allowance, the present charges, the new charges, and the difference between them, for the different localities, are as follows:—

	<i>Present Charges.</i>	<i>New Charges.</i>	<i>Difference.</i>
Peak	\$1 less 15% = 85 cts.	45 cts.	40 cts.
Rest of the Colony	50 cts. " = 42½ cts.	25 cts.	17½ cts.
Upper Levels	50 cts. " = 42½ cts.	35 cts.	7½ cts.

It will be seen that by giving up all free allowance, the Peak charges, as compared with the existing charges, are to be reduced by 40 cents per thousand gallons, the rest of the Colony by 17½ cents, and the Upper Levels by 7½ cents only! On the face of it I cannot see how these new charges can be fair if the old relative rates were not inequitable. I do not say that the Peak charges are not high enough: I suggest that the rates for the rest of the Colony are not low enough, and I do say that the modifications of the relative rates are inequitable. I understand that the official answer is that the old charges of \$1.00 for the Peak, and 50 cents for the Upper Levels, less 15%, mean nothing in practice because consumers in these districts are, as a whole, always within their free allowance and so never had to pay any excess charges. But I fail to see how the assumption that the Peak and Upper Level residents do not exceed their free allowance can affect the point of my criticism, since the old rates were rates which they would have to pay if they did exceed the free allowance. But though in this, as in so many other matters regarding the question of water supply, the public is totally in the dark as regards figures supporting this contention I, for one, cannot accept this assumption. The Economic Commission's Report stated that in 1933 it was estimated

that 32% of the metered properties did not exceed their valuation allowance, and I should like to know whether this percentage still holds good and, if so, whether the properties affected are wholly situated within the Peak and Upper Level districts.

This, as I have said, is only a minor point. The substantial question is whether the public has to pay under the new scheme more than under the existing system. If the former, the present scheme is not an alleviation but a burden.

It is suggested that the poor in the Colony will pay less since, although free allowance has been abolished, they will pay at the rate of 25 cents per thousand gallons from the first gallon, instead of 42½ cents for excess water. But it seems clear to me that unless the consumption in relation to any particular assessed premises is very greatly in excess of the free allowance, the old rates are much more favourable. The free allowance is based on 40 cents per thousand gallons: it is obvious that in order to make the difference of 15 cents per thousand gallons count in favour of the consumer, the amount of gallons consumed in excess of the free allowance allowed must be very considerable. The inescapable fact remains that out of the 68% consumers who do exceed the free allowance, all whose excess consumption is at a rate insufficient to neutralise the effect of free allowance must pay more under the new scheme.

I therefore submit that, on the whole, it is more than likely that the consumer will pay more under the new scheme than he has been paying under the old.

I am aware that from the answers given to my questions in this Council on the 1st September, 1938, it would appear that, on the basis of the figures for the first seven months of 1938, the Government obtained a higher revenue in respect of water under the old scheme than it would have done on the basis of the new charges. It was, however, pointed out in the official answers that the revenue based on the new charges could only be approximate since "exact figures would take over a month to work out, as the recorded consumption through every meter would have to be taken".

But this question, though important on the merits of the scheme, is not really fundamental; because once we accept, as I do, the principle that the consumer should pay for all current water charges, the question must assume a new form, not whether the new charges are higher than the old, but whether the new charges need be so high on the figures presented, and on the assumption that the consumer has to foot the bill. I propose to deal with this question, but before doing so I wish to dispose of one point, as to which I find myself in acute disagreement with the views of my Honourable friend the Financial Secretary.

In recommending to Government that the existing 2% rate—which has always been regarded by Government, as well as by the community, as a payment for a supply of water at the rate of 40 cents per thousand gallons up to a prescribed limit of supply—should be retained, but that the equivalent free supply should be withheld, he advanced various reasons, which I must deal with *seriatim*.

Firstly, the Financial Secretary says that the retention of the 2% rate may be regarded as a general charge to cover the cost of water supplied for communal purposes, hydrants, street cleaning, sewers, public buildings, free supplies to hospitals, etc. The answer is this:—If the rates were reduced to 15%, the landlords would still be contributing nearly one-sixth of the total revenue of the Colony, and there can be no valid reason why the landlords, as such, should be made to pay for this "communal supply".

Secondly, the Financial Secretary says that provision has to be made in the water account for Military Contribution. He does not explain why landlords, as such, should bear the burden of Military Contribution in respect of the water revenue.

Thirdly, the Financial Secretary says that the rates at 17% are decidedly low. Here I do not know on what grounds this opinion is based. Over one-sixth of the total revenue of the Colony is derived from the 17% rates, and I submit that one-sixth cannot be regarded as a negligible contribution to revenue. As against the Financial Secretary's observation I may quote from the Economic Commission's Report:—

"Rates.—Some years ago the rates on property were raised from 13% to 17% on the ground that the low exchange necessitated an increased revenue to cope with the large portion of the Colony's expenditure which is based on sterling. Since then exchange has risen again to its former level and property owners, who have suffered very heavily in the depression, are looking to Government to effect a reduction in rates to the former level of 13%. While it may not be possible to restore the old rate of taxation, we consider that in view of the severe depression in property it should be Government's aim to bring about some reduction at the earliest possible moment."

Fourthly, the Financial Secretary says that if the 2% rates were taken off, the standard rate for water must be increased. I venture to think that this point, even if sound, has no relevancy on the question of whether the revenue represented by the 2% rates should, or should not, be a burden of the landlords.

And, lastly, the Financial Secretary says that the fixed charge of 2% rates will help to stabilise the finances of the Water Department. Again this has nothing to do with the point whether retention of the charge is justified, since nothing is given in return.

I come now to the figures as set out in the Financial Secretary's Memorandum.

Dealing first with Revenue, the Financial Secretary estimates that revenue for water for 1937, on the basis of the new charges, amounts to net \$2,172,927, which includes a sum of \$1,498,200 for charges for consumption, the balance being made up by the 2% rates and by meter rents, etc., less military contribution at 20%.

From the official answers to my questions mentioned above, it would appear that the total revenue from the water service is \$1,617,633.34, made up of \$930,900 calculated on the basis of the new charges for the period 1st January to 31st July, 1938; an actual receipt of \$243,841.02 for meter and fire service rentals; and \$442,892.32 being the 2% rates. Although it was pointed out that meter and fire service rentals being payable in advance, the total figure for the whole year would not greatly exceed the figure for the seven months (\$243,841.02), I cannot but feel that this is too conservative an estimate, for I should imagine that the number of people who commence new businesses, or take new meters for domestic supplies for a period of five months, cannot be negligible. Apart from this it would seem that, based on the seven months' figures as above stated, the revenue for the whole year will be \$1,595,828.57 for water charges, \$243,841.02 for meter and fire service rentals, and \$759,243.97 being 2% rates, making a total of \$2,598,913.56. It will thus be seen that this total exceeds the Financial Secretary's estimate of \$2,172,927 by \$425,986.56.

I am aware that the future revenue for water will be adversely affected by the water restrictions now in force. But the Financial Secretary obviously did not base his estimate of water revenue on the possibility of drastic water restriction, and I am content to show that, apart from water shortage which could not have been foreseen, his estimate is on the conservative side by over \$400,000.

Coming now to Expenditure, I submit that actual detailed figures by way of proper balance sheets, etc., alone can prove whether the estimates of \$330,627 for staff charges, and \$591,834 for maintenance charges, are, or are not, excessive. But the proposed charge of 2% (for 50 years) on \$15,578,000 on "expenditure from Revenue estimated up to the end of 1937" amounting to \$311,560 cannot, in my submission, possibly be justified. If \$311,560 is struck off from the expenditure side, it is obvious that the water revenue can be reduced by this amount.

No figures have been produced to show how the alleged past capital expenditure out of Revenue of \$15,500,000 is made up, and I, for one, am curious to see those figures. The Economic Commission's Report states that the Commission was informed that the capital outlay, prior to loans, was \$10,000,000. If \$10,000,000 does really represent the whole of the capital outlay on waterworks from the beginning of

the Colony up to the date of the Economic Commission's Report, then I should be interested to know when, and how, the extra \$5,500,000 was spent.

In the figures supplied by the Water Department to the Economic Commission there was an item for "depreciation 1½% on capital outlay of \$10,000,000 prior to borrowing". Of course this charge is in essence the same as the proposed charge of 2% on over \$15,500,000, and in connection with this charge this is what the Commissioners said:—

"... It was admitted that in point of fact (a) the works had been fully paid for out of past *revenues*, (b) that the annual depreciation of \$150,000 was not earmarked or credited to a reserve fund which could be drawn upon for renewals, but was simply paid into the general revenue of the Colony, (c) that depreciation was charged annually upon the full capital value of \$10,000,000 and not upon the depreciated capital value, (d) that normal replacements were covered by maintenance charges under Public Works Recurrent, (e) that extensions and small developments were covered by Public Works Extraordinary and, finally, (f) that in the event of a catastrophe rendering necessary renewal of a major work, the undertaking would in all probability be financed out of loans.

"In these circumstances, we cannot agree that there is any justification for the inclusion of this item in Maintenance Charges on Waterworks. To so include it is to mix capital expenditure with revenue, which is contrary to the principles of sound accountancy. The capital outlay of \$10,000,000 has already been fully paid for out of revenue and any major replacements which may become necessary in the future should be dealt with as they occur, preferably by means of loans. In our opinion it is quite unnecessary to burden the revenue derived from water with an annual charge of \$150,000 for depreciation."

I need not say more to show the injustice of the proposed charge. But it will be observed that the Commission's criticism was based on the assumption that past capital expenditure had in fact been paid out of past revenue generally, and not specifically out of Water Revenue.

But I am not prepared to make any such assumption. Indeed, it may very well be that on a proper account being taken, from the beginning to date, of water expenditure on the one hand, and of water revenue on the other, it will be shown that revenue exceeds expenditure by a very large sum, and that in so far as the past capital expenditure was paid in the past out of revenue, that revenue actually represented "profits" from the water account. In this connection I would like to refer to what I stated in this Council on the 7th October, 1936:—

"The Hon. the Director of Public Works was kind enough to supply me with certain figures in respect of the period 1920 to 1935. The figures show expenditure for maintaining Waterworks on the one hand (which comprises Public Works Recurrent and Salaries attributable to the Waterworks), and, on the other hand, the net revenue derived for Water (which comprises water excess charges and the "water rates" (2 out of the 17 per cent. assessment).

From 1920 to 1935 the total expenditure for the whole period amounted to just over \$7,000,000, and the total revenue came to just over \$22,800,000, showing a net profit obtained by Government from Water of about \$15,800,000"

Admittedly the whole of the past capital expenditure has been paid for out of General Revenue, and I have attempted to show—I hope successfully—that it has in fact been paid out of Water Revenue. This being so, why the consumer should now be made to pay anything in respect of this past capital expenditure defeats my comprehension!

Much has been said about Military Contribution. I hope that some equitable solution of this thorny question will be possible. In the meantime I would like to observe that military contribution at 20% has already been paid on the so-called past capital expenditure of just over \$15,500,000, and that payment by way of an annual interest on this sum at 2% will of course involve an annual further payment of military contribution at 20%.

In the modifications of the Financial Secretary's proposals mentioned earlier in my remarks, it was stated—

"In order to meet objections to the repayment from water revenue of past capital expenditure out of General Revenue, it is proposed that the sum of 2% of that capital, intended to be devoted to such repayment, should instead be used to build up a Renewals Fund which will be available to meet large renewals of capital equipment and will thus in future save further borrowing or expenditure from General Revenue Account."

It must be plain to any fair-minded person that the above quotation does not pretend to answer the criticisms against this particular charge which had been placed before Government. Our objection is not directed to the question as to how this annual sum of over \$300,000 should be used; it is directed to the retention of this sum as an item on the expenditure side when, on the figures of revenue and expenditure supplied by Government, such retention is not necessary in order that the actual expenditure may be paid for by actual revenue.

It is interesting to observe that the "modification" had in fact been considered and rejected by the Financial Secretary in his original memorandum, as the following quotation clearly shows:—

"In principle I think it is most desirable that there should be provision against the contingency of renewal of all works and equipment which may be expected to require renewal within a reasonable period of time, as is the common practice of other water undertakings and similar enterprises. The proper accounting procedure is to build up a Renewals Fund to which such expenditure can be charged. In the absence of such a fund the cost of renewal must be met by other means; e.g., renewal of the cross-harbour pipe line is now necessary and will have to be met from loan. There is, however, a factor in Hong Kong finance which forces a departure from orthodox principle—the military contribution. If annual contributions were made to a Renewals Fund and revenue raised from water charges to cover such contributions, military contribution of 20% would have to be paid on such revenue. The gross additional revenue to be collected would therefore be 25% more than the Renewals contribution. On the other hand if renewals are in due course financed from loan the charges on such loan will, if present practice is maintained, be deductible from the revenue assessable to military contribution. Unless and until there is a change in the military contribution system, therefore, the balance of advantage lies in making no current provision for renewals but financing them in due course by loan. Any "surplus" of revenue which may arise should, as already indicated, be regarded as available for renewals."

And yet the public is now being forced to finance renewals, not out of a loan (in which case the liability is equitably apportioned between the present consumers and posterity), but out of current revenue which is liable to a 20% payment for Military Contribution, and against the authoritative and expert views of the Financial Secretary set out above.

For the reasons indicated above I submit that, however much opinion may differ as to the other items of expenditure set out in the Financial Secretary's Memorandum, there can be no question that this gratuitous charge of over \$300,000 a year as a working expense of the Water Department is unjust, and cannot possibly be justified.

Apart from all questions of figures, the Financial Secretary's proposals are unsatisfactory for one reason which is fundamental, namely, that the charges do not take into account the difference between a necessary supply represented by a minimum consumption per head per household, and waste, or extravagant use, represented by a consumption in excess of such minimum consumption.

The desirability of making a more or less nominal charge for the initial minimum supply is frankly admitted by the Financial Secretary, and was stressed by no less an authority than a former Governor in this Council—Sir William Peel. I fear that one inevitable consequence of the new scheme is that the very poor will increasingly resort to the use of street hydrants, with all its obvious objections from the point

of view of public health and hygiene. It seems to me a real pity that a scheme conceived in the noble spirit of helping the poor at the expense of the rich should contain factors which make the realization of the aim in view, a matter of such patent impossibility.

When meters per floor have been installed the effect will be that in many cases the burden of water charges will be shifted from the landlord to the tenant, and I beg most respectfully to concur in the view expressed by the Financial Secretary, in paragraph 15 of his Memorandum, and I do earnestly appeal to the landlords to adjust their rents in consequence of the fact that the liability for water consumed has to be met by the tenant.

Before I sit down I should like to pay a sincere tribute to the Financial Secretary for the obviously fair and sympathetic way in which he has tried to deal with this difficult problem, and for his manifest concern for the poor. His and Mrs. Caine's work and efforts in the cause of social improvement in the Colony, have won the appreciation and gratitude of the Chinese community. It is therefore with genuine regret that I have felt it my duty to make the criticisms I have on his proposals. My own impression is, that if he could have formulated a scheme without having to reconcile the irreconcilable views of different Government departments, it would have materially differed from that now presented to this Council.

Since Government has announced that it intends to proceed with the Financial Secretary's proposals subject to the modifications indicated above, and since this Bill forms part of such proposals, I regret that, as a matter of principle, I must record my vote against this Bill.

HON. DR. LI SHU-FAN.—Your Excellency,—As my colleagues, the Hon. Mr. Chau and the Hon. Mr. Lo have dealt with the various aspects of the Bill so systematically and comprehensively, there is little I can usefully add. I wish to associate myself generally with the remarks made by the Hon. Mr. M. K. Lo, whom I regard as an authority on the Colony's water problem.

However, there are certain points which I wish to emphasize and to bring to your notice.

Despite the expressed policy of the Government in the past not to make water a source of revenue, I am surprised to find from the Government's proposals as set out in the Financial Secretary's memorandum, that this is not the case. I consider any policy which has the effect of making a profit out of the public water supply, however small, is based on unsound premises. This may be refuted but it cannot be denied that the proposed charges are not excessive and inequitable. Such a policy is not only unsound but is a menace to public health. This is so when you remember that the poor will have to pay for every drop of water used after the free allowances are abolished, and that epidemics usually originate from the slums—the districts of the poor.

The adoption of the new scheme will undoubtedly have the effect of forcing the poor to resort to the supply of street hydrants. If so, I can envisage the days of the rider-main, when people will be kept waiting and perhaps fighting for hours for a bucket or two of water. As an example of the unfairness and the inequity of the new scheme, I may quote the charge for the Peak District, which is 45 cents per thousand gallons even though the extra cost of pumping to the Peak District alone, is 30 cents per thousand gallons. Actually then, Peak residents will pay 15 cents, whereas the rest of the Colony on the lower levels, including the poor, will pay 25 cents per thousand gallons.

I note in Appendix III of the proposed Ordinance, under the heading of 'Free Allowances of Water', that the Royal Hong Kong Golf Club of Fanling is given a supply of six thousand gallons per day free of charge. I can understand and heartily endorse special grants to the hospitals and charitable institutions as enumerated in Appendix III, but can this club by any stretch of imagination be considered under the same category? In fact, this club, like the Peak District, is exclusively reserved for the privilege of Europeans. Under the circumstances, is it fair that 97 per cent. of this Colony's population be asked to pay for the privileged few?

I regret that as the Bill is so unsound in principle and not in the best interest of the people, I am compelled to register a vote against it.

THE FINANCIAL SECRETARY.—I should like, to begin with, to refer to the closing words of the Hon. Mr. Lo's speech. He refers to the difficulties of reconciling the views of different Government departments. In this instance it is not only a matter of reconciling the views and interests of different Government departments. There is a wide variety of interests among the whole community; the interests of landlords are not those of the tenants; the interests of the Peak residents are not the interests of the residents on the lower levels, there are domestic and trade consumers, and any scheme for water finance is bound to be imperfect from the point of view of any one of these interests. I cannot hope, therefore, to answer to everybody's satisfaction all the criticisms that have been made. In practically every issue which has been raised in this Council and in every discussion on this subject, it has been necessary to take the balance of advantage.

Secondly, the Hon. Mr. Lo made reference to the statement that the views expressed by the District Watch Committee and the Chinese Chamber of Commerce had been taken into consideration in framing the modified proposals, and expressed some doubt as to whether they had been really considered. But I can assure him they have been most carefully considered, and it does not follow that because all the suggestions of these bodies were not incorporated, they were not considered.

The Hon. Mr. Lo further, in the opening of his speech, indicated that he had hoped that the revised scheme of water finance would result in reduced charges but I think I may say that my own object and the object of the Government in attempting the revision of water finances was entirely independent of any desire to reduce or to increase the charges. The object was to find out what, on a fair calculation of the true cost of the undertaking, was the burden that should be borne by the water consumers, and then to distribute that burden fairly between the different classes of consumers.

I understand from the Hon. Mr. Lo that he fully accepts the principles of that procedure and it is really on the details of the estimates of costs and the method of distributing the burden of charge, that we differ; and I propose therefore to go through the principal points made by the Hon. Mr. Lo and other Hon. members who have spoken on the subject. Firstly, there is the question of the charge on Peak consumers of which, I think, there is a good deal of misapprehension. On the surface it looks as if the Peak resident was being benefitted by a reduction in charge from a net 85 cents per unit to 45 cents, but it is the case that a majority of the Peak residents now get the whole or a great part of their water within their free allowance. The net result is that in future they are going to pay more by paying for every gallon consumed at a lower rate than they have formerly paid for their excess. If these charges had been in force in 1937, the Peak residents, as a whole, would have had to pay, in addition to the two per cent. rates, \$12,203 as compared with \$7,088 actually paid; that is, they would have to pay more than \$5,000 extra as a result of this change.

Secondly, as regards this \$1 charge, which is stated to apply to the Peak, it does not apply only to the Peak residents and it is more properly to be regarded as a charge for water used for flushing. All water in the Peak is available for that use and therefore a dollar rate is charged all over the Peak, but this is also charged on every property, including a considerable part of the mid-levels, where water is used for flushing, and the reduction, if it is a reduction, will apply to these properties equally.

Much more important is the fact that for the poorer class properties—the Chinese tenements—there is no doubt whatever that the revised scale of charges will result in a lower total charge on the basis of 1937 consumption of water than the present charge, inclusive of the two per cent. rates in each case. That is because the average Chinese tenant uses such a great deal of water in excess of his free allowance that the reduction in the charge on excess consumption more than offsets the increased charge on what was formerly allowed free. A number of typical properties have been examined and in every case it has been found that this is the result. I naturally cannot quote a particular case in Council but I am quite willing to show the Hon. Mr. Lo or any Hon. member the figures if they desire to see them. The people who will pay more as a result of these charges are the residents in better class domestic properties in the Peak and elsewhere,

and the large office blocks, hotels, etc., in the centre of the city; but the poor people or the landlords paying in respect of poor people will definitely pay less.

The next point is the continuance of the two per cent. rates. On that I venture to suggest that all the criticisms that have been made are invalid because they assumed that the present rate is borne by the landlord. It may be paid in the first place, but I cannot believe that the rates are not in fact incorporated in the rent, and if the rates were reduced, in the course of time the rent would be adjusted and eventually the tenant pays and not the landlord. Therefore, the criticism that the landlord is being asked to bear the burden of the military contribution, etc., is not true. It is the general community, in its capacity as the occupier of a house or floor or part of the floor, which is paying that taxation.

Next, the Hon. Mr. Lo differed from me in my comment that the rates here are on the whole low. Well, possibly our standards differ. I come from England where a rate of 40 per cent. is regarded as extraordinarily low. I think it may be found that rates in Singapore are substantially higher than here, and in comparison of the proportion of the rates to the total taxation, I think it is forgotten that this Government is also a municipality and that no municipal taxes are paid. Indeed, I think the total rates paid in England are certainly not less than one-sixth of the aggregate revenue of the central and municipal governments, and in addition, of course, in England the owner or occupier of the property has to pay income-tax; so I don't think it can be seriously argued that the rates here are higher.

Finally, on this question of the two per cent. rates. It is suggested that it is immaterial whether the charge collected in that way is transferred to the water charges. As I said in my original memo, a transfer of that kind would be a transfer from the better-off class of the community to the poorer class and if the Hon. Mr. Lo's theory that the landlord bears the rate were conceded, it would be even more obvious that a transfer of that nature is wrong.

His next point was the estimates of revenue. He took the figures of the first half of 1938, an exceptionally dry period and at a time when the population of the Colony was artificially swollen and when water consumption was abnormally high. I don't think, therefore, that it would be in the least prudent finance to frame and to govern the water charges on the basis of that exceptional period of six months. But in any case, the Hon. Mr. Lo ignored the fact that additional consumption meant additional expenses, and apart from the inevitable increase resulting from the actual increase of consumption there are higher costs for supplying of water—this year, for example, in the increased cost of coal. Even in that half year, the increased expenditure would go a very long way to offset the increased revenue.

On the expenditure side, the principal criticism is as to the charge for renewals. Here, I think perhaps too much emphasis has been laid

on the past because any such contribution is necessarily calculated on past expenditure, but the real purpose of such contribution is to provide for the future. From time to time renewals are required, or such expensive repairs as to amount to renewals. Unless money is set aside to provide for these renewals as they arise, they have got to be financed either by new loans or by money found from general revenue. It is always very pleasant to finance new works out of loans but it is never sound if it can be avoided and I am quite sure that if these water undertakings were in the hands of a public utility company it would certainly put a sum aside every year to provide for the renewals. I am equally certain that the provision would be larger than is proposed by Government. It may, for instance, be instructive to compare a provision of that nature made by a utility company in this Colony. The Telephone Company is permitted under its Ordinance to set aside provision for depreciation of its capital equipment, and also contributes to a reserve fund designed to pay off the whole of the company's capital within the period of its extensions. In this case we are merely proposing to set aside a small provision to provide for future capital replacements.

In that connection the criticisms of the Economic Commission which the Hon. Mr. Lo referred to are very instructive. They objected to former provisions for depreciation, included in the P.W.D. figures, because, among other grounds, the sum provided for depreciation was not ear-marked or credited to a reserve fund which could be drawn upon. This is precisely what we intend to do, to set aside a separate fund, which will not be available for general revenue. Replacements used to be covered by maintenance charges under Public Works Recurrent, but now replacements will be charged to this fund and will correspondingly reduce the charge of maintenance which is debited to the water account elsewhere. So I venture to think that the Economic Commission's opinion now would be very different. Looking at it from this point of view I don't think it matters very much whether the original capital expenditure was found from water revenue itself or from the general revenue of the Colony because it still remains desirable to make proper provision for future capital replacements.

Finally, on this point, the Hon. Mr. Lo referred to the opinion I previously expressed on the effect on this particular issue of the military contribution complications. My first answer to that is that, as in all these matters, it is a question of balance of advantage, and the military contribution is only one factor. But my second answer, which is perhaps more convincing, is that I received a private but none the less authoritative hint from the Colonial Office that it was not safe to assume that any future loan raised on the water account would be exempt from military contribution as the last one was.

Finally, all three members have criticised the general basis of the charge and the Hon. Mr. Lo suggests that I had myself admitted the desirability, in principle, of an initial supply at a nominal charge. I

do not think that is quite what I said. I think in paragraph 12 of my original memorandum, I suggested it might be desirable to charge much higher rates for supplies over and above the minimum, but I do not think I contemplated a nominal charge for a minimum supply. I think I had in mind the present charge for the minimum supply and something much higher for further supplies.

It has also been suggested that we ought to charge a flat rate and then to allow all water free. I think the answer to that is, simply, that we have not got the water and that we cannot afford to take the risk of the increase in consumption, which would probably result from the complete removal of any monetary deterrent to wastage of water. Here a picture has been painted of poor people being obliged to resort to hydrants. I am afraid I find that impossible to understand. At present, the poor tenant of a Chinese tenement house, if he pays for water at all, pays for it at 42½ cents per 1,000 gallons. In future he is paying 25 cents per 1,000 gallons. I simply cannot understand why he should be more reluctant to use water from a tap when he gets it 17½ cents cheaper. I think the whole criticism is based on a misconception; so far as the poor people are concerned, the free allowance means nothing to them, and the excess they have to pay for already.

Finally, the Hon. Dr. Li suggested that Government should make no profit. I cannot see where that profit has arisen. The only item of expenditure, which is not actual expenditure, is this contribution to renewals, but that is not profit usable by the Government for general purposes: it is allotted purely and simply to renew future water undertakings, and it is the property of the water undertaking. It is also contemplated that if there should be a small surplus of income over expenditure at the close of the year, that surplus will remain the property of the water undertaking and will not be available for the general purposes of the Government. There could be no profit item.

As regards the Fanling Golf Club, I understand there is a specific agreement with the Club whereby it is entitled to this particular allowance.

THE DIRECTOR OF PUBLIC WORKS.—The reason for this so-called free allowance to the Golf Club is due to the fact that when the Golf Club started in 1910 there was no Government supply at Fanling and the Club had to construct their own water supply. About 1920 or 1924, I think it was, quite a number of houses were built at Fanling and the Golf Club was approached to supply water, the Government being unable to do so, and the Club having, in fact, supplied water to one or two bungalows. However, it was found that the development was getting rather large and Government got into touch with the Golf Club and it was arranged that a valuation should be made of the Club's waterworks and instead of paying the Club for the waterworks we should give them free water allowance on the value of their works.

H.E. THE GOVERNOR.—Before I put the motion to the Council, I would like to say this: There is one objection which, had it been proved, would have easily induced me to put this Bill back for further consideration, and that is, if it had been shown that the effect of the proposed charges was to react unfairly on the poorer members of the community. I think it must be admitted that the Financial Secretary has proved quite conclusively that the case is the opposite and that the increase of the burden will fall upon those more capable of bearing it and more lightly on those needing relief, and for that reason I propose to put the Bill forward as it stands. On the point of the 2 per cent. renewal, I think Hon. members will agree, when they think them over, that the objections are to some extent academic. I only mentioned the point because having had a long experience of Legislative Councils I have heard Government upbraided for not following the example of business houses and when they did, they never received a pat on the back.

I now put forward the Bill.

The motion was carried by a majority of votes, the Chinese Unofficial Members voting against the motion.

**NEW TERRITORIES REGULATION AMENDMENT
ORDINANCE, 1938.**

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the New Territories Regulation Ordinance, 1910."

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

DANGEROUS DRUGS AMENDMENT ORDINANCE, 1938.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Dangerous Drugs Ordinance, 1935."

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

On the motion of the Attorney General, seconded by the Colonial Secretary, the Council then went into committee to consider the following bills clause by clause:—

FEMALE DOMESTIC SERVICE AMENDMENT ORDINANCE, 1938.

OFFENCES AGAINST THE PERSON AMENDMENT
ORDINANCE, 1938.

WATERWORKS ORDINANCE, 1938.

NEW TERRITORIES REGULATION AMENDMENT
ORDINANCE, 1938.

DANGEROUS DRUGS AMENDMENT ORDINANCE, 1938.

THE ATTORNEY GENERAL proposed the following amendments to the Waterworks Bill, which were approved:—

Clause 2: Delete (g), (j) and (t).

Renumber remaining paragraphs (h) onwards as (g) to (r).

Add new paragraph:—

"(s) 'regulations' means regulations under this Ordinance."

Clause 5: Substitute new sub-clause (a) as follows—

"(a) unless the consumer, within fourteen days from the date of service of written notice in that behalf or such extended time as the water authority may allow, gives an undertaking satisfactory to the water authority to pay, quarterly or at such lesser periods as the water authority may in any case determine, the amount due for charges for water and, annually, the amount due for meter rent, to the Accountant General, in accordance with regulations;"

In sub-clause (b), for "requested by the water authority" substitute "which the water authority may require".

In sub-clause (c), insert "to the satisfaction of the water authority" after "carried out" in line 2, and substitute "regulations" for "with any of the regulations made thereunder".

Clause 9: Delete the marginal reference to Ordinance No. 15 of 1930.

Substitute "Accountant General" for "Treasurer" and add to the end of the paragraph "and may, in the discretion of the water authority and without prejudice to his powers under section 5, be applied to the payment of any money in respect of which the deposit was made and which has not been duly paid in accordance with regulations."

Clause 10: Delete "made under this Ordinance" in the sixth line, substitute "of the service" for "thereof" in the same line, and "prescribed by" for "laid down in" in the ninth line.

Clause 12: Delete "made under this Ordinance".

Clause 14: Substitute "in the manner prescribed by regulations" for "as described in regulations made under this Ordinance".

Clause 17: Substitute "Accountant General" for "Treasurer".

Clause 19: Delete.

Clauses 20 to 33: Renumber as 19 to 32.

Clause 26, as renumbered: Substitute "regulations" for "any regulation thereunder".

Clause 29, as renumbered:—

Paragraph (2)—Insert "or to become due" after "due".

Paragraph (3)—Delete, and substitute—
"(3) deposits to be made by consumers;"

Paragraph (4)—Delete, and substitute—
"(4) fees and⁸ the payment thereof;"

Paragraph (5)—Delete "for all purposes".

Paragraph (6)—Delete "the grant and amounts of".

Paragraph (10)—Delete "to carry out the construction, alteration and repair of inside and fire services".

Paragraph (12)—Delete, and substitute—
"(12) the construction, alteration and maintenance of inside and fire services, including the keeping of such services clean;"

Paragraph (13)—Delete.

Paragraph (14)—Renumber as (13). Substitute "any" for "an existing" and delete "or not up to standard".

Paragraph (15)—Renumber as (14).

Paragraph (16)—Delete.

Paragraph (17)—Delete. Substitute—
"the taking of water from public standpipes, the regulation or restriction of the persons resorting or desiring to resort thereto, the apportionment or rationing or restriction of the supplies which may be taken therefrom and the giving of powers to police officers and others with a view to such regulation, apportionment, rationing and restriction;"

and renumber as (15).

Paragraph (18)—Renumber as (16). Delete "the right of the water authority to grant permission to use" and substitute "the use of".

Paragraph (19)—Renumber as (17). Delete "the right of the water authority to grant permission to use" and substitute "the use of".

Paragraph (20)—Renumber as (18) and substitute "taking" for "catching".

Insert new paragraph (19)—

"(19) for prescribing anything which is by this Ordinance to be prescribed by regulations;"

Paragraph (21)—Delete.

Paragraph (22)—Renumber as (20).

Clause 30, as renumbered: For "the Governor in Council" substitute "regulations made under this Ordinance or by any other Ordinance."

SCHEDULE.

Heading: For "[s. 31]" substitute "[s. 30]".

Regulation 2: Delete the third and fourth paragraphs and substitute:—

"If in any case the deposits or moneys due are not paid within ten days before the date stated on the form, a notice of intention to disconnect the service shall be sent by the water authority on the appropriate form:

Provided that nothing shall prevent action under section 5 or proceedings under section 17 of the Ordinance being taken without notice to the person in default."

Regulation 3: Delete the first paragraph, beginning "The decision of the water authority..."

Regulation 6: Add a new paragraph at the end, as follows:—

"Free allowances of water are available only for the periods for which they are stated to be given, and no hospital, institution or other recipient of a free allowance of water shall, by using less than its allowance for any one such period, receive any increased allowance for any other period."

Regulation 11 (d): Paragraph (1)—Insert at the beginning "Except with the written permission of the water authority".

Add a new paragraph (4)—

"(4) Hot water apparatus generally shall conform to the standards laid down for the time being by the British Waterworks Association."

Regulation 13: In paragraph (c), for "allowed" substitute "made" and add "and no longer necessary."

Regulation 15: In the second last line substitute "19" for "20".

Regulation 20: Substitute "TAKING" for "CATCHING" in the heading.

APPENDIX I.

Add at the beginning an interpretation clause as follows:—

"In this Table—

'construction purposes' includes any purpose connected with the construction, alteration or repair of any premises;

any water supplied to piers, wharves or sea-walls, or to any vessel including any water boat lying at or near any pier, wharf or sea-wall, shall be deemed to have been supplied for shipping purposes;

'trade purposes' includes any purpose connected with any trade, manufacture or business other than shipping or construction purposes;

'domestic purposes' means purposes connected solely with the occupation of a dwelling house."

In the prices of filtered water, substitute "for construction or shipping purposes" for "for trade, construction or shipping purposes" and for "for domestic use" substitute "for trade or domestic purposes".

Delete the reference "(b) (iii) from the Royal Hong Kong Golf Club supply, Fanling ... 25 cents" and renumber (iv) as (iii).

In the proviso, for "within 30 days of the date" substitute "on the date".

OBJECTS AND REASONS.

In paragraph 4 (f), for "28" substitute "27".

TABLE OF CORRESPONDENCE.

Delete the item "19—17—Redrafted" and renumber clauses 20 to 33 as 19 to 32.

THE ATTORNEY GENERAL moved the following amendments to the Dangerous Drugs Amendment Ordinance, 1938, which were approved:—

In Clause 3, the additional paragraph to new Section 21A of the principal Ordinance, Sub-section 4, namely:—

Any such order shall be sufficient authority to any constable to enter (by force, if needful) into the premises and give possession of the same, or any part thereof specified in the order, to the landlord or his agent: Provided that such entry shall not be made at any time except between 9 a.m. and 5 p.m.: Provided also that the powers given by this section shall be in addition to and not in derogation of any powers conferred by or under any other enactment.

The addition of a new Section 21B relating to secrecy of information and the protection of informants.

The amendments were approved.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Female Domestic Service 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.

THE ATTORNEY GENERAL reported that the Offences against the Person Amendment 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.

THE ATTORNEY GENERAL reported that the Waterworks Bill had passed through committee with amendment. He said: This Bill has been considerably amended in committee. It cannot be passed at this meeting without the suspension of Standing Orders. As the Bill is expressed not to come into force for some considerable time, there is no urgency and the Bill should, by Standing Order 28 (1) be published in the *Gazette* as amended and the third reading deferred to the next meeting of the Council.

THE ATTORNEY GENERAL reported that the New Territories Regulation Amendment 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.

THE ATTORNEY GENERAL moved the suspension of Standing Orders to enable the Dangerous Drugs Amendment Bill to be read a third time. He said: The Bill has been published as amended in the *Gazette*. The amendments are necessary to enable Government to deal properly with the heroin evil and I move the suspension of Standing Orders to enable the Bill to be read a third time.

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

ADJOURNMENT.

H.E. THE GOVERNOR.—Council stands adjourned *sine die*.

FINANCE COMMITTEE.

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

Votes totalling \$119,267, under Estimates 1938, contained in Message No. 8 from His Excellency the Governor, were considered.

159.—18, Magistracy, Hong Kong:—1, Personal Emoluments, \$37,270.

THE CHAIRMAN.—This, of course, is one of those ordinary transfers. Since we ceased to have a separate head of estimates for the Cadet Service, each department has to make its own guess as to what sum it must allow during the coming year. There will be corresponding savings, I think.

THE FINANCIAL SECRETARY.—That is correct.

165.—34, Public Works Extraordinary:—Kowloon. General Works. 49, Drainage:—(b) Miscellaneous, \$16,000.

HON. MR. LO.—May I ask whether the work can be proceeded with forthwith because I believe there has been quite a delay and a lot of houses are held up?

THE DIRECTOR OF PUBLIC WORKS.—If we get the money we will start right away.

All the votes were approved.
