

7th March, 1951.

PRESENT:

HIS EXCELLENCY THE GOVERNOR

SIR ALEXANDER WILLIAM GEORGE HERDER GRANTHAM, K.C.M.G.

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

LIEUTENANT GENERAL SIR ERIC CARDEN ROBERT

MANSERGH, K.B.E., C.B., M.C.

THE HONOURABLE THE COLONIAL SECRETARY

MR. JOHN FEARNs NICOLL, C.M.G.

THE HONOURABLE THE ATTORNEY GENERAL

MR. JOHN BOWES GRIFFIN, K.C.

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

MR. RONALD RUSKIN TODD.

THE HONOURABLE THE FINANCIAL SECRETARY

SIR CHARLES GEOFFREY SHIELD FOLLOWS, C.M.G.

DR. THE HONOURABLE ISAAC NEWTON

(Director of Medical and Health Services).

THE HONOURABLE PATRICK CARDINALL MASON SEDGWICK

(Acting Chairman, Urban Council).

THE HONOURABLE THEODORE LOUIS BOWRING, O.B.E.

(Director of Public Works).

THE HONOURABLE CHAU TSUN-NIN, C.B.E.

DR. THE HONOURABLE CHAU SIK-NIN, C.B.E.

THE HONOURABLE PHILIP STANLEY CASSIDY.

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY.

THE HONOURABLE LO MAN WAI, O.B.E.

MR. ROBERT WILLIAM PRIMROSE *(Deputy Clerk of Councils).*

ABSENT:

THE HONOURABLE LEO D'ALMADA E CASTRO, K.C.

THE HONOURABLE MAURICE MURRAY WATSON.

MINUTES.

The Minutes of the meeting of the Council held on 21st February, 1951, were confirmed.

PAPERS.

THE COLONIAL SECRETARY, by Command of His Excellency the Governor, laid upon the table the following papers: —

<i>Subject</i>	<i>G.N. No.</i>
Annual Report on Hong Kong for the year 1950.	

Sessional Papers, 1951: —

No. 4—Annual Report by the Director of Fisheries for the year 1949-50.

No. 5—Annual Report by the Accountant-General for the year 1949-50.

Draft Estimates of Revenue and Expenditure for the year ending 31st March, 1952.

Memorandum on the Estimates for the financial year 1951-1952.

Hong Kong Government Department of Supplies and Distribution.
Statement of Accounts for the period 1st May, 1946, to 31st March, 1950 and Modified Report by Messrs. Lowe, Bingham & Matthews, Chartered Accountants.

Proclamation No. 2 of 1951.

Co-operative Societies Ordinance, 1947.

Proclamation under section 59 A. 31

Summer Time Ordinance, 1946.

Order under section 2(1) A. 33

Defence (Finance) Regulations, 1940.

Possession of Gold (Goldsmiths) (Amendment) (No. 2) Order, 1951 A. 36

Quarantine and Prevention of Disease Ordinance, 1936.

Declaration under section 18 A. 37

Protection of Women and juveniles Ordinance, 1951.

Notification under section 2 A. 38

<i>Subject</i>	<i>G.N. No.</i>
Merchant Shipping Ordinance 1899.	
Amendment of table M of the Regulations	A. 39
Landlord and Tenant Ordinance, 1947.	
Notification under section 32(1)	A. 40
Quarantine and Prevention of Disease Ordinance, 1936.	
Declaration under section 18	A. 41
Defence Regulations, 1940.	
Price Control Order, 1946—Amendments to the Schedule	A. 42

ADDRESS BY THE GOVERNOR.

Honourable Members, the past year has been one of ups and downs; in the first half trade was at a good but unspectacular level. It continued more or less like this until July when the figures shot up; each month being better than the previous one, until November when an all time record for any one month was recorded. For the whole of the calendar year 1950 the total trade of the Colony amounted to \$7,503,214,026 as compared with \$5,068,616,049 in 1949. I should, however, here remark that these figures do not represent, for purposes of comparison, the true volume of visible trade, since there were very considerable price increases in many items during the year. Of the trade in 1950 35.1% was with China and Macao, compared with 26.4% in 1949; 28.9% was with the British Empire, as compared with 26.4% in 1949; 12.8% was with the United States as compared with 16% in 1949.

The embargo imposed by the United States Government on exports to China, Hong Kong and Macao was beginning to show its effects by the end of January, volume of trade with the United States in that month amounting to a mere 5% of the Colony's total. Prospects for the coming year do not at the moment appear very promising. The Colony's position as a trading centre is already being affected by the American embargo, whilst shortages of commodities due to stockpiling and rearmament will also have serious effects on the Colony's trade.

If trade is good then the Government revenue is good, and since 1950 was a prosperous year, revenue has shown up remarkably well. The revised estimate of revenue for the financial year 1950/51 is some \$70 millions more than the original estimate made

when the Estimates were approved last year. But as I have just indicated, there is now a decline in trade which in due course—there is always a time lag—will reflect itself in our revenue receipts.

1950 having been a record year for trade one would expect increases in shipping, passengers arriving and leaving, and so on; but that has not altogether happened. It is true that the railway, which carried 6¼ million passengers, shows an increase of 1½ million over the previous year, and whilst there was an increase of 4,300,000 in tons of ships entering and clearing the port, there was a decrease of 3½ thousand vessels. This is explained by the fact that although there was an increase in ocean going and river steamers, there was a large decrease in junk traffic. The falling off in air travellers too was very great; the numbers being only one quarter of those arriving and departing in the previous year. Whilst on the subject of aviation it is of interest to note that there was no accident during 1950 which caused injury to any passenger, and no Hong Kong registered air transport company met with any accident. This reflects considerable credit on the authorities at Kai Tak.

The amount of building done in 1950 was also greater than in 1949, but here again recently there has been a falling off.

These decreases in trade, in the number of junks, in air travellers, in building activity are of course all due to the disturbed state of this part of the world. Other effects of the troubled conditions in China are the gross overcrowding that continues in Hong Kong. Although there has been some decline in the population compared with a year ago, nevertheless overcrowding is still an extremely serious problem. It is estimated that we now have about 330,000 squatters. The squatter settlements are a menace to public health. The Director of Medical and Health Services reporting on the past year says, in regard to this matter and I quote: "There has however been a general increase in morbidity particularly in regard to tuberculosis. This can almost certainly be put down to intense overcrowding and particularly to insanitary congestion in squatter communities". These squatter colonies are also a menace to public security and law and order. Admittedly many of their inhabitants are law-abiding citizens, but it is also a fact that a very high percentage of criminals and other bad characters find convenient hiding places in these areas. There is no easy or immediate and complete solution to the problem. It was in an endeavour, an endeavour which has been

successful, to prevent it getting completely out of control that the restrictions were imposed on the free entry of persons coming into Hong Kong. Our first consideration must be the people of Hong Kong.

I emerge from the gloom of declining trade and vast overcrowding to the more cheerful atmosphere of the realm of education. Here I am able to report reasonably good progress. We now have more than 160,000 children attending school as compared with 146,000 a year ago. If we were concerned only with the children of *bona fide* Hong Kong residents there would be sufficient schools for all. But there is another side to this picture which cannot be ignored, and that is that many of our schools are housed in unsuitable buildings, are overcrowded and ill equipped. Many, too, are staffed by teachers who are lacking in subject as well as professional training. There is an urgent need for better schools and better teachers, and the satisfaction of these needs faces us with a vital social problem. It is for this reason that it is proposed to devote the greater part of the first year's allocation, *i.e.* 1951/52, of the ten year educational development plan, on a new Teacher's Training School in Kowloon at an estimated cost of about \$1¼ million.

An interesting development in the medical world here, and on which good progress is being made, is the construction of a radio active cobalt bomb for the treatment of deep seated cancer. This has many advantages over radium and deep X-ray therapy; not the least of these being its comparative cheapness. Hong Kong, I am informed, started on this project before any other institution in the world, and has received great assistance from the Atomic Energy Research Establishment at Harwell.

In the fight against tuberculosis it is proposed to launch a B.C.G. campaign as soon as possible, now that Dr. Moodie, who went to Europe to study the matter, has returned to the Colony. At the start concentration will be on the vulnerable groups such as nurses, medical students and close contacts. Later it is proposed to vaccinate all infants with B.C.G. at the same time as they are vaccinated against smallpox.

It is also proposed in the coming year to expand the Schools Health Service. For some 18 months now the possibilities of this scheme being accepted by the schools in the Colony has been investigated, and a sufficient number now have agreed to participate in it to justify putting it into effect. This scheme offers

routine examination at frequent intervals during the school period, free out-patient treatment, free in-patient treatment, except for a maintenance charge, an annual eye examination, with the supply of spectacles if required, and an annual dental examination with the treatment of any dental defects discovered. For this it is proposed to charge \$15 a year per pupil. It is anticipated that some 27,000 children will take part in this development, but unfortunately it will not be possible to expand the scheme further even if the demand were very pressing because of the shortage of the necessary medical staff.

The combined Agricultural, Fisheries and Forestry Department continues to give considerable assistance to the farmer and the fisherman. A very happy relationship exists between the officers of the department and the farmers and fishermen, who are quick to appreciate the advantages of modern methods. As an example of this I might mention the crossing of the Berkshire pig with the local pig, and the establishment of a new breed of hen, the "Wright" hen, also a cross between a foreign and a local hen. The quantities of local vegetables and fresh fish landed in Hong Kong during the past year also show increases over the previous twelve months.

The co-operation between government agencies and non-government agencies continues in other spheres, notably in the realm of social welfare, where the activities of such bodies as the Boys' and Girls' Clubs Association, the Children's Playground Association and the Kai Fong Welfare Associations, are developing a true community spirit. Here also I should like to pay tribute to the unofficial Justices of the Peace who sit as magistrates. Last year they dealt with more than 13,000 cases. Another example of co-operation is that between the civilians and services, notably in the Cheero Club and the Nine Dragons Club. I warmly thank all those who have co-operated in one way and another for the benefit of the Colony.

Honourable Members will find full details of the activities of Government, and of other facts and figures concerning the Colony during the year 1950, in the admirable annual report, copies of which have been laid on the table this afternoon.

Turning now to the future, Hong Kong, as we all know, is a trading community. Trade is our life blood. Good trade means good employment, from the manager to the clerk, to the factory hand. Its benefits permeate all sections of the community. It also provides money for taxes which in turn enables government

to provide such diverse things as schools, roads, health services, broadcasting services, housing projects and so on and so forth. If, on the other hand, trade is bad, there will be unemployment and revenue will decline, so that Government will not have the wherewithal to carry out the many desirable—and necessary—projects which I have just mentioned. The position to-day is aggravated by the fact that, owing to disturbed conditions in this part of the world, we are compelled to spend money on security and civil defence measures just at a time when our revenue may decline. But if there is no law and order and no security, then everything else falls to the ground. Hong Kong, unfortunately for itself, is largely dependent on events outside the Colony. It can do little to control them. What then are we to do? Are we to give up all thought and all schemes of development, of more schools, expanded health services, or even to cut down on what we are already doing? My answer to that is a firm and definite “no”. There is no need for it, no justification for it. I say that we should go forward, not merely in drawing up plans, but actually in putting them into effect. We may not be able to go as fast as we should like, and would do if all were peace and amity in the world. We must be realistic and realize that, even when there is a settlement in the Far East, the rearmament programmes of the United Kingdom and other democratic countries is bound to result in supplies of many commodities being short, and so not merely making it difficult to obtain, for example, steel to build a hospital, but also resulting in a decline in trade and consequently in Government revenue. But at the same time there is no cause for despair, and we should press on as much as circumstances will permit. This then is Government's policy—to go ahead. In a Colony future development, so far as Government is concerned, is reflected or shown in the list of major works proposed to be undertaken over a period of years. Such a list, covering the ensuing five years, will be found in an Appendix to the draft Estimates for the next financial year. This list was drawn up by a Sub-Committee of the unofficial members of this Council in consultation with the Government officers concerned. It covers educational projects, a new abattoir, roads, wells in the New Territories, a City Hall, a mental hospital, a new Kowloon hospital, ferry piers and so on. Whilst the list has been carefully worked out and is much more than a rough guide, it may be necessary in the light of circumstances prevailing at different times to modify the programme. The estimates also have not been calculated to the last cent. That will only be done when the particular work is to be put

in hand. The total estimated cost of all the works set out is \$107 millions. Some of them, for example schools and hospitals, will when completed necessitate increased recurrent expenditure on staff, etc. It is impossible of course for us to do all that we want to do in the next five years. For instance no new General Post Office, though it is urgently required, is shown, and only the first half of the ten year educational plan is included. These will have to be done as part of the next five-year plan.

No doubt it has been noticed that I have made no mention of housing, and that nothing is included under this head in the Five Year Programme. Housing for the less well-to-do members of the community is a matter of prime importance calling for early attention. What therefore do we propose to do about it? We have recommended to the Secretary of State that the sum of \$15 millions for housing 2,500 families, or say, 12,500 persons, over a period of years should be set aside from the Development Fund, the establishment of which, with allocations from our trading surplus, was foreshadowed some months ago by the Financial Secretary in reply to a question in this Council, and which he will deal with in greater detail this afternoon. This fund is not to be confused with the Colonial Development and Welfare Fund. The \$15 million would be advanced as a loan to an Improvement Trust which it is intended to set up. This however will only be sufficient for the actual building and won't cover the cost of site formation—an expensive item in most parts of the Colony—access roads, and water and drainage connections. But if the cost of these items, in addition to the cost of building and the value of the land, were to be taken into account when fixing the rent of the flats, the rent to be charged would be beyond the means of the class of persons it is desired to accommodate. It has therefore been further recommended to the Secretary of State that a free grant of \$3¾ millions should be made from the Colonial Development and Welfare Fund, to defray the cost of site preparation, etc. Those are the principles behind our proposals. It is also hoped and it has been so recommended to London, that an early start should be made with a pilot scheme, for which two sites have already been selected, of 8 blocks comprising 370 flats. The total cost of these is estimated at \$2¼ millions which would be loaned from the Development Fund and \$216,000 which would come from the Colonial Development and Welfare Fund. And since it may take a little time to establish the Improvement Trust, it is proposed that, to begin with, the pilot scheme should be entrusted to the Housing Society with

proper Government financial control, until such time as the Trust has been got going, when the Society will merge in it.

Later this afternoon when the Financial Secretary presents the budget and in the subsequent debate thereon, the financial implications of these various projects will be dealt with more fully. Provided there is no catastrophe they are within our means, and the fact that we propose to carry them out is an indication of the faith we have in the future of Hong Kong. There is much to be done, but I am confident that together we can do it. (Applause).

APPROPRIATION FOR 1951-52 BILL, 1951.

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding two hundred and thirty-three million four hundred and sixty-five thousand one hundred and thirty-seven dollars to the Public Service of the financial year ending 31st March, 1952." He said: Your Excellency, before dealing with the actual Appropriation Bill for the coming year, I should like to say a word or two about the financial year which has just ended.

The actual revenue and expenditure for 1950/51 will not of course be known for some time, but the revised estimate of revenue is \$274,240,876. This is once again a record figure, and represents an excess of approximately \$70 million over the original estimate. But this figure does not represent the actual surplus on the year's working, as it is largely offset by increased expenditure due to the clearing of the loan advance account. I propose to deal later with this question of loan advances.

Revenue estimates have to be produced some months before the commencement of the financial year to which they relate and they must necessarily be framed in the light of possible developments which can at that time be foreseen. In January, 1950, the political outlook continued to be uncertain, while owing to the blockade of Shanghai by the Nationalists, the whole of the godown space in the Colony was taken up and the banks were forced to refuse to finance further imports unless evidence was furnished that storage space would be available. All this gave rise to a certain degree of concern and it was considered prudent to allow for a substantial drop in revenue. In actual fact, revenue did not come in very satisfactorily in the early part of the year and on eight occasions weekly receipts were below the average required to produce the total revenue estimated for. Later a tendency developed, as in the previous year, to pay local duty on

consignments which normally pass through the Colony in bond, and revenue from tobacco duties, in which, on the best advice available at the time, a heavy drop had been allowed for, will probably finish up at a figure only about \$3 million less than last year. Moreover, the re-opening of the port of Shanghai quickly eased the congestion in the local godowns, while the fact that that port was not operating normally naturally tended to increase the volume of goods passing through Hong Kong. This resulted in our trade rising to new levels.

All this affected revenue in a very favourable manner, and all the main Heads are expected to exceed the estimates, though a short fall is probable on some sub-heads such as stamp duty. Duties as a whole are responsible for nearly half the revenue surplus, and estate duty realized an unexpectedly high total as a result of a substantial preliminary payment on account in respect of one large estate. Such sources of revenue as rates, royalties from transport companies, bets and sweeps tax, entertainment tax, postal and railway receipts, all maintained a high rate of yield.

The revised expenditure figure for the year just ending amounts to \$250,448,999 but this includes a sum of \$50 million in respect of loan advances charged off to expenditure. Honourable Members will recollect that in winding up the budget debate a year ago I called attention to the fact that we had only found it possible to raise \$50 million by the issue of bonds of the \$150 million which was the target figure for our rehabilitation loan, and that we had financed the balance of loan expenditure from our surplus funds. I suggested that as the prospects of raising any further loans in the immediate future were far from good, it would be desirable, when a favourable opportunity arose, to set off part of the surplus we had accumulated against these loan advances which, on the 31st March, 1950, had reached a figure of \$59,434,977.

Directly therefore it became clear that there would be a substantial surplus at the end of the current financial year, it was decided, with the approval of Finance Committee and of the Secretary of State, to charge off some \$50 million of these advances to expenditure. This \$50 million has accordingly been included in the revised estimate of expenditure and it is noteworthy that, as a result of financing rehabilitation expenditure in this manner, the Colony has been saved over \$5 million in interest, and the public debt also stands at a much lower figure than would otherwise have been the case.

As I have just pointed out, the revised expenditure figure of \$250,448,999 includes this sum of \$50 million in respect of loan advances charged off to expenditure. If this operation had not been undertaken the revised expenditure would have been \$200,448,999 which would have been \$390,084 less than the approved estimate. This is very satisfactory when it is considered that a contribution of \$16 million towards the cost of the present emergency, which was not finalized in time for inclusion in the original estimates, has been paid to His Majesty's Government, and that considerable unforeseen expenditure on security and civil measures for defence has also been incurred during the year.

In order to produce this result a buoyant revenue alone was not sufficient. It was necessary also to cut down expenditure wherever this could be done without loss of efficiency. Appreciable economies were exercised by Heads of Departments in response to an appeal issued early in the year. At that time revenue was not coming in well so the exercise of a certain measure of economy seemed to be called for, because we knew that we would have to meet considerable security expenditure which was not provided for in the budget, and also had to keep in mind the desirability of setting off these loan advances. Efforts to reduce expenditure were assisted by the fact that it proved impossible for various reasons to complete certain items in the public works programme. This resulted in a saving on Public Works Non-Recurrent which is expected to amount to nearly \$7 million.

The net effect of pressing for economies on the one hand and a buoyant revenue on the other was to produce a surplus estimated to amount to some \$23¾ million, even after the tidying up of the loan advances position. The year 1950/51 opened with a revenue balance of \$154,152,842, so when account is taken of the estimated surplus for the present year, the financial year 1951/52 should open with a revenue balance of very nearly \$178 million.

I now come to the financial year which is about to commence. The imposition by the United States Government of an embargo on shipments to Hong Kong is likely to have a very serious effect on the Colony's trade, though there should be a time lag before the full effects are felt. We are endeavouring to secure some modification of these restrictions, but it is not yet possible to foresee what degree of success will be attained. There are other factors which may affect our position, so the framing of the revenue estimates has become even more than usual an exercise

in the weighing of probabilities. After a careful review of all the possibilities, however, I have reached the conclusion that a total revenue of \$247¼ million might reasonably be expected. This is \$27 million below the revised estimate for the present year, but it really makes allowance for a drop in revenue of some \$40 million, for the 1951/52 estimate includes certain self-balancing items, a substantial final payment of estate duty and revenue estimated at \$4 million from the proposed business registration tax, which did not figure in the 1950/51 total.

It will be recollected that last year it was proposed that the standard rate of tax under the Inland Revenue Ordinance should be raised to 15 per cent, but that on representations from Honourable Members a compromise was reached whereby the rate was only increased to 12½ per cent, and it was decided to supplement this by the imposition of a business registration tax.

The original suggestion was that this tax should be linked to the premises occupied for the purpose of conducting the business. In practice, however, this presented very great difficulties when it came to drafting the necessary legislation. We could not contemplate a situation, for example, where a man renting ordinary business premises had to pay the tax while a man conducting a substantial business from a hotel room escaped. There were a variety of other difficulties, both in connection with the legislation and in the practical administration of the proposed tax. These were not fully resolved until comparatively recently, and it was therefore decided to defer the introduction of the necessary legislation until early in the coming year. In order, however, to minimize any possible hardship on small businesses the proposal now is that the annual registration fee should be only \$200 and not \$300 as originally proposed.

Even so, if the situation develops on less satisfactory lines than is hoped, a total revenue estimate of \$247¼ million may prove to be too optimistic. We do not know how long the American embargo will continue, nor do we know exactly the extent of the time lag before the full effects become apparent. It is quite clear, however, that the harm already done will be reflected in lower receipts under certain Heads of revenue in 1952/53. This is an aspect which needs emphasizing lest there be a tendency among some sections of the public to feel that because the picture I am presenting this afternoon is a favourable one, the financial future is quite secure. This is very far from being the case.

Once again in the final review of the estimates for the coming year, I was fortunate enough to have the assistance of the Unofficial Members of this Council sitting as an Estimates Committee, and I should like to express my thanks for all the assistance which they have so freely given me. The fact that their advice is available on the relative merits of new services or schemes competing for inclusion in the Budget, lightens my task to no inconsiderable degree.

As we found ourselves faced with a large accumulation of projects involving capital expenditure, a sub-committee of Finance Committee was appointed to advise on the relative priorities of the various schemes, and to fit them into a five-year programme. The total cost of the schemes which had been submitted at various times for consideration was very high indeed, and it was clear that only a proportion of them could be carried out within a reasonable period. Some had little merit but those worthy of careful consideration represented more work than could possibly be compressed into five years. A programme was drawn up which covered those schemes which, in the opinion of the Committee, were the most important, though some quite desirable ones had to be deferred. The programme represents the maximum sum which it was considered that the Colony could afford to find out of revenue for capital works, and it also represents the maximum which the Public Works Department could be expected to supervise successfully.

This five-year programme is included as an appendix to the estimates now before Council, and the first Year's programme forms the basis of the provision for Public Works Non-Recurrent included therein. I propose to deal in detail with the Public Works programme for the year later in my speech.

Expenditure as provided for in the estimates as now introduced totals \$233,465,137 but there are some last minute adjustments which it will be necessary to consider in Select Committee and which may somewhat reduce the surplus of just over \$13¾ million now provided for. This surplus will, I am afraid, be further reduced in the course of the year, because the figure of \$8½ million in respect of the contribution which this Government is to make for the coming year in connection with the present emergency is only a tentative one. The actual figure will be a matter for negotiation, as it is bound up on the one hand with local expenditure on defence and security generally, and on the other with expenditure incurred by His Majesty's Government

in Hong Kong. We feel that the heavy expenditure which we are incurring in respect of civil measures for defence, for which it has been necessary to re-vote \$7,700,000 for the coming year, should be taken into consideration and this will be emphasized in the course of the negotiations. However, the additional expenditure incurred by the Service Departments in Hong Kong is still very high and the defence commitments of His Majesty's Government have increased all over the world. It may therefore well be that a strong case can be made out for a contribution totalling in cash or in services about the same figure as for the current year. In these circumstances, a supplementary vote would become necessary and the estimated surplus might be approximately halved.

The estimated expenditure of approximately \$233½ million represents a decrease of nearly \$17 million as compared with the revised estimate for 1950/51 (which contained an abnormal item of \$50 million loan advances charged off to expenditure) and an increase of a little over \$32½ million over the approved estimate for that year.

This large increase over the approved estimate figure for the current year occurs almost entirely under Other Charges and Special Expenditure, particularly under the latter, due to the necessity for a large number of re-votes owing to delays in the execution of orders. There are also some very large provisions which were not included in the current estimates as for example, the contribution in respect of the present emergency and the expenditure on civil measures for defence which I have just mentioned.

Personal emoluments which cover basic salaries and expatriation pay only are estimated at \$48,602,778 to which must be added a figure of \$31 million provided under the Miscellaneous Services Head in respect of cost of living allowances. Railway cost of living allowances also amount to a further \$787,680. This makes a total of \$80,390,458 in respect of personal emoluments of the Government staff.

Basic salaries show a drop of approximately \$100,000 as compared with the current year, in spite of increments on which a position of equilibrium has not yet quite been reached, an increase in Police personnel, and the necessity to increase staff in certain other departments in connection with control measures of various kinds introduced during the year. This shows that the efforts to cut down staff wherever this could be done without loss

of efficiency are at last beginning to show some results. In this connection, a thorough comb out has been undertaken of the posts which have remained unfilled for a number of months, and there has been a saving of staff owing to the transfer of responsibility for the maintenance of all Government telecommunications work to Cable & Wireless Limited, and of Government telephone lines to the Hong Kong Telephone Company, though to a large extent this represents a re-allocation of expenditure from personal emoluments to Other Charges.

Honourable Members will recollect that in my budget speech last year, I pointed out how utterly unrealistic it was that cost of living allowances should amount to approximately two-thirds of the total paid out in respect of basic salaries and expatriation pay. I said that it was proposed to take up with the Secretary of State the question of consolidation into basic salaries of a portion of the present cost of living allowance, while of course leaving sufficient margin to meet any fall in the cost of living which seemed to be within the bounds of possibility. These proposals received the general approval of Finance Committee and of the Public Services Commission, and a detailed scheme was duly submitted to the Secretary of State. I am happy to announce that it has just received his general approval, though certain points concerning the emoluments of senior officials have been reserved for further consideration. I will not therefore say anything further on the subject at the moment, except to correct a misapprehension which appears to be current in some circles. The scheme is not designed to provide an increase in total emoluments. What it does do is to increase basic salary and reduce cost of living allowance to a corresponding degree, thus bringing the pensionable portion of an officer's emoluments more into line with present day values. The proportion of cost of living allowance consolidated is higher at the lower end of the scale and becomes smaller as salaries rise. Naturally the new rates cannot in all cases come to exactly the same figure as the old. There will in many cases be slight variations up or down, and where the total emoluments under the new scheme are a few dollars lower than those now drawn, a conversion allowance will be paid to bring them into line. It is hoped that it will be possible to bring the scheme into operation with effect from the 1st April, and Finance Committee will of course be consulted in regard to the details. Some further time will, however, probably elapse before the new rates are notified to individuals, as considerable work in the Establishment Branch and the Accountant-General's Office will be involved.

As I remarked earlier, the increases in expenditure for the coming year have occurred almost exclusively under Other Charges and Special Expenditure, but only a small proportion can be regarded as normal expenditure. Thus if self-balancing items, re-votes and items resulting from the unsettled political situation are excluded, the increase in the Colony's budget is not an alarming one.

Other Charges for 1951/52 excluding Public Works Non-Recurrent and Special Expenditure and also cost of living allowances total \$87,574,145 representing an increase of \$6 million over the figure of \$81,655,470 for the year which is just closing. This increase under Other Charges mainly occurs under seven Heads, and is partly offset by reductions under other Heads. \$2½ million of the increase is in respect of additional charges for the conveyance of mails due to the greater quantities of transit mail passing through Hong Kong. This is offset by receipts on the revenue side. Then there are increases of \$1½ million under the Subventions Head in respect of grants to vernacular schools, \$1¼ million under Police Other Charges and over \$½ million under Medical Other Charges.

Under the Public Works Department Head, Other Charges are up by \$2 million owing to casual labour now being charged to a separate sub-head instead of as formerly being included in the provision for a particular work. There is of course a corresponding reduction in the Public Works Recurrent Head, but as it has been necessary to provide for additional works under this Head, the reduction amounts to only \$1½ million. Thus there is a net increase of \$½ million. There are also increases under the Marine and Railway Other Charges, of \$¼ and \$½ million respectively, largely due to increased maintenance costs, but in the case of the Railway a \$¼ million has been allocated for the inauguration of a Renewals Fund.

Special Expenditure, excluding Public Works Non-Recurrent and works financed from Colonial Development and Welfare Grants, totals \$31,021,647 as compared with \$9,772,155 for 1950/51. Of this increase of \$21¼ million over the current year's figure, nearly \$12½ million is in respect of provisions not included in the 1950/51 estimates, namely the contribution to His Majesty's Government in respect of the present emergency, and re-votes in respect of civil measures for defence. Then there is an increase of \$5 million under the Special Expenditure of the Marine Department in respect of lighters and barges which it has been

necessary to replace, and also in respect of a re-vote to cover the completion of the new fire float. This fire float has turned out to be rather more expensive than was originally expected, but it was considered that a part of the importance of Hong Kong should be equipped with thoroughly efficient and up-to-date fire fighting services.

This year's Special Expenditure is further swollen by a new item of over \$2¼ million under the Social Welfare Office to cover the cost of a camp for destitute Nationalist ex-soldiers. There is also an increase of \$1 million under the Fire Brigade Special Expenditure in respect of additional fire fighting equipment, and \$½ million under the Defence Force Special Expenditure, also in respect of new equipment. It is hoped however that this latter increase will be off-set by a refund in respect of certain other equipment to be returned to Ordnance. There is an increase too of nearly \$1 million in Special Expenditure under Subventions in respect of building and equipment grants to non-Government schools. I will deal later in more detail with these increased Education grants.

The temporary departments created to meet special needs immediately after the re-occupation have almost disappeared. The appointment of Custodian of Property is still necessary, but the department is only a shadow of its former self, and it has been placed under the administrative control of the Accountant-General. Such portion of the Supplies and Distribution Department as is still necessary under present conditions, has been absorbed into the Department of Commerce and Industry. The Supplies and Distribution Department, therefore, no longer appears as a separate Head of the Estimates, and in the process of amalgamation it has proved possible to effect very considerable economies in staff.

A statement of accounts in respect of the operation of the Supplies and Distribution Department for the period 1st May, 1946, to 31st March, 1950, has already been laid on the table, together with a report by the Accountants, Messrs. Lowe, Bingham and Matthews. These accounts disclose a surplus on the trading operations of the Department amounting to some \$67¾ million. This may seem a very large sum, but it must be remembered that it represents accumulated profits over a period of nearly four years. It must also not be lost sight of that as the preparation of these accounts was unavoidably delayed, no interest has been charged during this four year period on the

Government funds utilized by the Supplies & Distribution Department. We have at the moment a sum approaching \$70 million tied up in stocks of commodities which, but for these trading activities, would be available for investment or for the financing of other Government expenditure. When allowance is made for a reasonable rate of interest, it will be seen that Government could not be accused of profiteering on its trading activities, which it intends to discontinue when this can be done without endangering the maintenance of essential supplies. Now that the accounting arrangements are at last in good order, interest at the rate of 3½ per cent will be charged with effect from the 1st April, 1950, on the maximum monthly balance on the combined Suspense Accounts and will be credited to general revenue.

As I have explained, we have a great deal of money tied up in stocks of essential commodities. These stocks are being maintained at a much higher level than would be the case in normal times, because it is considered that in this period of political uncertainty we must plan to cover all eventualities. But, while the holding of stocks on this scale represents an insurance, it also involves us in a very definite risk. In spite of efforts to turn them over, there is always the possibility that stocks will deteriorate and in the case of rice particularly, more popular grades may become available from other sources, and it may be difficult to dispose of the Government stock except at a loss. Therefore, we must face the fact that this, in common with all other forms of insurance, will cost us money and it may cost a great deal of money if we are unlucky. Now, it would be extremely embarrassing, should a severe loss occur during a particular year, to have to charge that loss to expenditure. This might result in a deficit which would have to be made good somehow in the long run, perhaps by increased taxation. It seemed, therefore, prudent to guard against such occurrences by establishing an Equalization Fund from which any such loss could be met. We have come to the conclusion that in order to provide adequately against the worst possible run of luck which can reasonably be foreseen, we should appropriate a sum of \$30 million with which to establish this fund. That seems a very large sum of money to lock up in this way, but it must be considered against the background of stock-piles of essential commodities now valued at some \$70 million, but which with rising prices and expansion of stocks may reach a figure of \$100 million. Moreover, putting \$30 million into the fund does not mean that it will necessarily be used. If, as we all hope, we have reasonable

luck with these stocks, the great bulk of the money will be available later on for allocation for some other purpose.

However, assuming that \$30 million of our trading surplus is used for the establishment of an Essential Commodities Equilization Fund, we will be left with a balance of \$37¾ million, and this, as I foreshadowed in replying to a question some months ago in this Honourable Council, we propose to utilize for the establishment of a Development Fund. The proposal is that the fund should be used to finance revenue producing projects, and such other development and welfare projects as will not commit Government to increased recurrent expenditure to be financed from general revenue. In this way, pressure on our ordinary budget will be appreciably reduced and the financing of new capital works will be greatly facilitated. Thus if the burden of ordinary expenditure makes such a course necessary, the cost of a reclamation scheme or a new bridge could be charged to the Development Fund and so relieve the ordinary budget, but a scheme involving increased recurrent expenditure would have to be met from current revenue. This is a useful safeguard, and if revenue loses its present buoyancy, it will be far from easy to stretch it so that it will continue to provide for our steadily expanding social services, and to cover as well security expenditure which, I am afraid, will still be with us. This restriction, therefore, will ensure that any scheme involving further recurrent expenditure will be very carefully scrutinized so that the degree to which revenue will have to be further increased to meet the new expenditure will receive full consideration. And so, if these proposals meet with the approval of this Honourable Council when they are submitted later in a formal resolution, the Development Fund will start off with an allocation of \$37¾ million, to which will be added the trading surplus of the year just ending, and the net commissions earned in respect of the financing by Government of Japanese trade. This, it is hoped, will bring it up to, in round figures, about \$55 million. It is proposed that the fund should be maintained by the transfer of future trading profits and commissions, less interest charges, and when the happy day dawns when we can wind up the Essential Commodities Equilization Fund, any remaining balance in that Fund can also be transferred to the Development Fund, if at that time this still seems to be the best use to which the balance can be put. Thus will have been established on sound foundations a fund which should prove of very great benefit to Hong Kong in the future.

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

Honourable Members will recollect that, in my budget speech last year, I explained that it had been decided to group the Agricultural, Fisheries, Forestry and Gardens Departments under the control of a technical officer who might be drawn from any of these Departments, but who would in the first instance be the Senior Agricultural Officer. This reorganization did not receive the approval of the Secretary of State before the presentation of the current estimates to Council, and it was accordingly carried out by administrative action during the year. The amalgamation has worked very satisfactorily, and this year the staff of these departments is grouped under one Head entitled "Agricultural, Fisheries & Forestry Department." The figure given as the approved estimate for the current year of \$813,135 only relates to the Agricultural Department, so the total for 1951/52 of \$1,834,967 does not really represent an increase of approximately \$1 million. The estimated cost of the separate departments now amalgamated was \$1,671,49 in respect of the current year, so there is an actual increase of some \$160,000 only. Approximately \$100,000 of this will be offset by revenue as the Department will in future supply vaccines, fertilizer, seeds, etc., to farmers on repayment. The establishment of new agricultural stations in the New Territories has been responsible for an increase in the vote for casual labour and the continuation of the pilot scheme for the manufacture of compost has been provided for under Special Expenditure.

Commerce and Industry is another Department which has undergone some reorganization during the current year. The old Supplies and Distribution Department has now been incorporated into it and this has resulted in a substantial saving in staff in spite of the fact that it has been necessary to authorize certain increases owing to the large increase in work thrown upon the Department as a result of the American embargo. Here again the figures for the totals for the current year and for 1951/52 are not comparable. If the cost of the Supplies and Distribution Department for the current year is added in, it will be found that the estimated cost of the two Departments for 1950/51 amounts to \$2,068,516 as compared with a total of \$1,904,223 for the amalgamated Departments for 1951/52, which represents a saving of \$164,293.

I now pass on to Education. The estimates provide for the creation of a new post of Deputy Director, as it is felt that the Director should be relieved of more routine work so that he can devote more of his time to matters of policy. A large increase has also been provided for under lecturers' allowances. This is in connection with evening classes which are being started in higher Chinese studies, and which it is hoped will eventually be self-supporting from receipts from fees.

When the sub-committee of Finance Committee was drawing up the five-year programme of capital works, the development plans of the Education Department had not been completed, so provision was made in the capital works programme for a sum of \$1½ million a year for new school buildings. The Director considers that the first priority should be the erection of a teachers' training college, and the bulk of the funds allocated for the coming year will be devoted to this purpose. This is important, because in the past we have been able to recruit trained teachers from China, but this may present more difficulty in the future. However the fact that the bulk of the capital expenditure will be devoted to the training of teachers does not mean that nothing is being done to increase the number of places available in our schools. Provision is in fact being made in the existing Government schools for the admission of 500 additional children. Arrangements are also being made for schools to be inspected at more frequent intervals.

Then we have provided under the Subventions Head for nearly \$1½ million for building grants for non-Government schools. The bulk of it will be devoted to grants for the erection of schools in the New Territories on a dollar for dollar basis. Great enthusiasm is being displayed in the rural areas of the New Territories over the raising of the necessary funds for this purpose, and it is most desirable that this display of public spirit should receive encouragement. It has of course been necessary to provide for a corresponding increase in the vote for the equipment of these schools. There has also been a large increase of \$1½ million in respect of the subsidy to vernacular schools, chiefly owing to the admission of more primary schools to the subsidy code, and the proposed gradual replacement of a number of uncertificated by certificated teachers.

It will be recollected that in the course of last year's budget debate, my Honourable Friend, Sir Man Kam Lo, suggested that it would be desirable to invite some suitable expert to advise us

as to whether the money spent on education was being spent to the best advantage, and in this connection he drew particular attention to the large sums paid out in grants to grant-aided schools. Some difficulty was experienced in obtaining a suitable expert but finally Mr. N. G. Fisher, the Chief Education Officer in Manchester, paid us a visit in October, and he has recently submitted a very interesting report which contains a number of recommendations. I will not discuss these recommendations at the present juncture, as they must be carefully considered both by the Director of Education and the Board of Education before the action to be taken on them can be decided. However, it is interesting to note that Mr. Fisher stresses very strongly the desirability of establishing a teachers' training college. As I have just explained, the same view had been arrived at independently locally, and the proposal is that such a building should be erected during the coming year.

Some civil defence Planning has been going on for some years and the necessary personnel have been seconded from other departments. This year it has been considered desirable to show this staff separately and they have been included under a subdivision of the Essential Services Corps Head.

The requirements of civil defence have been largely responsible for the considerable increase of just over \$1 million which occurs under the Fire Brigade Head. An auxiliary fire service has been formed and a small new provision has been necessary in this connection. But the main increase is in respect of new fire fighting appliances and equipment.

Estimated expenditure under the Medical Department Head has risen by \$1 million, most of the increase occurring under Other Charges. But it has also been necessary to augment the temporary staff vote by \$150,000. This largely represents the cost of the staff of the evening clinics which have been established. Part of this expenditure will be offset by revenue for it will be remembered that, because the then existing facilities were quite inadequate to cope with the influx of population, it became necessary to establish a series of evening clinics, and it was decided to make a nominal charge of \$1 per consultation, including medicine, while no charge was made for subsequent attendances for dressings, etc. Arrangements were of course made for free treatment to be continued in the Tung Wah Group of Hospitals.

Another commitment taken over by the Medical Department during the year was the operation of the Maternity Home at

Shatin, formerly under the control of the St. John Ambulance Brigade. Work on additional wards at Kowloon Hospital has just been commenced and a sum of just under \$300,000 is provided under Public Works Non-Recurrent for its completion. It is proposed to erect a further tuberculosis clinic on the Hong Kong side during the coming year, and it is hoped that it may be possible to make a start on plans for a new mental hospital and a new general hospital for Kowloon, both of which have been provided for in the five-year plan. The details of these two projects will take some considerable time to finalize, but it is our aim, in so far as staff permits, to have everything sufficiently far advanced so that tenders for the actual construction work can be called for early in 1952/53.

I have already dealt with some items which come under the Miscellaneous Services Head but there is one further point under this Head which I should like to mention. This concerns the deletion of the sub-head currency expenses.

During the past year, efforts were made to improve the circulation of subsidiary currency by issuing substantial numbers of ten cent and five cent coins, the cost of which used to be charged to this sub-head. On a number of occasions complaints were received that a shortage of subsidiary coinage was inconveniencing the public, and, from enquiries made, it appeared that these shortages were being manipulated by unscrupulous persons attempting to corner small change so as to be able to sell it at a premium. Accordingly, the Emergency (Small Change) Regulations, 1950, were enacted and have been vigorously enforced, with the result that there has been a very considerable improvement in the position—so much so that coins are now being returned from circulation. Further quantities of these small denomination coins are in stock and on order and a large number of 50 cent coins has also been ordered which, it is anticipated, will be brought into use in the next two or three months. When these coins are in circulation, it is believed that it will be possible to withdraw completely those 10 cent and 5 cent notes which are still in use.

The legislation governing the issues of currency for which Government is responsible, consisting of the \$1 notes and the 5 cent and 10 cent issues of notes and coins, is contained in a variety of Ordinances and Proclamations. For some time the consolidation and improvement of this legislation has been under consideration and a draft Bill will, it is hoped, be introduced in

the very near future. It is also proposed to make uniform in respect of all issues of subsidiary currency, the present practice in respect of the \$1 notes. This will permit the costs of printing notes and minting coins and other incidental charges, to be treated as expenditure chargeable against a Subsidiary Currency Income Account, to which will be credited the revenue from investments held on behalf of the security fund. Hitherto these costs, except in the case of \$1 notes, have had to be met from the ordinary budget, which will in the future be relieved of these charges.

Under the Police Force Head, provision has been made for an increase of 300 Constables. This will bring the total establishment of the Force tip to 4,796 which is not excessive for a population of over two million, when it is considered that a substantial number is now stationed in the New Territories. The Commissioner has recently made representations regarding the desirability of stepping up the ratio of N.C.O's to Constables. This has not been keeping pace with the expansion of the Force, and is at present very much below that ruling in Singapore and Malaya. This question will be considered in Select Committee.

The Police Head as a whole shows an increase of over \$1 million, most of which occurs under Other Charges. The reason for this is that as the Force grows in size so must the cost of clothing and equipment rise in proportion, though part of the increase in that vote is due to the necessity to provide uniforms for the increasing numbers of Special Constables and Police Reservists. The Colony is extremely fortunate in having this not inconsiderable volunteer reserve as, without it, further expansion of the regular force would be necessary.

We are now spending over \$16¾ million on our Police Force which is admittedly a large sum, but we do get a return for our money. It is only as a result of intensive security measures that the present situation can be kept under control. The Force has been surprisingly successful in the maintenance of law and order under the difficult conditions which now obtain, and I am sure that it will be generally agreed that the premium which we are paying for this is well worth while.

The provision of quarters for the Police rank and file is being pushed forward, and provision amounting to an additional \$5 million for a further block of quarters has been included under Public Works Non-Recurrent. A re-vote has also been included for the station at Sha Tau Kok which it was not possible to erect during the current year, owing to difficulties over the site.

I now come to the Public Relations Office Head, under which appears the estimate for the Broadcasting Services which formerly was included as a sub-division of the Post Office Head. This, as it appears in the printed estimates, is largely unchanged except for a small increase in the total expenditure. However, various changes are now under consideration but some points require reference to the British Broadcasting Corporation and it was not therefore possible to finalize matters in sufficient time for the changes to be reflected in the current budget. But it is proposed to seek the approval of Finance Committee early in the new financial year for certain staff increases, and I may perhaps reveal that one of the improvements now contemplated is the issue of a news bulletin at breakfast time, which will be preceded by a short musical programme.

The Public Relations Office Head as it appears in the printed estimates is also largely unchanged. Here too, changes are in contemplation and in this case the proposals are sufficiently far advanced to be considered in Select Committee. They involve an appreciable strengthening of the Public Relations Officer's staff.

I now pass to the Head Public Works Non-Recurrent which provides for a programme estimated to cost \$34½ million which is \$5¼ million more than the figure for the current year. A number of re-votes are necessary as it was not possible, because of difficulties over the selection of sites and for various other reasons, to complete the programme for the previous year. Among the re-votes are provisions for a new revenue station and quarters at Sheung Shui, the completion of the wiring of the frontier, a new fire station in Kowloon, the bridge at Au Tau, and a block of new Government flats on the Albany site which has been redesigned to provide rather more apartments than was originally contemplated.

Among the new works which I have not already touched on when I was dealing with the departmental Heads, are a new branch post office for the Sham Shui Po district and extensions to Blue Pool Road and Boundary Street to open up new building areas. It has also been necessary to provide for the deviation of Clear Water Bay Road consequent on the extension of the runways at Kai Tak. While the road remains on its present alignment, it is necessary to stop traffic while the runway is in use, and this might mean very long hold-ups in certain circumstances. It has therefore been decided to deviate the road round the end of the runway at a cost of \$¼ million.

Another road work, for which a sum of \$½ million has been provided, is the improvement of Kennedy Road. The Sub-Committee considering the capital works programme felt that this road could, as a result of widening and reconstruction of certain sections, draw off a considerable volume of traffic which now proceeds along Queens Road East. The scheme is estimated to cost \$1,800,000 and the work will be spread over several years. A sum of \$¼ million has also been included for the reconstruction of side streets, many of which are in a deplorable condition owing to the complete suspension of any maintenance work during the Japanese occupation and the impossibility of doing anything since owing to demands for work of higher priority.

The necessary provision has been included to enable a start to be made on the Causeway Bay Reclamation scheme. The proposal is to construct a new typhoon shelter and to reclaim the area, enclosed by the present shelter, so that it can be used for playing fields. It is expected that the whole scheme, if filling is proceeded with as rapidly as possible, will cost something in the region of \$8 million, and it is hoped that some contribution towards the total cost will be forthcoming from other sources. The scheme would certainly fill a long-felt need, as it would make a considerable area available for recreation purposes, some of which could conveniently be allocated to Queen's College.

Funds have been provided too, for a start to be made on the central reclamation scheme which covers the frontage along the Praya from the west of the Dockyard to just west of Queen's Pier. This reclamation will not only provide a suitable concourse for the new Star Ferry piers, for which provision has also been made, but will make available a number of new building sites, one of which will be earmarked for the new City Hall. Only a token sum of \$50,000 has been included for this latter project during the coming year, as a considerable time must necessarily elapse before the site is available for building purposes, and also before final drawings are prepared. It will be necessary, in the first place, for the various interests to decide among themselves exactly what facilities should be provided in the new building, and the purpose of the token sum now included is to provide funds so that, if it is so desired, a competition may be held for the best design for the new building.

In the course of the year, a visit was arranged by an expert on slaughterhouse equipment. He inspected the proposed site for the new abbatoir at Kennedy Town, and advised on the

equipment which would be required. To a large extent, it is necessary to decide on the layout for the machinery and equipment before the structure itself can be designed. This will now be pressed forward, and it is hoped that plans will be sufficiently advanced to permit of a start being made on actual construction work before the end of the financial year, though work on a very large scale will not be possible before 1952/53. A sum of approximately \$½ million has been included to cover the work which, it is hoped, will be carried out in the course of the coming financial year.

Provision has been made for a further instalment of the light construction market programme and a sum of \$100,000 has been included for the installation of further traffic lights. There are in particular several cross roads along Nathan Road where such a form of automatic control would be of benefit.

It is also expected that in 1951/52 it will be possible to start work in earnest on the new central Government offices. A necessary preliminary has been completed in the provision of a new Headquarters for the Defence Force, in the former Civil Service Cricket Club pavilion at Happy Valley, which has been reconstructed for that purpose. It is necessary for the old Defence Force Headquarters to be demolished before work on the Government offices can commence. This demolition work should start early in the new financial year, and the erection of the eastern wing of the new offices will then be put in hand. A sum of \$1½ million has been provided to cover the work to be carried out during the year.

A sum of just under \$1 million has been provided for the erection of further water storage tanks and for the installation of a system of salt water distribution mains from which these tanks can be replenished. These measures should prove of great value for fire fighting purposes, and they will result in a considerable saving of mains water, a very important consideration in view of our limited water storage capacity.

The usual provision has been made for works contingent on land sales, to meet commitments for the provision of roads and drainage in new areas to be opened up for building purposes, but this year it has been possible to limit the sum included for this purpose to \$2 million.

It is hoped gradually to mechanize the accounting arrangements in the Accountant-General's office. Hong Kong is rather

behind the times in this respect, and there is no doubt that more modern methods would result in an appreciable saving of staff. Two National cash accounting machines have already been installed and an officer from the Accountant-General's Department, who is now on leave in London, is discussing with a Treasury expert in mechanized methods, proposals for a full degree of mechanization.

With the return of an officer specially trained in the work of Co-operatives, the Department of Co-operatives and Marketing has been reorganized, and it is now shown with two sub-divisions, Co-operative Department and Marketing Department. The Registrar of Co-operatives has also been appointed Director of Marketing and both the Fish and Vegetable Marketing Organizations come under his control.

In addition to the expenditure provided for in the Appropriation Bill, we are continuing our expenditure from loan funds, but necessarily on a more modest scale as these funds are nearing their end. The amount of \$17¾ million shown as available for expenditure during the coming year chiefly represents unspent balances which will gradually be re-allocated and commitments in the shape of equipment, largely new rolling stock for the Railway, which was indented for some years ago and which is gradually coming forward.

Up to the 31st March, 1950, expenditure from loan funds amounted to \$109,434,977 and it is estimated that by the 31st March, 1951, this figure may have been increased to \$127,265,236.

This will be the last budget which I shall introduce, and I may perhaps therefore be permitted to end my speech on a more personal note. It has been my privilege to watch the gradual restoration of the finances of the Colony from the very low ebb to which they had sunk as a result of the Japanese occupation to the satisfactory position in which they are to-day. For the first year, or rather eleven months, after the restoration of Civil Government, revenue amounted to only \$82 million, and it failed by \$3½ million to cover even our limited normal expenditure of those days, after rehabilitation costs amounting to nearly \$30½ million had been charged off to loan advances. But, in the short space of four years, our revenue has risen to \$274¼ million, which is the figure we expect for the current year.

When Hong Kong was re-occupied, the only funds remaining at the disposal of the Colonial Government consisted of some holdings in our own pre-war loans and certain special funds totalling less than \$2 million. We have since succeeded in accumulating surplus funds which will probably total something in the region of \$178 million by the 31st March. Moreover, in August, 1945, the public debt amounted to \$26¼ million. We have spent on the rehabilitation of the Colony in one way and another quite \$200 million, but because this has been largely financed from our surpluses and new issues have been kept to a minimum, the public debt to-day has only risen by \$38¾ million to the very low level of \$65 million.

These are remarkable figures and they have been rendered possible by the surprising resilience and recuperative powers which Hong Kong has always displayed throughout her history. But the credit for this rapid recovery must go to the commercial community for their resourcefulness and to our leading bankers for their faith in the future, and their readiness to take risks when they were called upon to finance the work of rehabilitation.

The new financial year starts under the shadow of the American embargo and there are other clouds on the horizon, but I trust that any falling off of revenue, which may occur, will be only temporary. I should have been happier if, in relinquishing responsibility for the Colony's finances, I could have pointed to unappropriated reserves equivalent to one year's revenue or say \$250 million, instead of the total of just under \$180 million which has now been reached. It is true that we are establishing a Development Fund of \$55 million as well, but that is earmarked for a specific purpose. Of the \$180 million revenue balance, some \$70 million is represented by stocks of essential foodstuffs, and part of the balance is committed against loan advances not yet charged off to expenditure. I would therefore again stress the importance of building up our reserves still further. It is not easy under present conditions for a Colony to raise loans even on a comparatively modest scale. Access to the London market must necessarily be very limited, and with the increasing responsibilities of His Majesty's Government in connection with rearmament that position is not likely to be eased. A substantial reserve is the best safeguard that a Colony can have. The existence of such a reserve makes it permissible to estimate revenue rather less conservatively than would otherwise be justifiable, and it also means that future development can be planned with a reasonable expectancy that it will be possible to

carry it through, even if temporary setbacks are encountered. For the new Development Fund can only take care of a proportion of the development expenditure, and there are always the commitments in the shape of increased recurrent expenditure, to which development schemes inevitably give rise. Having regard to all these factors, the Colony's reserve is still definitely on the low side and might rapidly be exhausted in the event of a serious trade recession.

Finally, I would take this opportunity to express my thanks once again to my colleagues, both official and unofficial, for their unfailing assistance and co-operation. I shall always look back on my association with this Council as a very pleasant one. It now only remains for me to wish the Colony every prosperity for the future. May it long continue to surmount all the difficulties and dangers which beset it, with the same resourcefulness and resolution which it has always displayed in the past, until perhaps one day this strife-torn world settles down to a period of lasting peace. (Applause).

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

LAW REVISION (PENALTIES AMENDMENT) BILL, 1951.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Law Revision (Penalties Amendment) Ordinance, 1950."

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

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

Council then resumed.

THE ATTORNEY GENERAL reported that the Law Revision (Penalties Amendment) Bill, 1951, had passed through Committee without amendment, and moved the Third reading.

THE COLONIAL SECRETARY seconded, and the Bill was read a Third time and passed into law.

**HONG KONG AND YAUMATI FERRY COMPANY
(SERVICES) BILL, 1951.**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to authorize The Hong Kong and Yaumati Ferry Company, Limited, to maintain and operate ferry services." He said: Sir, the importance to the Colony of the ferry services operating within it needs no stressing. Regular passenger ferry service has been operated, as all will know, by the Star Ferry Company for very many years, while ferry service for the carriage, not only of passengers, but of vehicles has been operated by the Hong Kong and Yaumati Ferry Company since approximately the year 1932.

Now, Sir, legislation exists, namely the Ferries Ordinance, 1917 and the various Regulations made under that Ordinance regulating the subject of ferries, ferry services and ferry piers. The Hong Kong and Yaumati Ferry service, operated from 1932 under licence granted under the legislation which I have quoted. But that legislation had no application to the Star Ferry service because the Ferries Ordinance, 1917 did not apply to that service. In the case of the Star Ferry service, contractual relationship existed between Government and the Company by way of a pier lease.

Sir, at this date, however, it is the position that both the licence held by the Hong Kong and Yaumati Ferry Company and the pier lease of the Star Ferry Company have expired. As a consequence, some formal provision governing the future operation of the service of these two companies has to be made. It is considered that the best course is to legislate specifically in relation to each of these two principal ferry services of the Colony. It is so considered because by that means full knowledge and publicity is afforded as to the nature, the extent and the conditions of these important ferry services.

Now, Sir, the Bill, the first reading of which I am moving to-day, is designed to provide such legislation in regard to the Hong Kong and Yaumati Ferry Company service, main service. The Bill, as in the hands of Honourable Members, has been published together with fairly extensive Objects and Reasons, and it will be seen from paragraph 6 of those Objects and Reasons that there is there contained a summary of the aims sought to be achieved upon enactment of this Bill now before Council. That paragraph describes the essential features and extent of the concession which, upon enactment, this Bill will accord to the

Hong Kong and Yaumati Ferry Company Limited. It is to be a concession having retrospective effect to the 1st January, 1950.

In brief, Sir, the concession to be given by this legislation will extend for a period of fifteen years in the first instance, with a right of renewal for three further periods beyond that of five years each, making a total of thirty years in all.

But, Sir, during the, continuance of the concession proposed the Company, it will be seen, is obliged to pay pier rent to the extent of \$50,000 monthly and also a royalty to be calculated by way of percentage of the Company's gross monthly receipts. Thus by way of provision for royalty—a provision, I may say, repeating an obligation imposed by the licence under which the Company has hitherto been operating—a contribution will be made by the Company to Revenue in prosperous times while at other times, by an appropriate reduction of royalty, the necessity for increase of fares may be avoided or postponed in the manner authorized by paragraph 4 of the Schedule to the Bill before Council.

For these reasons, Sir, I move, as I have said, the First reading of the Bill now before Council.

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

Objects and Reasons.

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

1. The Ferries Ordinance, 1917, was enacted to regulate ferries and ferry piers. The Ordinance (sec. 5) empowers the Governor in Council to make regulations generally on the subject matter of ferries and ferry piers but principally for the licensing of ferry services. The regulations made under the Ordinance in force at this date appear at p. 854 of the Regulations of Hong Kong, Volume III, and provide that, unless otherwise ordered by the Governor in Council in any particular case, no licence for the maintenance and operation of ferries shall be granted unless put up to public tender and be grantable for one year or such longer period not exceeding 15 years as may be stated in the invitation for tenders. But (reg. 4) the proviso is added that the Governor in Council may at any time during the subsistence of any licence extend the licence for a period not exceeding 6 years

at any one time provided that extensions together with the original period of the licence do not exceed in the whole a period of 18 years.

2. In 1932 a licence was granted, under the provisions above mentioned, to the Hong Kong & Yaumati Ferry Company, Ltd. authorising that company to maintain and operate ferry services for passengers, vehicles and goods in respect of all the principal ferry runs across the harbour other than the ferry run operated by the Star Ferry Company Ltd.

3. At the end of the war, the Hong Kong & Yaumati Ferry Company, Ltd. speedily resumed operation of their services. But the recovery and rehabilitation of ferry vessels entailed considerable cost. Consequently the Company in resuming operation did so on the understanding that it would be granted licence to continue the operation of the service for a further and substantial period upon the termination of the Company's then subsisting licence on the 31st December, 1948. In fact since that date the Company have continued to operate their services on a provisional basis while negotiation proceeded regarding the terms and conditions upon which the Company should continue in the future to maintain and operate ferry services.

4. Negotiation has concurrently proceeded regarding terms and conditions applicable to the further operation of the ferry service operated by the Star Ferry Company Ltd. The Ferries Ordinance, 1917, and Regulations have not applied to the Star Ferry service by the reason of the exemption granted by section 9 of that Ordinance. But a contractual relationship has subsisted between the Star Ferry Company Ltd. and Government in that the piers used by the Company for its service were the subject of lease. That lease which expired on the 31st December, 1949, provided for the payment of pier rental. No stipulation for the payment of royalty was made. Since the expiration of the pier lease the Star Ferry Company Ltd. has continued to operate its ferry service on a provisional basis pending negotiations to settle terms and conditions for the operation of that service in the future.

5. In the result, the decision has now been reached governing the continued operation of the respective services. That decision entails that the terms and conditions applicable to the future operation of ferry services by the two Companies should be equivalent in that pier rental and royalty should be paid to

Government by both Companies. Further, it is considered that convenience would be best served by the enactment of specific legislation governing respectively the operation of services by each Company above named.

6. The object of this Bill is, therefore, to provide such legislation to authorise the Hong Kong & Yaumati Ferry Company, Ltd. to maintain and operate ferry services. The Bill (clause 3) provides for the grant by Government to the Company of a concession, *i.e.* the exclusive right to maintain and operate the ferry services authorized by the Ordinance, such services (clause 4) are those particularly described in Appendix I to the Schedule to the Bill, *i.e.* the services authorized correspond to the ferry runs at this date operated by that Company (other than the experimental service operated between Wilmer Street and Shamshuipo and the service operated to Cheung Chau). The terms and conditions attaching to the concession are set out in the Schedule to the Bill. Essential features are—

- (a) the Company to have the concession for a period of 15 years from 1st January, 1950, with a right of renewal beyond the initial 15 years for three further periods of 5 years;
- (b) the concession to be held upon the terms that the Company shall pay to Government pier rental (Schedule, para. 3) to the amount of \$50,000 monthly and royalty (Schedule, para. 5) by way of percentage of the Company's gross monthly receipts upon collection of fares and charges, such percentage to be computed in manner specified in Appendix III to the Schedule of the Bill.

The Schedule to the Bill, among terms and conditions, also includes provision in general corresponding to those now existing in the Regulations made under the Ferries Ordinance, 1917, and applicable to the Company during the subsistence of the licence granted in 1932 to that Company. Such provisions are those reproduced at paras. 6, 7, 8, 9 and 10. Para. 17 of the Schedule furthermore contains provision analogous to regulation 57 of the Ferries Regulations affording to the Governor in Council a right to enforce compulsory purchase of the Company's undertaking at the expiration or during the subsistence of the concession, upon payment which shall not be less than the original value of the undertaking, account being taken of the cost of rehabilitation of vessels prior to the 1st January, 1950.

**SOCIETY FOR THE PROTECTION OF CHILDREN
INCORPORATION BILL, 1951.**

HON. CHAU TSUN-NIN, C.B.E., moved the First reading of a Bill intituled "An Ordinance to incorporate the Hong Kong Society for the Protection of Children". He said: Sir, the Society and its activities are well known in the Colony and no useful purpose will be served by making further remarks.

DR. THE HON. CHAU SIK-NIN, C.B.E., seconded, and the Bill was read a First time.

Objects and Reasons.

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

1. The Hong Kong Society for the Protection of Children (the Society) is not at present a corporate body and therefore is not a legal entity with power as such to own or manage money or other property.

2. The object sought to be achieved by this Bill is, by incorporation, to facilitate the management of the affairs and property of the Society. Clause 3 seeks to form a corporate body consisting of the President, the Chairman of the Executive Council and the Honorary Treasurers of the Society, which will have perpetual succession and use a common seal. Clause 4 sets out the powers of this corporation to acquire and deal in land and other property and chattels, while Clause 5 vests in the corporation property of the Society which at present in law belongs to the members as such.

**HONG KONG COUNCIL OF SOCIAL SERVICE
INCORPORATION BILL, 1951.**

HON. CHAU TSUN-NIN, C.B.E., moved the Second reading of a Bill intituled "An Ordinance to provide for the incorporation of the Hong Kong Council of Social Service." He said: Sir, in doing so, I wish to indicate that at Committee stage I shall move amendments to clause 6 of the Bill.

HON. P. S. CASSIDY seconded, and the Bill was read a Second time.

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

Clause 6.

HON. CHAU TSUN-NIN, C.B.E.: —Sir, the words "and associates" in the marginal note of this clause should have been deleted after this clause had been redrafted, but due to an oversight it has not been done. I now move that these two words be deleted.

This was agreed to.

Council then resumed.

HON. CHAU TSUN-NIN, C.B.E., reported that the Hong Kong Council of Social Service Incorporation Bill, 1951, had passed through Committee with one amendment, and moved the Third reading.

HON. P. S. CASSIDY seconded, and the Bill was read a Third time and passed into law.

ADJOURNMENT.

H.E. THE GOVERNOR: —That concludes the Agenda, Gentlemen. Council will adjourn to this day fortnight.
