

*19th March, 1948.*

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**PRESENT: —**

HIS EXCELLENCY THE GOVERNOR (SIR ALEXANDER WILLIAM GEORGE  
HERDER GRANTHAM, K. C. M. G.)

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

THE COLONIAL SECRETARY (HON. D. M. MACDOUGALL, C.M.G.)

THE ATTORNEY GENERAL (HON. J. B. GRIFFIN, K.C.)

THE SECRETARY FOR CHINESE AFFAIRS (HON. R. R. TODD).

THE FINANCIAL SECRETARY (HON. C. G. S. FOLLOWS, C. M. G.)

HON. V. KENNIFF (Director of Public Works).

DR. HON. I. NEWTON (Director of Medical Services).

DR. HON. J. P. FEHILY, O. B. E. (Chairman, Urban Council).

HON. D. F. LANDALE.

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

HON. LO MAN-KAM, C. B. E.

DR. HON. CHAU SIK-NIN.

HON. LEO D'ALMADA, K.C.

HON. R. D. GILLESPIE.

HON. M. M WATSON.

MR. ALASTAIR TODD (Deputy Clerk of Councils).

## MINUTES.

The Minutes of the meeting of the Council held on 10th March, 1948, were confirmed.

## PAPERS.

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

First Annual Report of the Hong Kong War Memorial Fund Committee.

Financial Report for the period from the 1st May, 1946 to the 31st March, 1947.

## ADDRESS BY THE GOVERNOR.

H.E. THE GOVERNOR: Honourable Members,

Later this afternoon the Financial Secretary will move the First Reading of the Appropriation Bill for the Financial Year 1948-1949. In doing so he will indicate the state of the Colony's finances, what revenue Government expects to get next year and what expenditure it proposes to incur. It would, however, probably not be without Interest if I were to give the background to Government's financial position, — the background being the economic condition of the Colony as a whole, —and to review the progress we have made in the past twelve months and our plans for the future.

### Trade and Industry.

1947 has been a good year in Hong Kong. Imports which totalled the figure of \$1,550 million, showed a rise of 62% over 1946: while exports at \$1,217 million have been 58% over the figures for the previous year. The reasons for this upsurge in trade are not difficult to find. Hong Kong is an oasis of political and financial stability in the Far East. Surrounded by countries which suffered severely at the hands of the Japanese, it has known little of the political or economic difficulties, with which the surrounding countries have been beset, since the invader was cleared from the occupied territories.

Foodstuffs, oils and fats and textiles play the leading role in the Colony's trade. These items comprise almost 50% of imports and exports, while metals, chemicals, dyes, tobacco and paperware account for another 25% of the trade.

The Empire's share of the trade which passes through Hong Kong has increased since the war. In 1938 only 16% of the Colony's import trade, and 17% of her export trade, was with countries in the Empire, but in 1947 these figures increased to 28.6% for imports and 29.5% for exports. The United Kingdom was the chief source of Empire supplies, providing 10.6% of all imports, followed by British

Malaya, 6.6%, Australia, 3.4% and India 2.9%. British Malaya took the largest share of exports to the Empire with 17.6%. Exports to the United Kingdom did not reach pre-war levels. South Africa was an important customer, taking 2.2% of all exports. Almost 70% of the Colony's import trade, and 80% of the export trade, has been with countries which border the Pacific, as against 90% and 83% respectively in pre-war years. Situated at the crossroads of the Western Pacific, Hong Kong is, by virtue of its geographical position, the main port of entry and exit for goods passing into and out of South China, but since the war it has also made significant progress, as the main port of transshipment for cargo passing to and from other countries in the Far East.

The outstanding features of Hong Kong's trade in 1947 have been the decline in the trade with China, and the increase in the trade with the United States. In common with other parts of the world, Eastern Asia has been compelled to look to the country with the largest exportable surplus to supply its needs for manufactured articles. Germany and Japan were formerly major sources of supply of manufactured goods, but with the disappearance of these two countries, Eastern Asia, which even before the war had strong commercial connections with North America, has exerted a strong pressure on the gold dollar area. It is true that the United Kingdom has been able to meet an increasing portion of the demands for industrial products in Eastern Asia, but the United States have more than doubled their pre-war share of the Far Eastern market. Countries in which political unrest has prevailed, such as Indonesia and French Indo China, have lost ground, although the former, in increasing her share to 1.5%, made considerable improvement over the previous year.

A significant change has been the emergence of British Malaya as a main source of supply for the Far East. While there has been a big demand for rubber and vegetable oils from the South, not only to meet current consumption but also on inventory account, there can be little doubt that the law and order and the good administration which have prevailed in Malaya have enabled that country to capture some of the markets which were formerly supplied by Indonesia and French Indo China. Hong Kong's trade with Malaya also illustrates the reciprocal interplay of imports on exports and vice versa. As countries have bought through Hong Kong a larger volume of Malayan products, so Malaya has responded in accepting a larger volume of imports. Malaya took 17.6% of Hong Kong's total exports during 1947 as against 21.1% in 1946, but they were still two and a half times as large as in 1938. Hong Kong has been fortunate in being able to supply Malaya with a large amount of textiles and foodstuffs. Similarly Siam has been a good customer for textiles and foodstuffs shipped out of Hong Kong, and has more than doubled her pre-war proportion of Hong Kong's exports.

The high prices prevailing in the United States have offered an attractive market for the products of Eastern Asia, and it is not surprising therefore to find that exports to the United States have

risen from 10% of the total exports in 1938 to 12.5% in 1947. Prices of primary products from the Far East, however, have been high, and there is little doubt that the flow of goods to America has been stimulated more by the desire to obtain gold dollar exchange to pay for imports, than by the prices which America was willing to pay. Imports through Hong Kong from America were \$299 million for 1947, while exports to the United States amounted to \$152 million. The main export from Hong Kong to the United States is tung oil, but there has been a severe decline in oil exports during 1947. In 1938 the United States took 36,746 tons oil, but in 1947 this amount had, in spite of an increased price, fallen to 19,600 tons.

The Philippine Islands have become an increasingly important customer. Although nominally part of the gold dollar bloc, the heavy calls which have been made by an insatiable demand have used up that country's U.S. exchange, and the new Commonwealth has been constrained to look for supplies from the soft currency areas. Goods to the value of \$62 million were taken by the Philippines from Hong Kong in the year under review, representing 5.1% of all exports, of which more than half was foodstuffs. There is little doubt that exports to the Philippines would have reached a higher total if supplies from the United Kingdom, which have a high reputation in the Islands, had been available.

The most disquieting feature of Hong Kong's trade in 1947 has been the decline of commercial traffic with China. It could not have been otherwise in view of the internal conditions there. This is vividly reflected in the figures of exports from Hong Kong to South China. South China took goods to the value of \$66 million in the second quarter of 1947, but only \$30 million in the final quarter against a quarterly average for 1938, when prices were much lower, of \$34 million. The most valuable foreign exchange earning commodity leaving China through Hong Kong is tung oil, and the amount exported to all destinations from Hong Kong during 1947 was 33,168 tons against 56,832 tons in 1938. This decrease has happened when there has been an unprecedented demand for the oil from foreign countries. China has not been able to take advantage of the seller's market prevailing in the world, to rehabilitate her internal economy.

Another remarkable feature of Hong Kong's trade has been the revival of trade with Japan. Close liaison has been maintained with General MacArthur's Foreign Trade Division since early in 1946, and Hong Kong has had its own representative in Tokyo for the greater part of 1947. Pending the resumption of normal trading relations and the conclusion of a Japan-sterling area financial agreement, it has been necessary to conduct all trade on a Government to Government basis. A special makeshift procedure has been set up to provide merchants with facilities for buying and selling through Government channels with as much freedom as possible, and it is hoped in the near future to bring these arrangements even closer to normal trading procedure by the use of banking channels. Although these arrangements have been, of necessity, rather unwieldy, they have been better

than the only alternative, which was stagnation, and it may be said that their existence, and the co-operation of S.C.A.P., have given Hong Kong a considerable start in a trade which is likely to be of great importance in the long run. Even with these handicaps, imports during the year were valued at \$37 million and exports at \$15 million, compared with \$13 million and \$3 million, respectively, in 1938. The bulk of imports has been cotton yarn for local industries, but they have covered a very wide range of commodities. The major exports have been foodstuffs and edible oils. Hong Kong may well serve as an important entrepot for Japanese trade in the future.

Considerable progress has been made towards the rehabilitation of industry, although it is still handicapped by loss of equipment, lack of raw material and excessive costs. There were however improvements in all factors. Although delivery of new equipment was still subject to inordinate delays, and none of the expected Japanese reparations were delivered, local improvisation did wonders, and a considerable amount of plant was brought down from Shanghai. An extensive modernisation of plant will however be essential if Hong Kong is to keep its place in the industrial world against European and American competition: Chinese labour can no longer be regarded as cheap in comparison with western.

There were certain new developments, such as cotton spinning and plastics, and interest was evinced from Shanghai in the possibilities of Hong Kong as an alternative industrial area, in spite of certain comparative disadvantages, such as limited water supply, scarcity of suitable sites, and more stringent labour regulations. The weaving and knitting industries in particular improved. During the early part of 1947 they were using about one million pounds of yarn a month, and export markets were largely confined to Malaya and Siam, but, a reduction in local yarn prices in the autumn coinciding with increasing world prices, a boom started in October, and by the end of last year the industry was using 2½ million pounds of yarn a month, and its products were reaching the Middle East and Africa in fair quantities. The available supplies of yarn were in fact being outrun, and increasing difficulty is being experienced in meeting demand. In this connection, the establishment of a number of cotton spinning factories in Hong Kong is very welcome, although little contribution can be expected from them before 1949. The development will do much to put the whole textile industry on a properly integrated basis, provided that yarn can be produced cheaply enough.

The United Kingdom has again opened its doors to Hong Kong preserved ginger and rubber shoes, and both these industries can look forward to a good year in 1948. The paint industry experienced a continuation of its 1946 boom, while other industries which prospered were food canning, rubber goods, hurricane lanterns, light metal wares, thermos flasks, hats and rattanware. The progressive match industry suffered from foreign competition but production was well maintained, while the flashlight industry maintained steady progress, in spite of continued difficulties over supplies of brass sheet (the greater part of

which is derived at present from old shell cases). The connected bulb and battery industry did not do so well, owing to the uncertain quality of the product. Foundries were prosperous, largely owing to the difficulty of obtaining finished metal products from abroad; an index of their expansion is afforded by coke consumption which has risen to 500 tons a month compared to 100 tons only pre-war.

What are the prospects for the future? I do not wish to don the mantle of a prophet, particularly where the political and economic conditions in other countries are concerned, but it is evident that there is not going to be a quick recovery in any of the afflicted countries. The seller's market is rapidly vanishing; consumers' resistance to high prices is affecting demand, and there seems little development which promises an early expansion of the purchasing power of the peoples of the Far East. Whilst as regards our industries, they have at present the short term advantage that, subject to raw material difficulties, they have been able to offer prompter delivery than practically any other industrial area in the world, and this has induced buyers abroad to agree to pay Hong Kong's comparatively higher prices. When however the post-war boom ends, and competition once more is fully effective, local industry can only progress or even survive on any scale, if it can reduce costs and improve quality. This means better and more modern equipment and more efficient labour. Not all our local industrialists are fully aware of this, and it would be wise of them to prepare now for the future.

### **Supplies.**

Food supplies, both local and imported, improved during the year, although there were continuing world shortages, particularly of rice, flour and sugar. Rice supplies are still very far short of normal, but with a slightly higher allocation from the International Emergency food Council and better deliveries from the producing areas, stocks never reached the dangerously low level at which they remained during the greater part of 1946, never falling below six weeks' supply. The ration was increased from 5 1/3 ozs. a day, to which it had been reduced in May, 1946, to 6 1/3 ozs. in May, and again to 7 1/2 ozs. In August, at which level it has remained until now. The price position has not been so satisfactory, and it has gone up from 30 cents a catty at the beginning of the year to 54 cents at present. There seems little likelihood of a reduction in the near future. Local meat, fish and vegetable supplies have improved, partly under the stimulus of the Marketing Schemes.

Supplies of other goods have improved considerably, although there were continuing shortages, which necessitated the retention of a fairly wide range of price controls. Government does not want to retain price, or any other controls, a day longer than it has to. But whilst shortages exist the consumer must be protected.

I have dealt with trade and industry at some length, as it is upon their prosperity that Hong Kong depends. Given good trading conditions, revenue will flow into the Colony's exchequer, and Government will be able to carry out projects of economic and social development, subject to materials and staff being available. If business is depressed, Government's revenue falls off, and by consequence the amount of development and other works that can be undertaken.

### **Public Works.**

Now against the background of 1947 conditions, let me review Government's activities during the past year. I shall also give an outline of some of our plans for the future. It should not be overlooked that part of the background is the material destruction that was wrought in the Colony during the war. This means that much of our effort has been, and will have to continue to be for some years, the restoration of war damage to buildings, etc. Our task has not been rendered any easier by the world shortage of materials of all kinds, and also of manpower, especially of the higher and more skilled grades. Despite these difficulties, however, construction has gone ahead, both Government and non Government, and both residential and commercial. Another difficulty is the present high cost of building. This problem is now being examined by a technical committee of officials and non officials.

It will be recollected in last August, Government issued a notice to the effect that it was prepared to sell, by private treaty on specially favourable terms, Crown Land for approved housing schemes, and to permit the construction of individual houses by those persons who were prepared to build for their own occupation. Twenty applications were received for housing schemes; but of those only nine complied with the conditions stipulated by Government; the principal one of which was the limitation of profit. Detailed examination of those nine is now being undertaken. Over eighty applications for individual house sites have been received. Nineteen of these have been approved and forty-eight are being further investigated.

As Honourable Members are aware, Sir Patrick Abercrombie spent a month in Hong Kong at the end of last year. His report is awaited. In order to assemble the data necessary for his investigations, a small Town Planning Office was set up. This office will be used to draw up the future plans, which will be needed as a result of Sir Patrick's report.

### **Education.**

Shortage of staff has also prevented us from progressing as rapidly as possible as we should have liked on those activities, —educational, health and social welfare generally, which do not depend directly on buildings, —though the staff must have somewhere to live and somewhere to work and there is acute shortage of both forms of accommodation. Even so, the past year has seen advances.

It was once said of Hong Kong that it was a Colony which spent more on its roads than on its education. The position today, so far as education is concerned, has gone far ahead of that remark. It is realised that on the proper education of the children of this Colony the future of the Colony largely depends. During the past year, despite handicaps in the way of lack of buildings and at times difficulty of obtaining staff, the number of children attending school has increased from 92,000 to 106,000, making the total only 11,000 short of that in 1941.

While it is the objective to provide educational facilities for all children in the Colony, it has not been possible to achieve this aim. The destruction of school buildings, coupled with the large increase in the number of children of school age, has resulted in an estimated 50,000 children being without education. Some of these, however, are transient and our first duty must be towards the children of permanent Hong Kong residents. Even so, we should require at least 60 new schools at a cost of about ninety million dollars! During the coming year it is hoped to rehabilitate the former King's College, to rebuild two Government schools, and extend others. At the same time, some of the Grant-Aided schools are embarking on extensive building plans with help from Government. The process of restoring the educational position is necessarily a slow one, since the number of school buildings which can be erected must fit in with the general building programme.

A start has been made with adult education in the New Territories and the scheme seems to be popular. If this first effort proves successful the work will be extended.

I do not propose to say more than a few words about the University, as I shall shortly be addressing the University Court. It is sufficient to remark that the provision of \$1½ millions in the Estimates for next year for recurrent expenditure, and the earmarking of \$4 millions of the loan funds for rehabilitation, is an affirmation of our belief in the future of the University and of Hong Kong.

### **Medical & Health.**

The health of the Colony during 1947 was exceedingly good with the lowest death rate yet recorded. This was in part due to the improved standards of nutrition, and in part to the absence of any major epidemic of smallpox or cholera. With the cessation of the 1946 smallpox epidemic, no new single case occurred, and there was no local case of cholera during the year for the first time since 1936. The absence of smallpox was due almost entirely to the fact that over threequarters of a million vaccinations were performed. The most severe epidemic was an outbreak of cerebro-spinal meningitis. There were 566 cases, of which 199 occurred in April.

Nevertheless, in spite of this good record, there are two circumstances which give cause for concern. The first is the prevalence of large numbers of cases of tuberculosis. An attempt was made during



1947 to arrive at some estimate of its frequency, and while the figures available for statistical purposes are relatively small, there appear to be some tens of thousands of cases. It is intended in the coming year to make a serious attack on this disease, both by the Government and by the Anti-Tuberculosis Association. And here I should like to take the opportunity of publicly thanking Mr. Ruttonjee for his extremely generous contribution of half a million dollars for this all important work (hand applause). The second cause for concern is the relatively high ratio of infant deaths to those of adults. Although the death rate per thousand live births for 1947 was only 119, as compared with 617 in 1931 and 327 in 1940, the infant deaths still amount to over one-third of all the deaths occurring. It is proposed therefore, with the assistance of the Society for the Protection of Children, to make special efforts to improve infant health.

The shortage of hospital beds is still very serious, but the reopening of the Matilda Hospital, and the transfer of the Royal Naval Hospital from the Queen Mary Hospital to the War Memorial Hospital, should help to relieve the situation. Plans for considerable hospital construction at the Kowloon Hospital centre were prepared before the war, and have again been considered, but they have had to be postponed, regrettably, until funds and building material are available in greater quantities. The same applies to plans for a quarantine station, the absence of which is a serious deficiency in this port. There is still a shortage of doctors and nurses, as there is, indeed, throughout the whole world; but Hong Kong has for many years now relied chiefly on its own resources, and with the re-opening of the University, and the improved conditions in the nursing profession, it is hoped, that before very long the supply will begin to meet the demand.

The supply of dentists is giving rise to some concern, as the number on the register in 1947 was only a little over half that for 1941. The majority of the 1941 dentists were registered as existing dentists and had no dental degrees. As they ceased work, they can only be replaced by properly qualified dentists and, with no dental school in Hong Kong, their replacement represents a serious difficulty.

Attention has been paid to health propaganda which has been used on a much larger scale than before. A Health Week was held in April, and use was made of a public address system to spread anti-cholera propaganda, shortly before the cholera season. Arrangements are well advanced for the production of local films by the Medical Department dealing with such matters as tuberculosis, child health and general hygienic principles. These films will be shown to the public by means of a mobile cinema unit.

It is hoped to increase the value of our vital statistics by the holding of a census in the coming financial year. The registration of births and deaths is now very satisfactory, and closely approaches the 100% mark, but any figure for the birthrate or deathrate is at present unreliable, on account of the uncertainty of the population

figure. Information is also wanted on the age distribution of the population, as it seems from the very high ratio of births to deaths, and of infant mortality to adult mortality, that the Colony has at present a population consisting of an unusually high proportion of young adults.

Work associated with the relief of destitutes has been continued during the year, but has been diminishing slightly. Free meals for the very poor have been given through six centres, the recipients being nearly all women and children. The residents of Rosary Hill, Aberdeen and Ma Tau Chung camps have been concentrated in a large camp at Ma Tau Chung, and a camp for displaced squatters has been opened at North Point. This relief work was transferred from the Medical Department to the Social Welfare Department at the end of February of this year.

### **Social Welfare.**

Before establishing a Social Welfare Office in Hong Kong, the Government sent in 1946 one Cadet Officer and two Chinese ladies to take social science courses at Universities in England. A year later, in August, 1947, a strong delegation from the Colony attended the South East Asia Social Welfare Conference at Singapore, under the leadership of the Social Welfare Officer-designate.

Immediately after the return of this delegation the new Social Welfare Office was established as a sub-department of the Secretariat for Chinese Affairs in August, 1947. Close liaison has been established by the Social Welfare Officer with other voluntary organisations and institutions interested in social welfare. From the beginning of the new financial year three Probation Officers are being transferred to the Social Welfare Office. But no further change in this service is to take place pending the arrival from England of a fully trained and qualified Probation Officer on a three or four year contract, whose duty it will be to build up and train a locally recruited modern Probation Service.

### **Labour Department.**

As was to be expected, the work of the Labour Department has increased enormously since its inception. In the immediate post-war period, it quickly became apparent that the whole of the industrial life of the Colony would have to be geared to the changed conditions brought about by the war, and that the Labour Department would have to be expanded, not merely to cope with the immediate problems requiring adjustment, but also to enable it to give effect to international developments in the labour field. To begin with the emphasis in the work of the department had to be on conciliation and mediation in trade disputes. It is realized, however, that, in labour-management relations, the healthy development of trade unions and the part played by organized labour is of the first importance, and it is the policy of Government to afford assistance to guilds and unions to organize

themselves on sound democratic lines. A labour officer, with United Kingdom trade union experience and training, and with knowledge of trade union development in another Colony, was recruited during the year. Since his arrival in Hong Kong he has been getting to know local conditions and making contact with a large number of Chinese associations. With the enactment of the Trade Unions and Trade Disputes Ordinance his knowledge and experience can be used to the full.

Industry in the Colony employs a great number of women and young persons, two categories of labour which are recognised as requiring special protection, and which have been the subject of various international conventions. Many of these conventions are implemented, so far as industry is concerned, by the local Factories and Workshops Ordinance, but there are undoubtedly some aspects in which local standards fall short of minimum international requirements. A woman labour officer has been appointed to make a study of these problems and to establish a close and sympathetic relationship with these classes of workers.

As I said earlier, a major part of the work of this department is concerned with conciliation and mediation in trade disputes. From the point of view of the numbers involved the most serious dispute during the past twelve months was that which occurred among the mechanics of the dockyards and several Government departments, as a result of which 11,000 to 12,000 men were on strike for 27 days. Apart from this big strike, however, the Labour Department has helped to negotiate forty agreements, and has dealt with an average of twenty-six minor cases per month throughout the year.

In December last Mr. E. W. Barltrop, Labour Adviser to the Secretary of State, visited Hong Kong. Although Mr. Barltrop was only in the Colony for twelve days, his visit was most useful, and every effort was made to give him as detailed a picture of local conditions as possible, and he was able to advise the department on many matters of policy, and to discuss plans for future development.

I do not propose to go into these plans in detail, but they are mainly concerned with improving local working conditions, and endeavouring to implement industrial practices which are receiving increasing international recognition. Consideration is being given to the establishment of a Maritime Board in connection with the employment of seamen, and the possibility of establishing a Government employment exchange is also being explored. The advice of the Labour Advisory Board will be sought on these and other matters of labour policy. It will however be appreciated, that Hong Kong's problems are complicated by the Colony's geographical situation, and the ease with which its limited labour market can be flooded. These factors make it necessary to approach with caution schemes and methods which may have proved their worth in other more highly industrialized countries with stable populations.

### **Fisheries and Agriculture.**

I come now to agriculture and fisheries. The war, with all its evils, did good, in that it compelled Governments throughout the world to take a more lively interest in the fisherman and the farmer. In Hong Kong the fisherfolk had suffered severely during the long period of hostilities. A survey, carried out immediately after the re-occupation, showed a loss of 1,000 large junks, and a reduction in the number of souls to a third of the pre-war total. The survivors were in a pitiable state, through acute shortage of food and necessities for existence. The farmers had not suffered quite so badly, but their draught cattle and livestock were depleted, and much of their land was unproductive through lack of fertilizers and of labour. The world food shortage of great magnitude would alone have forced this Government to take action, if humanitarian reasons had not proved sufficient.

The suggestion that this Colony should attempt to grow an appreciable part of its food requirements would have been met with a smile in 1941, but in 1945 it was met with action. It was very quickly realized, that productivity of sea and land would be greatly increased if measures could be taken which would improve the welfare of the producer, and it was apparent that they would be welcomed by the community at large if they did not result in an increase in cost to the consumer.

A fisheries department was formed with a staff of twenty, and this created and nursed a Fisheries Co-operative which now has a paid staff of over three hundred. This organization took charge of the collection, transport and wholesale disposal by public auction of the fish. Since this system was inaugurated more than \$40 million worth of fish have been sold. Not only has attention been paid to fish, but the organization has sold to the fisherfolk rice and other foods and necessities for the fishing industry. It has lent to fisherfolk more than half a million dollars from a revolving capital sum of \$270,000 advanced by Government. It has instituted a savings scheme, whereby nearly six lakhs have been saved and paid back with interest to the fisherfolk. It has assisted in the establishment, equipment and maintenance of ten vernacular schools, and one advanced free boarding class, for 2,000 of the children of the fisherfolk at a cost of \$100,000. It has purchased its own land transport and built a small wholesale market at Tai Po. Also, it has financed the equipment of two junk trawlers with diesel engines to provide power for trawling. A consequence of these activities is that the number of fisherfolk has risen from 26,260 in October, 1945, to nearly 60,000, and the number of fishing junks from 2,424 to over 5,000. No port in the world has a fishing fleet approaching this figure. The main trade has been in salt fish, and it is of interest to mention that the wholesale price has fallen from \$87 a picul in 1946 to \$59 a picul in 1947. At the same time the price of fresh fish has fallen from \$97 a picul in 1946 to \$75 a picul in 1947.

No Director of Fisheries has yet been appointed though the post has been approved for more than two years. When the post is filled and funds are made available, it will be possible for the department to tackle other problems, including the mechanisation of the fleet and the processing of the catch. I have recommended to the Secretary of State that a sum of £ 50,000 from the £ 1 million Colonial Development and Welfare Fund allocation to Hong Kong, be used as a revolving capital to enable the first stages in the mechanisation of the fishing fleet to be undertaken under the control of the department. Very large quantities of fish are exported from Hong Kong; the average monthly value in 1947, though much less than in 1946 owing to the drop in price, still exceeded \$600,000. With the increase in exportable surplus that will inevitably follow the partial mechanisation of the fleet, it will be necessary to process it by modern methods, and I have asked the Colonial Development Corporation to consider financing the building of a modern cannery in the Colony.

In agriculture it was appreciated that the first problem to be solved was that of vegetable Production. The Colony grew but one-fifth of its requirements pre-war but, in view of the important effect on the health of the community of an adequate supply of fresh vegetables, it was imperative to increase this fraction. The problem has been tackled along several inter-related lines including the collection, transport and marketing of produce, provision of fertilizers, research into crops, and demonstrations to the farmers of proved varieties and strains and of modern knowledge. Attention has also been paid to pigs, and to the first steps in the control of rinderpest disease of cattle.

A market organisation was established, and land transport provided from focal points on the roadside in the New Territories to a wholesale market established in Kowloon. Fertilizers were sold to farmers, on the basis of quantities of vegetables delivered to the market, as supplies were strictly limited. During the first months the organisation lost money, but at the end of this last financial year, it had achieved stability. During 1947, 27,000 tons of vegetables were sold, of which more than 70% were grown in the New Territories. In recent months the proportion of locally grown exceeds 75%. On an average, every person in Kowloon now gets four ounces of vegetables a day from the market, of which three have been grown in the Colony.

A second phase of the Department's activities is concerned with testing strains of vegetables at Sheung Shui, selecting those suited to the Colony and growing them on a large scale at Kam Tin for demonstration to the farmers. It is now known which are the best varieties of the major vegetable crops.

The latest move is the formation of village depots; one has recently been opened at Lam Ti near Ping Shan, and two others will soon follow. At these depots the marketing organisation is brought into close touch with the farmer, who now appreciates the value of

co-operation. This phase parallels the formation by the Fisheries Department of ten district syndicates throughout the Territories, at each of which a school has been opened.

The future activities of the Department are several. The vegetable marketing scheme must be consolidated, and the village depots established throughout the Territories. There is to be fully developed as an experimental station the disused airfield at Kam Tin, and for initial capital costs in connection with this I have asked the Secretary of State to approve of the allotment of £ 50,000 from the Colonial Development and Welfare Fund allocation to Hong Kong. Much work must be done in animal husbandry, in improving the strains of cattle, pigs and poultry, and in checking the scourge of rinderpest and other diseases. In co-operation with the Registrar of Co-operatives, who has not yet been appointed because we haven't so far been able to get a suitable man, enquiries will be carried out in the Territories to determine the condition of land tenure of the farmers and of their indebtedness, with a view to improving their condition, financially and socially. The question of co-operative marketing of rice will also receive attention.

#### **Marine Department.**

Although our shipping figures are well below the pre-war returns, it is satisfactory to note that, since the re-occupation of the Colony, they have steadily increased. During the year under review the total nett tonnage entering and clearing the Colony amounted to 19 million tons, which shows an increase of  $7\frac{3}{4}$  million tons over the previous year. An interesting feature of the changing conditions is the large number of junks now engaged in both foreign and local trades, for in the previous year our records show  $1\frac{3}{4}$  million tons, whilst this year there are 2,300,000 tons, of which roughly 20 per cent are mechanically propelled, as compared with less than half of one per cent in 1939. There has also been a positive increase in the number of vessels carrying emigrants to ports in Malaya, Netherlands East Indies and Siam.

Whereas the removal of wrecks strewn in the war devastated harbours throughout the world has cost, and is costing, millions of pounds, Hong Kong is well on the way to a record in clearance, for it is anticipated we shall have a credit balance over the expenditure voted to carry out the project. A large quantity of the salvaged material is sold as scrap, and is bought for the local production of reinforcing rods in connection with our various building schemes.

#### **Royal Observatory.**

The Observatory has maintained a forecasting and typhoon warning service for merchant shipping, the British Pacific Fleet and the general public. Efforts have been made with most encouraging results to establish close co-operation between ships' officers and the Observatory. Shipping forecasts are broadcast twice daily for the

China Sea and China Coast region, and the number of ships which make use of our forecasts and warnings, and which send us weather reports in return, is now considerably greater than in pre-war days.

The whole of the weather service at Kai Tak has now been taken over from the Royal Air Force, and the airport meteorological office maintained by the Observatory is open day and night. This branch of the work has grown immensely since the war, owing partly to the great increase in civil air traffic, and partly to the higher safety standards now required by international agreement. Kai Tak is a difficult airport to approach in bad weather, and it is felt that nothing should be spared to provide an efficient aviation weather service. The safety of aircraft must be a primary consideration. The forecasters are working under considerable handicaps, owing to the difficulty of obtaining adequate synoptic weather information over the enormous area covered by our weather charts. Upper air information is particularly scanty. Modern equipment, capable of sounding the atmosphere to great heights in any weather, has been proved elsewhere to increase the safety and economy of operation of aircraft, and Government is considering the installation of radio-sonde and, later on, radar-wind equipment for this purpose. We are also hoping to take over a Naval radar set, for the purpose of locating rainstorms up to a distance of about 150 miles; the information provided by this equipment should be of great value to aircraft.

#### **Post Office.**

The increase in population, and the commercial activities in the Colony, during the past twelve months are reflected in the increase in the work of the Post Office, which has handled well over 100% more mails during the year under review than in the previous year. Air mails, especially, have shown a large increase, and we are now served by no less than nine air lines. These services, together with the introduction in June last year of the flat 40 cent rate for air mail letter forms to all destinations, have proved of great value. This increase in volume has thrown a considerable strain on the resources of the General Post Office, both in staff and in accommodation. It will be necessary, at some not too distant date, to build an entirely new General Post Office, but in the meantime it is proposed to decentralize to some extent, by building new Post Offices at various centres of the population.

#### **Railway.**

Both through and local railway passenger traffic has been very heavy throughout the year, and most trains have been overcrowded. It is regretted that it is not possible to alleviate the discomfort caused by this overcrowding until new rolling stock, which is on order in Great Britain, arrives in the Colony. To date there is no definite indication when this will be. A disagreeable feature, of the acute shortage in passenger accommodation on trains, has been the black market in the sale of tickets at Kowloon Station. Continuous efforts have been made to combat the practice, and Police prosecutions have been many and fines heavy, but the practice has not altogether ceased.

It is hoped during the coming year still further to reduce the time of the journey by train between Canton land Kowloon, and when this is accomplished, the possibility of running an additional train, by a quicker turn round of existing rolling stock, will be explored.

Commercial goods traffic has greatly declined, owing to the restrictions which were placed on imports into China by the Chinese Government. Until these restrictions are reduced or removed, the possibility of an increase in the flow of commercial cargo by rail through the Colony is unlikely.

The state of the track gives cause for concern as whole sections require re-railing, but, owing to the shortage of rails, it has only been possible to carry out a limited amount of rehabilitation. It is however hoped to accelerate this work during the coming year, as information has been received from the Crown Agents of an allocation of steel for 1,600 tons of rails and fastenings which will be shipped next month.

### **Police.**

During the past year there was a considerable lessening of the violent type of crime, so prevalent in the period following the reoccupation. In the early months, there was a minor wave of terrorism by threatening letters and explosions in places of public resort, but this activity ceased with the prosecution of a number of members and the leader of the gang. Serious crime during the year was less than in 1940. Over 6,000 persons were prosecuted for serious offences, and nearly 100,000 for minor offences. Robberies, armed and unarmed, averaged over one a day, and over two hundred robbers were arrested and dealt with. Success was achieved in identifying criminals from records and from clues left by them, and it is hoped that further apparatus for scientific investigation of crime will become available in the coming months. Burglaries and larcenies in dwellings are still causing grave concern to the Police.

The Police are still using a number of private premises as Headquarters and Police Stations. Plans are in hand for the rebuilding of Shaukiwan, Bay View, Hung Hom and Kowloon City Police Stations and it is hoped that work will commence in a few months' time. Rebuilding of five stations in the New Territories will also probably be commenced during the year. Owing to the necessity of giving priority to the reconstruction of these police stations, I regret very much that it will not be possible in the coming financial year to give attention to the important and urgent housing requirements for the Police Rank and File.

### **Hong Kong Volunteer Defence Corps.**

The Hong Kong Volunteer Defence Corps, of which we are all so justly proud, has not yet been restarted on a full time basis, although proposals for the new Corps have been put before the



authorities in London for consideration. The paper strength is just over 1,400, but age and physical unfitness make this a false figure, so far as active volunteering is concerned. No training has been carried out during the year, but on two occasions the Corps has provided parties for ceremonial parades. With certain specific exceptions, most of the problems, with which the Corps was faced a year ago, have now been solved as far as regulations will allow. The staff has gradually been brought up to full strength, and a full time Commandant has recently been appointed. Recruiting cannot be started until the purpose and outline organisation of the new Corps are made public. Meanwhile the maintenance of interest in the Corps in the interim period is important. It is planned to run training courses in weapons and drill for all interested men in the Colony, irrespective of age, rank and nationality. It is also planned to take a larger share in the activities of the Rifle Association. Every available man in the Colony will be able to find a niche in the Corps, and may be given either basic or advanced military training, —designed to prepare him for his part in any future emergency. The possibility of using available woman power on the lines of the ATS and VADs is being considered. Given a more suitable headquarters and a directive, the Corps will be one of the larger organisations in the Colony.

The future of the Naval Volunteers is still under consideration.

#### **Political and Constitutional.**

During last year I went once to Nanking and twice to Canton, and I had the pleasure of welcoming General Chang Fa Kwei and Dr. T. V. Soong on the return visits which Their Excellencies paid to Hong Kong. On each occasion I received a very cordial reception and, indeed, my contacts with China's leaders have been marked throughout by a cordial desire for friendly mutual understanding. In spite of difficulties which crop up from time to time, I have every hope that the relationship between us will be maintained and strengthened. Certainly for my part I will do all in my power to make it so. There are bound to be problems and some of them may be large; but I foresee none that cannot be solved, given goodwill and understanding on both sides.

We for our part have given practical proof of our desire to help, with the conclusion of the Customs and Financial Agreements. Hong Kong has been acutely conscious of the difficulties, that China has had to encounter in the post-war era. In a spirit of unprecedented co-operation, Hong Kong has sacrificed advantages, which it might have obtained from the conditions prevailing in China, to stretch out the hand of friendship, in these dark days, to assist her in meeting some of her more urgent problems. Chief among these has been that of smuggling. In this connection, we have gone much further than could ordinarily be expected from a sovereign state in assisting its neighbour. The laws against unmanifested cargo have been enforced with rigour, with a view to preventing the smuggling of

cargo to Chinese ports on vessels leaving the Colony. At the request of the Chinese Authorities, Hong Kong has provided facilities to ensure that the manifests of all vessels leaving for Chinese ports shall be chopped in Hong Kong. Hong Kong has imposed restrictions on the export of certain commodities of Chinese origin, which are not supported by a Chinese Certificate of Origin. Finally, the last year has seen the successful conclusion of negotiations which started almost half a century ago, and which had continued intermittently ever since, for a Customs Agreement. This Agreement gives vessels of the Chinese Maritime Customs the right to patrol British Waters which touch the coast of China, it directs the traffic from Hong Kong to China by land, through defined channels on to Customs Stations on the Chinese side, and in so doing the whole of the land and sea border between China and Hong Kong is effectively closed to potential smugglers. It was precisely in these areas that the bulk of the smuggling took place, and which were the most difficult from the Chinese point of view to control. The Customs Agreement also permits the Chinese to set up stations in Victoria and Kowloon where Customs duties may be paid by merchants, if they so wish, exporting commodities to China. Moreover, in order to ensure that goods are not loaded on junks with a view to smuggling them into China, the loading of vessels of less than 200 tons with cargo for China will be limited to two areas in the Harbour of Victoria and to Taipo, where Hong Kong Revenue officials can keep an eye on them. In addition, junks will only be permitted to clear from Hong Kong for points in China, where there is a Chinese Maritime Customs station.

This Agreement, together with the Financial Agreement, will, we believe, do a good deal to eliminate smuggling between Hong Kong and China. The Agreements confer no material benefits on Hong Kong; in fact they involve us in some administrative expense, and make considerable calls upon the time of our officials. They are indicative of one thing only; and that is, an earnest and genuine desire on the part of Hong Kong to add her quota of assistance towards building a prosperous China. We have shown that we wish to co-operate. But it should not be forgotten that co-operation is a matter of reciprocity, and mutual help and consideration by both sides.

I regret to say that progress has been slow, in implementing the scheme for a Municipal Council, approved by the Secretary of State last summer. I believe that all of us were guilty in the beginning of an under-estimate of the amount of detailed work to be done, before the municipality proposals could become a reality. The technical and legal framework which has to be laid is new in Hong Kong, and it is moreover extremely complicated. In addition, much preparatory work has to be done, as it were, on the ground; voting wards have to be carefully delineated, voting registers compiled, and the whole election machinery created. The Secretary of State is finding some difficulty in selecting an expert in these matters to guide our steps; but I hope before long to be able to announce the appointment of a special officer, charged with the duty of initiating proper

arrangements to permit the Municipal Council to come into being. The necessary legislation—three Bills are required—will be laid before this Council as soon as the comments of the Secretary of State have been received on our drafts. There remains one more difficulty, and that is the physical one of finding a building adequate in size to accommodate a Council of thirty members. Nevertheless I am confident that the difficulties can be overcome.

Earlier in my address I referred to the progress that we had made in the social services, and I also gave some indication of how much more there still remains to be done. It is the policy of this Government to press on with these services and with the economic development of the Colony, but the pace and extent is necessarily limited by our means, and we certainly don't want to be a burden on Great Britain. Our recurrent expenditure, excluding Public Works Extraordinary, is in the neighbourhood of \$140 million a year. This is high. It is probable that some of it is wasteful and could be reduced, particularly as regards establishments. The elimination of unnecessary staff is not a matter that can be effectively done by a committee of laymen, whether officials or unofficials, as I know from my experience as Secretary of the Retrenchment Commission here of 1932 or thereabouts. It requires a thorough examination by an Efficiency Expert. We have had difficulty in securing the services of such an individual—so much in demand are they—but I now have hopes that we shall shortly obtain one. But, even if as a result of his recommendations economies are effected, we could usefully spend, on innumerable projects, none of them luxuries, a great deal more than will be saved. If we want to carry out these projects, —and there is an insistent demand for them—we shall have to find more revenue. The Estimates for next year do not reflect any increases in taxation. There were increases last year, and too frequent or too great increases have an adverse effect on trade and business, on which the prosperity of the Colony depends. But it is not unlikely that there will have to be increases later on.

In the world to-day no territory can live by itself alone, and this applies with particular force to Hong Kong. We have our part to play both to ourselves and to the world at large. So far, we have not done too badly, and I am confident that if we continue to work together—that is all classes and all races—we shall be a credit to the Empire. It is not going to be easy. Indications are that the next twelve months will not be as prosperous as the preceding twelve. This means that we cannot afford to be complacent. We must expect to continue to work hard, and to be content with more modest profits.

In conclusion I wish to express my thanks to the members of the Government Service. Perhaps not many people appreciate fully the hardships they have recently suffered, and I make no apology for expressing here my admiration for their loyalty through these difficult times. The Salaries Commission Report has been deservedly and widely praised. The Report did not—and of course it could not—please everyone. Nevertheless many a government officer must have

taken new heart from its evident sympathy with his plight, and from the measures it recommended for his relief. I should also like to thank my unofficial advisers. It is probably not fully realised how much of their time they give up in serving as members of this Council, Executive Council, and committees of one kind and another. The work they do is of inestimable value to the community, and I could not do without them. There are others, too, who do valuable and useful work for their fellow men in the Colony in various charitable organisations. Thanks are due to them too.

I am sure that I am voicing the sentiments of everyone when I say how much we welcome the visit of Lord Listowel, Minister of State for Colonial Affairs. I hope he enjoys his stay amongst us, and will remember us when he returns to London. (Applause).

### MOTIONS.

THE ATTORNEY GENERAL, moved the following resolution: —

Resolved pursuant to section 3 of the Public Officers (Changes of Style) Ordinance, 1937, that wherever in any Ordinance, Order of the Governor-in-Council, appointment, rule, regulation, minute, by-law, deed, contract, official letter or other document, the term "Director of Air Services" or "Directorate of Air Services" occurs, and it is necessary to give effect thereto, such document shall be read and construed as if the term "Director of Civil Aviation" were substituted for the term "Director of Air Services" and as if the term "Civil Aviation Department" were substituted for the term "Directorate of Air Services" and that the following addition be made to the Schedule to the Public Officers (Changes of Style) Ordinance, 1937—

OLD STYLE OF OFFICER, OFFICE OR DEPARTMENT.	NEW STYLE OF OFFICER, OFFICE OR DEPARTMENT.
Director of Air Services	Director of Civil Aviation
Directorate of Air Services	Civil Aviation Department

He said: Sir, the purpose of the resolution is to effect, under the provision of Section 3 of the Public Officers (Changes of Style) Ordinance, 1947, a change in the titles of the Department of Air Services and in the title of the Director of that Department.

THE COLONIAL SECRETARY seconded, and the motion was carried.

**APPROPRIATION FOR 1948-1949 BILL, 1948.**

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding one hundred and forty-nine million five thousand and seven dollars to the Public Service of the financial year ending 31st March, 1949".

He said: Sir, Before dealing with the actual Appropriation Bill I should like to give Honourable Members a rapid review of revenue and expenditure since Civil Government was resumed in this Colony on the 1st May, 1946.

In my budget speech last year I forecast that recurrent expenditure for the financial year 1946/47 would not exceed \$90,000,000 but I explained that it was only possible to guess at the London expenditure as detailed accounts were very much in arrears. In actual fact, the London expenditure proved to be a good deal less than the figure allowed for, and recurrent expenditure finally totalled \$85,624,391 against a revenue figure of \$82,141,556. Recurrent expenditure thus exceeded revenue by just under \$3,500,000, which was a much more favourable result than we dared to hope for at the close of the first year of Civil Administration. But when the Colony was occupied by the Japanese, this Government had a credit balance of just under \$4,000,000 in London which, of course, did not suffer the same fate as the local balances and was not confiscated by the enemy. This served to offset the deficit on recurrent expenditure and the year 1947/48 therefore opened with a revenue balance of \$487,435.

That is the picture as far as recurrent expenditure is concerned, but it does not, of course, take into consideration Special Expenditure on rehabilitation which, in accordance with a decision reached after the Estimates were approved, was charged to an advance account pending the raising of a loan. The amount charged to this advance account by the end of the financial year 1946/47 totalled \$30,360,747. The first year, or rather eleven months, of Civil Administration therefore closed with a deficit on recurrent expenditure of \$3,482,835, fortunately offset by a pre-occupation credit balance in London, together with a deficit on Special Expenditure of \$30,360,747. Honourable Members will, I think, agree that, in all the circumstances, this was a not unsatisfactory result.

It was originally anticipated that the deficit would be much larger, but, owing to delays in deliveries, payments for stores and equipment made before the end of the financial year were a good deal smaller than was anticipated. The deficit would also have been considerably greater if expenditure on the Volunteers, repatriation passages, relief payments, etc. had been charged to expenditure. Honourable Members will, however, recollect that, as a result of representations from the unofficial side of this Council, Sir Mark Young gave an undertaking that claims of this nature would not be

charged to expenditure before this Council had been given an opportunity fully to debate the matter. The charges in question, therefore, remain in suspense and this Government is in correspondence with the Secretary of State with a view to obtaining an early settlement of this whole question of war expenditure.

Turning now to the year 1947/48 which is just closing, revenue has been much more buoyant than we could reasonably have expected, and it seems probable that the final figure will be in the region of \$150,000,000. This is all normal revenue with no arrears carried over from the previous year, and as such, it may well prove to be a peak figure on the present basis of taxation. The expenditure is, as usual, very difficult to estimate with accuracy, for not only is there the usual difficulty over expenditure in London, but even local expenditure has been complicated this year by the payment of arrears of salary resulting from the recommendations of the Salaries Commission, which payments are still uncompleted. However, I have hopes that expenditure will only very slightly exceed \$120,000,000, which would mean that we should be left with the very satisfactory revenue surplus of \$30,000,000. The original revenue estimate was deliberately conservative as it seemed unwise, in view of the unsettled conditions in the Far East, to count too much on the continued rapid expansion of the Colony's trade. Moreover, it was only possible to include in the Estimates a token sum in respect of receipts from the Earnings and Profits Tax as the Appropriation Bill was passed before the standard rate of the new tax had been fixed. In actual fact, 1947/48 turned out to be a boom year for Hong Kong trade and receipts under nearly every Head of Revenue exceeded the estimate. The continued rise in the population tended to put up receipts from import duties above the estimates, and there were various other factors, such as increases in a wide range of licence fees. Expenditure would have been slightly below the estimate but for the payment of arrears of salary to the Public Service, in accordance with the recommendations of the Salaries Commission which were endorsed by this Honourable Council. Special Warrants issued for this purpose are expected to total \$12,500,000, thus bringing the revised expenditure figure for the year to \$120,071,359 as compared with the original estimate of \$109,834,355. If the estimated surplus of 30 millions is added to the small general revenue balance of just under half a million dollars carried forward to 1947/48, the estimated surplus carried forward to 1948/49 becomes \$30,562,300.

I now come to the Estimates for the coming financial year 1948/49. The Appropriation Bill before the House this afternoon does not, of course, cover any expenditure from loan funds. It covers mainly recurrent expenditure though it provides for some \$6,700,000 of Special Expenditure of a non-recurrent character and for an expenditure of just over \$9,500,000 under Public Works Extraordinary.

Rehabilitation expenditure continues to be charged to loan funds but these will probably be exhausted by the end of the financial year 1950/51, and even now it has been necessary to provide for certain

rehabilitation items in the current budget as their cost could not be met from the balance of the departmental loan allocations still remaining unspent. We must therefore face the fact that from 1950/51 onwards it will be necessary to meet all Special Expenditure from current revenue.

This may sound a little odd when it is remembered that, although we have taken the necessary powers to float a loan not exceeding \$150,000,000, we have so far only made a first issue of \$50,000,000. The reason, as I explained when moving the first reading of the Loan Ordinance, is that it has been possible to utilise the large floating balances available on the Supplies, Trade & Industry Trading Account to finance capital expenditure. Unfortunately, these balances are not as large as they were and they will not always be available, but there is naturally no point in making a further loan issue until we really need the money. Our aim has been to avoid the payment of interest charges as long as possible.

In framing the budget for the coming year, the aim of Government has been once more to achieve a balance between revenue and expenditure without drawing on the surplus which will result from the present year's working. In this we have been successful, but only thanks to the fact that there are considerable arrears of revenue which will be collected next year. Expenditure is estimated at \$149,005,007 and the anticipated revenue figure is \$150,847,950, thus providing for a surplus of \$1,842,943.

In the uncertain conditions now prevailing throughout the world, it is difficult to arrive at a reliable estimate of revenue, but in working out the figure of \$150,847,950 for the coming year, due weight has been given to the various factors which might affect the position, and, in particular, a reasonable allowance has been made for a possible falling off in trade, of which there are already some indications. It is always possible, however, that some entirely unexpected development may occur which may seriously affect the whole revenue position.

I should not like it to be thought that, on the present basis of taxation, it will be possible for the Colony to look forward in the future to a revenue of some \$150,000,000. It is true that there is every reason to hope that this figure will be reached in respect of the year just closing, but 1947/48 was a boom year for trade. We cannot expect that state of affairs to continue, and next year's estimate only provides for a normal revenue of just over \$140,000,000, the balance of \$10,000,000 being made up by arrears of Earnings and Profits Tax which cannot be collected before the close of the present financial year.

It will be recollected that when the 1947/48 Estimates were presented to this Council, the standard rate for the new Earnings and Profits Tax had not been fixed and it was only possible to include a token figure which was taken at \$16,000,000. Owing to difficulties

over the recruitment of assessors, the collection of tax is considerably in arrears and it is expected that receipts up to the end of the present financial year will only total about \$14,000,000 though the total amount due in respect of the present year is estimated at \$30,000,000. The staff position has improved latterly and it is hoped that it will improve still further next year. It is, however, unlikely that assessments will be up to date by the end of the financial year 1948/49 although arrears outstanding should be on a considerably smaller scale than at present.

In 1948/49 it is expected that it will be possible to collect \$40,000,000 including arrears carried over from the present year. So, although we are budgeting for a revenue of just over \$150,000,000, only \$140,000,000 of that is normal revenue and this does not balance our estimated expenditure of just over \$149,000,000. This is not a very happy outlook for the future and it is clear that before we meet for next year's budget session, we must either decide to cut our expenditure drastically or to increase our revenue which, of course, means further taxation. Since the reoccupation, we have not been content with re-establishing services on their old basis. We have expanded in a number of directions but we shall now have to go slow on any further expansion.

As I have already stated, the expenditure estimate is \$149,005,007. Before the Estimates were prepared, Heads of Departments were informed that no new services would be approved unless an exceptionally strong case in support of the increased expenditure could be put forward. All departmental expenditure has been carefully examined, and efforts have been made to reduce it to the minimum necessary to maintain efficiency. This is especially important in view of the extra strain thrown upon the Colony's budget by the new revised scales of salary and, in the final review of the expenditure estimates, I was fortunate enough to have the assistance of the Unofficial Members of this Council sitting as an Estimates Committee. The Heads of the larger spending departments appeared before this Committee in person and, for my part, I feel sure that this measure of unofficial collaboration in the preparation of the Estimates has been of great value to all parties concerned. It will now only remain for the Select Committee on the Estimates to put any final touches that may be required and to consider any points that may be raised in the course of the debate on the Second reading of the Appropriation Bill.

The effects of the salary revision are, of course, apparent throughout the Estimates, and their preparation was complicated by the difficulty which was experienced in obtaining final Personal Emolument figures from departments owing to the inevitable delays in settling conversion points, etc. Indeed, some departments have only been able to supply their final figures during the present week, and besides the obvious printing difficulties, this has meant that I have had no firm totals to work on until the very last moment.



Personal Emoluments, which cover basic salaries only, are now estimated at \$41,062,521, to which must be added a figure of \$22,500,000 provided under the Miscellaneous Services Head in respect of cost of living allowance. Railway cost of living allowances also amount to \$600,000. This makes a total of \$64,162,521 out of a total expenditure estimate of \$149,005,007 and compares with \$48,867,991 which is estimated to be the sum which will be actually spent on salaries, allowances, etc. during the present year. \$64,162,521 is undoubtedly a very large proportion to devote to Personal Emoluments during the coming year and this, and the scale of expenditure generally, is causing Government much concern.

It is generally agreed that the Public Service has, since the reoccupation, been much underpaid. A new scale of salaries has been introduced, which we hope has resulted in a general improvement. The next step is to review departmental establishments with a view to reducing this large Personal Emoluments Bill, of which over 60% is expended on the wages of the lower grades of subordinate staff. Human labour used to be cheap in the East land there was no great urge to keep staffs to a minimum or to introduce machines. The position has changed completely and we can no longer afford to pay a single employee more than is strictly necessary. In recommending the new scales, the Salaries Commission expressed the view that Government should satisfy itself that the Public Services are not overstaffed nor the asylum of inefficient officers. As Your Excellency has already stated this afternoon, we hope shortly to secure the services of an efficiency expert. Pending his arrival, an officer experienced in personnel matters has been detailed to undertake certain preliminary investigations.

Other Charges for 1948/49, excluding Public Works Extraordinary and Special Expenditure, total \$91,599,926, as compared with a figure of \$87,289,625 for the year which is just closing. In both cases, these figures include cost of living allowances.

Special Expenditure, excluding Public Works Extraordinary, totals \$6,714,060. Last year it was possible to charge practically all Special Expenditure to loan funds, but now it is necessary to provide for replacements of equipment which has been in use since the reoccupation, including items of war-time manufacture, such as barges which were not built to last. Expenditure of this type would not be a fair charge against loan funds and it is also necessary to provide under Special Expenditure for rehabilitation items which cannot be met from the balance of departmental loan allocations which still remains unspent.

Since the reoccupation, we have been chiefly engaged in making good the damage caused by looting, enemy action and by the lack of maintenance during the Japanese occupation. Expenditure of this type was a fair charge against loan funds but now we have reached the stage when we wish to provide for works which are not replacements of something that existed before the war. It would

not be appropriate to charge such expenditure to loan funds, and that is why the Head Public Works Extraordinary has again become one of the most important Heads of the Estimates. I propose to comment a little later on the various items which make up the expenditure of \$9,628,500.

The temporary departments, such as the Custodian of Property Department and the Supplies, Trade & Industry Department, which do not normally form part of the Colonial Government machine, are not running down as rapidly as was hoped. Of the former, only a comparatively small organisation now remains, but SCAP insist that Japanese trade should be conducted on a Government to Government basis, thus preventing much progress being made in reducing the staff of the latter department.

The work of many of the permanent Government departments is still greatly in excess of that for which the pre-war establishments were designed, but particular care has been taken to ensure that no additions are made to the pensionable staff until we can gauge the requirements of departments under normal conditions and until it is possible to draw up a revised list of pensionable offices. Block votes for temporary staff are still being provided, and in order to ensure full financial control, every employee paid from these votes is listed in footnotes under each departmental Head.

In the course of last year's budget debate, some Honourable Members commented on the lack of comparative tables in the Estimates and the absence of any actual expenditure figures. I explained that it was only possible to give actual expenditure figures in respect of the last year but one and that sufficient time had not then elapsed since the liberation for there to be a last year but one. We now have actual expenditure figures for the first eleven months of Civil Administration ending the 31st March, 1947, and the usual comparative table giving these figures, together with the approved estimate and revised estimate for 1947/48, and of course the estimate for 1948/49 is being restored in the Estimates this year. The Memorandum on the Estimates has also been drawn up in a rather different form so that it shows under each Head of Expenditure the actual expenditure for 1946/47, the estimated actual expenditure for 1947/48, the approved estimate for 1947/48 and the approved estimate for 1948/49. I hope that Honourable Members will find this of assistance in their examination of the Estimates, but any comparison between the year now before us and the year just closing is rendered very difficult by the fact that all salaries are on an entirely different basis. Honourable Members will find, too, that the efforts which have been made since the reoccupation to simplify the Estimates have been continued and that they now take up considerably less space in print.

I will now touch briefly on some of the more important items of expenditure under the various departmental Heads.

The Development Secretariat and its various sub departments have continued to do useful work, and mention of this Department, which is responsible for the Vegetable Marketing Scheme, brings me to an addition to the Estimates which it is proposed to make in Select Committee. At present, the vegetable auctions have been taking place in a disused Tobacco Factory but the owner wishes to renovate the building and it is necessary for the Vegetable Marketing Scheme to find a new home. A site has been selected and estimates have been prepared for a market but it has proved impossible to provide all that is required for a lower figure than \$400,000. The matter has been discussed by the Estimates Committee and it has been agreed that Government should either make a loan to the Vegetable Marketing Scheme of the sum required or that Government should itself build the market and charge an economic rent. The necessary amendment will be considered when the Estimates come before Select Committee.

The title of the Directorate of Air Services has been changed to Civil Aviation Department. A general increase in staff has been provided for to meet the considerable rise in the volume of air traffic which is now including Hong Kong in its itinerary. Formerly R.A.F. personnel were responsible for manning a number of control and radio services but these have now been withdrawn and it has been necessary to engage civilian staff to replace them.

All grants to charitable institutions which were formerly scattered over a variety of expenditure heads have now been collected together under a new Head entitled "Subventions". The grants were reviewed this year by the newly established Social Welfare Advisory Committee who recommended a number of increases. There were also applications for a number of entirely new grants and the final effect of all this was to bring the total of the proposed payments to the formidable figure of \$1,157,132, which represents an increase of some \$700,000 over the 1947/48 figure. The Estimates Committee felt that this was a great deal more than the Colony could afford. They fully appreciated that the proposed new grants were for very deserving objects and that, in recommending increases in certain grants, the Social Welfare Advisory Committee had examined the matter very thoroughly, but they saw no alternative to a scaling down in the directions best able to bear it. The Social Welfare Officer was called into consultation and the figures now appearing in the Estimates, totalling \$733,530, represent the results of this further review. This figure is still over \$300,000 in excess of the figure for the year just closing.

I will now pass on to education. The increase in the number of subsidised vernacular schools has necessitated the appointment of one additional Inspector of Vernacular Schools and one woman Inspector of Vernacular Schools.

Provision is also made under this Head for financial assistance to former members of the local Forces whose University education was interrupted by the outbreak of hostilities. It is only proposed

to provide financial assistance in cases where the student is not able to bear the full cost of the University course himself, and it will be for the University Authorities to recommend the proportion which should be met from Government funds.

A considerable increase under the Sub Head "Subsistence Allowances to Uncertificated Teachers in Training" has been provided for because it has been found that uncertificated teachers are not prepared to undergo the necessary training for their certificates if, while doing so, they only receive a subsistence allowance of a smaller amount than their salaries as uncertificated teachers. To induce them to take the higher qualification and to obviate a shortage of certificated teachers in the future, it will be necessary to continue their existing rates of salary while they are in training.

Included in the Special Expenditure of the Education Department is provision of nearly one and a half million dollars for building grants to non-Government schools. This includes a grant of a million dollars which represents half the cost of the construction of an additional school which the Wah Yan College proposes to establish in Kowloon to accommodate 1,000 students. It also provides for grants representing half the cost of extensions to four other schools. These developments should reduce the waiting lists of students endeavouring to secure admission to schools.

But this is not the full extent of the educational programme for the year. Loan funds are earmarked for the reconstruction of King's College and for the construction of a new Kowloon Junior School and a Vernacular Primary School in Hong Kong which will replace similar institutions destroyed during the war.

Owing to the greatly increased attendance, it has become necessary to construct additional classrooms at the Central British School which is open to children of all races who have a sufficient knowledge of the English language, and this is provided for under Public Works Extraordinary.

As Honourable Members are aware, we have recently been fortunate in securing the services of Colonel Ride as Commandant of the Volunteer Defence Corps. It is hoped to reform this unit during the year, and provision has been included in the Estimates for the resumption of training on a limited scale. Provision has also been included under Public Works Extraordinary for the construction of a new Headquarters for the Corps which is regarded as a necessary preliminary to the complete re-establishment of the unit on the most modern lines.

There is one new development under the Medical Head of the Estimates on which I should like to comment. Under Public Works Extraordinary provision is included for the construction of a new Tuberculosis Clinic which it is proposed to erect in Kowloon. Originally, it was hoped to have two such clinics but it is necessary

to consider not so much the capital cost of the buildings and equipment as the operating cost in staff and consumable drugs and stores after they are built. It is necessary to maintain a staff on the Hong Kong side for anti-epidemic work. When we are fortunate enough to have no large scale epidemic, this staff is available for other duties. It is therefore proposed to utilise this staff in their spare time for anti-tuberculosis work which will be operated from the Harcourt Health Centre. In this way it will be possible, with a minimum increase in staff, to institute a campaign on both sides of the harbour against this disease which is such a scourge in this Colony. One of the features of the campaign will be the provision of supplementary diets for out-patients suffering from tuberculosis, and Honourable Members will note an item of \$365,000 under the Medical Department Head for this purpose.

I now come to the Head "Public Works Extraordinary" which provides for a programme estimated to cost \$9,628,500. As I explained earlier in my speech, this Head has not been much in evidence since the re-occupation as practically all capital expenditure, having been in the nature of rehabilitation, could be properly charged against loan funds. A stage has now been reached, however, when, instead of repairing and replacing buildings and installations which existed before the war, it has become necessary to embark on entirely new schemes which were not in operation in the pre-war period. Some of these I have already mentioned and I have not time this afternoon to deal in detail with the full programme. I should like, nevertheless, to give Honourable Members a brief outline of some of the more important items which I have not yet touched upon and of those which perhaps are not sufficiently explained by the title of the Sub-head.

Provision is included for new markets at Tai Po and Cheung Sha Wan which are urgently required, and for the partial reconstruction of the Ma Tau Chung Slaughter House which has been the subject of complaint by the health authorities. An office, with quarters attached, is to be built for the Health Inspector of the Aberdeen district who at present is forced to reside in the city and thus waste much valuable time in reaching and returning from his work. A start is also being made on the construction of much needed sub post offices though it will only be possible to complete one of these during the coming year.

Sub Head 2 relates to a reclamation scheme at Aberdeen alongside which fishing boats could berth while the actual reclaimed area could be used for the salting and drying of fish. Sub Head 3 provides for the improvement of landing facilities at the Kennedy Town Wholesale Fish Market which will be inadequate when the number of vessels landing fish increases. An application has been made for grants from Colonial Development and Welfare funds for the financing of these schemes, but no decision has yet been reached.

The provision of \$5,000,000 for Kai Tak compensation relates to the payment of compensation in respect of land compulsorily taken over by the Japanese for the extension of the aerodrome runways. They paid no compensation for the land though some was paid in respect of buildings which were demolished. The runways are still in use and the question of payment of compensation for the land is under discussion with the Secretary of State.

Sub Heads 14, 15 and 16 all relate to road widening or extension schemes. The first at Causeway Bay involves the raising of the road, and it is necessary to undertake this work at the present juncture owing to the fact that the renewal of the tram rails on this section can no longer be delayed. It is in the interests of all parties that the relaying of the rails and the work on the road should be carried out at the same time. The second scheme at May Road involves the reconstruction of a portion of the road which was completely blotted out by the Japanese. It is necessary to restore this in order to provide access to a new block of flats. The additional traffic which will result will make it necessary for some of the more dangerous corners to be widened to some extent. The Deep Water Bay Road extension is to provide access to some land which is being utilised for a new building scheme.

Sub Heads 17 and 18 relate to two reclamation schemes. Since the reoccupation much rubble from destroyed buildings has been dumped in these areas and this is in danger of being washed into the harbour and lost unless work on the construction of retaining walls is started now. When completed, the reclamation at Hung Hom Bay will yield 93 acres of reclaimed land which would be available for building sites valued at some twenty million dollars while the levelling of hillsides to provide more filling will make a further large area available for industrial and housing development. The second scheme at Connaught Road Central will provide a reclamation from which can be built five piers with transit sheds for the use of river and coastal cargo vessels. These will replace damaged and obsolete piers. The scheme will bring in valuable revenue and more piers can be constructed later if required. It is also proposed to construct a dock road 100 ft. wide and 3,300 ft. long, on the reclaimed area, which will help materially in relieving traffic congestion. The total cost of the two schemes is estimated at \$32,000,000 and the possibility of financing this by means of a loan from the Colonial Development and Welfare fund is under discussion with the Secretary of State. In the meantime, \$100,000 is being provided for the preparatory work on each scheme.

In addition to the expenditure provided for in the Appropriation Bill, we are, of course, continuing our expenditure from loan funds, and the bulk of the expenditure on rehabilitation will continue to be met from this source. Up to the 31st March, 1947, expenditure from loan funds amounted to \$30,360,747, and it is estimated that, by the 31st March, 1948, this figure may have been increased to \$73,000,000, though the final total depends on whether stores due for delivery by the 31st March are further delayed.

Loan expenditure during 1948/49 is estimated at \$45,915,555. I have already, earlier in my speech, explained that loan funds have been earmarked for the reconstruction of King's College and certain other educational institutions. Work on Government quarters will continue to be financed from this source, and this work, which will help to relieve the general housing shortage, is being pressed forward as rapidly as possible. The construction of new Police Stations to replace those destroyed during the war, which are now housed in requisitioned buildings, will also be an urgent item in the Loan programme. This includes a divisional headquarters at Kowloon City and stations at Bay View, Hung Hom and Shau Ki Wan. Five new stations are also being constructed in the New Territories to replace demolished buildings, and work is about to be commenced on a new Police Training School.

A sum of \$4,000,000 has been provided to enable work to be started on the new airfield as soon as a final decision is reached in regard to the site. This sum, of course, only represents a fraction of the probable final cost of the new airfield, and the question of the financing of the full scheme is still under discussion with His Majesty's Government. If more than \$4,000,000 is required during the coming year for the initial work on the new aerodrome, a further sum of the same amount, which has been earmarked for the purpose, would be made available.

The Loan programme also provides for the work on the rehabilitation of the water supply to be continued and for further repair work on roads, drains, sea-walls and the restoration of street lights. There is provision to enable the Railway to continue repairs to buildings and the permanent way, and for the purchase of further rolling stock. Work on the restoration of lighthouses and moorings will also be continued.

Before concluding, I feel that I must again stress that this year's budget is only balanced by the fortuitous circumstance that considerable arrears of Earnings and Profits Tax will be collected in 1948/49 instead of during the current year. These arrears really represent part of the surplus for 1947/48, and naturally I should have preferred to utilise this money to build up our reserves.

It was, unfortunately, not possible to limit expenditure to \$140,000,000 on the present occasion as it was necessary to provide for certain items, such as Kai Tak compensation payments which quite definitely will not recur. Our expenditure should therefore fall automatically to some extent next year, but this will not be enough. Energetic action will be necessary to streamline expenditure in all departments. We shall not be out of the wood financially until we have built up a really substantial reserve, and this can only be done by cutting expenditure or increasing revenue by means of further taxation.

Adequate reserves are especially necessary in view of the many important issues connected with war-time expenditure which still remain to be settled. During the year which is just closing, we have been able to obtain a clearer picture of these issues, and proposals for a settlement have been submitted to the Secretary of State. These are still under discussion in London and I am not, therefore, in a position to discuss them this afternoon.

Until a decision is reached on these proposals, we shall not know how the Colony will emerge financially from the difficulties caused by the war and the Japanese occupation. The world situation is far from reassuring and it would, therefore, be foolish to expect trade to remain indefinitely at its present most satisfactory level. We must, in consequence, approach the future with caution and if, during the coming year, we see signs of a deterioration in the general situation, we may be forced to choose between an immediate increase in taxation or a somewhat drastic curtailment of expenditure, or perhaps a combination of both.

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

### **BIRTHS AND DEATHS REGISTRATION AMENDMENT BILL, 1948.**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Births and Deaths Registration Ordinance, 1934". He said: Sir, the Bill to which I am moving the First reading is a short one, but, as printed and as before Honourable Members, it is accompanied by long objects and reasons so that I think it unnecessary that I should detain Council over long in explanation of the purposes of the Bill. Briefly, Sir, the Bill by clause 2 seeks to repeal and replace section 22 of the principal Ordinance. This section as it now exists enables any person to make a search himself of the Registers of Births and Deaths. Experience, however, has shown that this facility has been somewhat abused and a particular instance is afforded by the practice which has been observed or which has been shrewdly suspected of persons obtaining by this means copies of birth certificates so as to qualify themselves for the grant to them as British subjects of a passport issued in Hong Kong. The Bill, if enacted, will introduce a small change in procedure. Henceforth, an individual can cause a search to be made and thereupon the Registrar—and the Registrar only—will make a search and issue a certificate of birth or of death if required. It is felt that by such change in procedure a traffic in birth or death certificates can be circumvented and yet at the same time no real difficulty will be put in the way of persons who genuinely seek for and desire certificates of birth or death.

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. Under section 22 of the Births and Deaths Registration Ordinance, 1934 (the principal Ordinance), any person has the right to search in the indexes and in the register books kept in the General Register Office and in district registries and to receive a copy of any entry in such books under the hand of a registrar and sealed or stamped with the seal or stamp of the General Register Office upon payment of the prescribed fees. Thus any person can obtain authentic evidence of any other person's birth regardless of whether he has a lawful interest in obtaining such evidence.

2. Birth certificates are very generally used by persons who wish to establish their British nationality by virtue of birth in Hong Kong for the purpose of proving eligibility for the grant of a British passport. Upon assumption as an alias of the name in the birth certificate and by pretence that the particulars therein refer to himself, a person who is not a British subject, is assisted in impersonation of a person named in such birth certificate to deceive the passport authorities regarding the impersonator's nationality and eligibility for a British passport. It is believed that such traffic in birth certificates is substantial for the purposes of impersonation and that such traffic is facilitated by the existing unrestricted statutory right, given by section 22 of the principal Ordinance, to any person to search the indexes and register books.

3. The object of the Bill therefore is—

(1) to abolish the existing statutory right of any person to search indexes and register books kept in the General Register Office and in district registries irrespective of whether such searches relate to births or deaths and to substitute therefor a right for any person to require a registrar to cause a search to be made; and

(2) to forbid any person except a registrar and officers specially authorised by the Registrar General of Births and Deaths to conduct searches irrespective of whether such searches relate to births or deaths.

4. It is considered that by such procedure traffic in birth or death certificates for illegal purposes will be prevented without inconvenience to persons lawfully requiring such certificates.

### **GRAND HOTEL Des WAGONS-LITS LIMITED (CAPITAL CONVERSION) BILL, 1948.**

THE HON. LO MAN-KAM moved the Second reading of a Bill intituled "An Ordinance to authorise the Grand Hotel des Wagons-Lits Limited to convert the currency of its capital". He said: Sir, I regret that I have discovered an omission of an "s" in the title word "Wagon" and at the appropriate stage I would ask leave to add that "s" in.

THE HON. M. M. WATSON seconded, and the Bill was read a Second time.

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

THE ENACTING CLAUSE AND TITLE.

THE HON. LO MAN-KAM: —Sir, I move that the letter "s" be added to the word "Wagon" so as to make it read "Wagons" and then the hyphen.

This was agreed to.

Council then resumed.

THE HON. LO MAN-KAM reported that the Grand Hotel des Wagons-Lits Limited (Capital Conversion) Bill, 1948, had passed through committee with one amendment and moved the Third reading.

THE HON. M. M. WATSON seconded, and the Bill was read a Third time and passed into law.

#### **ADJOURNMENT.**

H.E. THE GOVERNOR: —That concludes the business for this afternoon, Gentlemen. When is it your pleasure that we should meet again?

THE FINANCIAL SECRETARY: —I suggest the 30th March, Sir.

H.E. THE GOVERNOR: —Council will now adjourn until Tuesday, 30th March, at 2.30 p.m.