

5th March, 1952.

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**PRESENT:**

HIS EXCELLENCY THE GOVERNOR

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

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

LIEUTENANT-GENERAL SIR TERENCE AIREY, K.C.M.G., C.B., C.B.E.

THE HONOURABLE THE COLONIAL SECRETARY

MR. ROBERT BROWN BLACK, O.B.E.

THE HONOURABLE THE ATTORNEY GENERAL

MR. G. E. STRICKLAND, Q.C., *Acting*.

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

MR. RONALD RUSKIN TODD.

THE HONOURABLE THE FINANCIAL SECRETARY

MR. ARTHUR GRENFELL CLARKE.

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

*(Director of Public Works).*

THE HONOURABLE DOUGLAS JAMES SMYTH CROZIER.

*(Director of Education).*

DR. THE HONOURABLE YEO KOK CHEANG

*(Director of Medical and Health Services).*

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

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

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

THE HONOURABLE PHILIP STANLEY CASSIDY.

THE HONOURABLE MAURICE MURRAY WATSON.

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY.

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

THE HONOURABLE NGAN SHING-KWAN

MR. RONALD THOMPSON *(Deputy Clerk of Councils).*

**ABSENT:—**

THE HONOURABLE KENNETH MYER ARTHUR BARMETT

*(Chairman, Urban Council).*

**MINUTES.**

The Minutes of the meeting of the Council held on 20th February, 1952 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>
Draft Estimates of Revenue and Expenditure for the year ending 31st March, 1953.	
Memorandum on the Estimates 1952/53.	
Report of the Sub-Committee of Finance Committee of the Programme of Capital Expenditure 1951/52	
1950/57	
The New Territories Ordinance, Chapter 97.	
The Markets and Market Areas (N.T.) (Amendment) Rules, 1952 .....	A. 21
The New Territories Ordinance, Chapter 97.	
The New Territories (Amendment) Rules, 1952 .....	A. 22
The Post Office Ordinance, Chapter 98.	
The Post Office (Amendment) Regulations, 1952 .....	A. 23
The Waterworks Ordinance, Chapter 102.	
The Waterworks (Amendment) Regulations, 1952.....	A. 24
The Emergency Regulations Ordinance, Chapter 241.	
The Emergency (Essential Supplies) Regulations, 1952 .....	A. 25
The Emergency Regulations Ordinance, Chapter 241.	
The Emergency (Arms and Ammunition Ordinance) (Amendment) Regulations, 1952 .....	A. 26
The Criminal Procedure Ordinance, Chapter 221.	
The Counsel (Fees) Order, 1952 .....	A. 28
The Hong Kong Royal Naval Volunteer Reserve (General Service) Ordinance, 1951.	
Ordinance came into operation .....	A. 30

<i>Subject</i>	<i>G. N. No.</i>
The Importation and Exportation Ordinance, Chapter 50.	
The Importation (Prohibition) (Specified Articles) (Amendment) Order, 1952 . . . . .	A. 33
The Importation and Exportation Ordinance, Chapter 50.	
The Exportation (Prohibition) (Specified Articles) (Amendment) Order, 1952 . . . . .	A. 34
The Essential Services Corps Ordinance, Chapter 197.	
The Essential Services Corps (Amendment) Order, 1952 . . . . .	A. 35
The Quarantine and Prevention of Disease Ordinance, Chapter 141.	
Declaration under section 18 . . . . .	A. 36
The Quarantine and Prevention of Disease Ordinance, Chapter 141.	
Declaration under section 18 . . . . .	A. 37
The Quarantine and Prevention of Disease Ordinance, Chapter 141.	
Declaration under section 18 . . . . .	A. 38

#### **ADDRESS BY THE GOVERNOR.**

Honourable Members, when I made my budget address twelve months ago I said that the past year, that is 1950, had been one of ups and downs. 1951 was a year of downs and declining trade. I do not propose to weary you with figures, which are available for all to see in various Government and non Government publications. Suffice to say that the total volume of trade in 1951 was a million tons less than in 1950. The reason for this decline in trade is well known to all of us here and in the Colony. It is the result, even though the result may be indirect, of the intervention of China in Korea, which led to the imposition by the United Nations of an embargo on the export to China of strategic and semi-strategic materials. Added to this were the further restrictions imposed by the United States against China and against Hong Kong and Macau. The position revealed by the figures is certainly serious but cannot be called catastrophic. A new and unpalatable factor has however now appeared on the scene in the shape of Japanese competition which has been steadily on the increase

during the year, and is likely to get more severe still. This affects our industries more than anything else. It is no good talking about putting up a tariff barrier round Hong Kong to keep out goods from other countries which can be produced more cheaply than our factories can do, because the real threat is in our export markets. The cure lies largely with our industrialists themselves in improving their efficiency.

One of the results of this decline in trade and industry in the Colony has been to increase the numbers of those unemployed. In former, and normal, times, if there were unemployment in the Colony those affected would return to their native villages in China, but today it would seem that they prefer to be unemployed in Hong Kong rather than to be employed in China. I refrain from further comment.

Despite the fact that the past year has been one of declining trade, Government's revenue has held up remarkably well. It is difficult to give a precise reason or reasons for this but it is probably due fundamentally to a recovery of confidence in the future of Hong Kong which has brought back a great deal of money into the Colony, and has been evidenced by steep rises in the value of land and of local shares. The revenue estimate was made at a time when the future was uncertain. That uncertainty must remain so long as the present state of world tension obtains, but it has become apparent that many persons have shed their uncertainty and have developed a feeling of confidence in the future of Hong Kong, which has manifested itself in the revised revenue figure.

When the Estimates of Revenue were presented last year they showed for the financial year 1951/52 \$247,799,850. The revised estimate is \$291,326,400. I shall leave it to the Financial Secretary in his address later this afternoon to give further details under the different heads of revenue.

Another result of the state of affairs in China, and the reluctance of people in the Colony to return there, is the vast influx of refugees who are the root of our squatter problem. I don't propose to deal with the squatter problem today because it is only a few weeks since the Chairman of the Urban Council gave a full report over the air and through the press of what Government's plans were. They will involve us in a capital expenditure of more than \$4 millions, and a recurrent expenditure of \$2 millions in a full year. This is a heavy burden for this Colony to bear, and it is of interest to note that in one of

the London Press Service telegrams of January 3rd it was stated that out of i^ million refugees in fourteen countries in Europe, 260,000 had found asylum in Britain. That is a remarkable achievement which is over-topped only by Hong Kong's achievement for we must be giving shelter to at least a million, that is four times the number that Britain is looking after. Whilst we may take pride in this, nevertheless it is a factor that should be taken into consideration when Her Majesty's Government is considering Hong Kong's financial problems.

Despite the serious overcrowding it is worthy of remark that the Colony has been free from epidemics and not a single case of major diseases on the quarantine list has been recorded in 1951. At the same time, the death rate is low, and there is little evidence of malnutrition among any section of the community. This reflects great credit on the Colony's medical and sanitary authorities. Our greatest medical problem remains that of combatting tuberculosis. During the past year the new tuberculosis clinic was opened in Kowloon, and it is intended in the forthcoming financial year to establish in one building, to be erected in Lockhart Road, tuberculosis, dental and physiotherapy clinics. Plans have also been drawn up for starting next month mass B.C.G. inoculations aided by U.N.I.C.E.F. This project will deal with upwards of 150,000 persons a year and would last for three years. Thereafter the scheme would proceed in certain clinics, out-patient departments, maternity homes, etc., with the personnel already employed there. A very high proportion of the 60,000 infants born each year are delivered by registered midwives and could be vaccinated by them, as during the three years of the campaign they will be trained in the technique of B.C.G. vaccination. It is also proposed to set up maternal and child health centres in the squatter resettlement areas. U.N.I.C.E.F. has been requested to provide equipment and supplies for the centres and has provisionally agreed to do so.

With the tremendous increase in population, the shortage of housing, particularly in the urban areas, continues to be one of our most serious problems. An encouraging start has been made with the scheme of the Hong Kong Model Housing Society to build 400 flats at North Point. No doubt Honourable Members will have seen the first two blocks of 100 flats which are nearing completion. The entire scheme will cost \$3½ million exclusive of the site which has been provided free by Government. I mentioned last year that we had sought assistance from the Colonial Development and Welfare Fund for the construction of

further housing schemes for the less well-to-do members of the community. I am glad to say that the scheme was approved by the authorities concerned, and a start has already been made with a pilot scheme on the fringe of the densely populated semi-industrial area at Shumshuipo. This pilot scheme will be carried out by the Hong Kong Housing Society. Site formation work is now almost complete, and it is expected that the contract for the construction of 270 flats will shortly be let. The cost of building the flats will be met from a loan from our own development funds which as Honourable Members are aware comes out of our trading profits. \$15 millions has been earmarked from these funds to be used for housing. At the same time Government continues to grant leases on specially favourable terms to firms who wish to embark on housing schemes for their employees.

In educational matters, Government continues its policy of school expansion. The erection of another training college, referred to in my Budget Speech last year, is now almost completed and we have thus the means of providing enough trained teachers each year to staff the schools that our Educational Development Plan calls for. It is proposed during the coming financial year to build three new schools and add further classes to existing schools, so that an additional 2,230 children may be accommodated in government schools. At the same time grants to aided schools will provide for a further 3,930 children, so that a total increase of 6,050 in the numbers of children attending government and government-aided schools may be expected.

The total enrolment now exceeds 180,000 and it is anticipated that the figure of 200,000 will be reached during the next financial year. Thus, since 1940, additional school accommodation will have been found for more than 50,000 children. Of such a record the Colony may well be proud.

In the programme of development the bulk of government resources is being devoted to the increase of primary education. That is acknowledged to be the Colony's greatest educational need. But it is not the only one. The growth of secondary education must keep pace with expansion in the primary schools and provision must be made also for much-needed development in technical and further education. A few months ago I appointed two committees to consider these latter requirements. The first is investigating the field of Technical and Vocational Training

with special reference, of course, to local industrial and commercial needs. The second committee is studying the wider problems of post-secondary education in general, and the means by which they may be solved.

Government continues to assist our higher institution of learning, the University, in recognition of the essential part it plays in the life of the Colony, to the extent of \$i^ millions a year. During the coming year it is confidently expected that the University will be providing higher education for nearly 1,000 students, practically double the numbers of pre-war years.

I don't propose to give a detailed account of what has happened in the educational world during the past twelve months. Details of that will be found in the Annual General Report when it is published. Usually that report is laid on the table at the same time as the Budget is presented. Unfortunately there have been unavoidable delays this year and it will not be ready until a few weeks hence. I would however like to draw attention to one particular point, and that is the progress that is being made in education for citizenship. This I regard as a matter of no little importance. Schools are encouraged to take their senior pupils on visits to factories, the law courts, government departments, and so on. For the first time civics is a course for study in the Hong Kong School Certificate examination in 1951, and steps are being taken to ensure that the course is practical rather than theoretical. Schools are also encouraged to maintain their tradition of social service by organizing free schools for poor children during the long summer vacation.

A feature of the Social Welfare Department, a feature which I think must be unique in this bureaucratic ridden world of ours, is that since the inception of the department in 1947, the department has not initiated a single form to be filled in by any member of the public. It has been the policy of the department to proceed by way of experiment and improvisation in order that it might be sure, before committing itself to costly projects or elaborate organization, what principles and aims should govern its work in this important field having regard to the special circumstances of the Colony. The period of experiment is still not at an end, but sufficient experience has now been gathered to justify a cautious step forward. The proposals before Council, as shown in the Estimates, therefore envisage some positive expansion both

of direct government activity and of government assistance, by way of subvention, to unofficial agencies. The main spheres of action in which expansion is proposed are as follows:—

*Youth Welfare.* Most people are familiar with the work being done in this field, especially by the Boys' and Girls' Clubs. In order that this work may be improved and expanded a substantial increase in Government's youth welfare staff is envisaged, together with increased subventions to the Boys' and Girls' Clubs Association and the Boy Scouts' Association.

*Juvenile Delinquency.* The probation staff is to be increased and, in order to conform with modern doctrine and practice, the Reformatory, which is now run by the Prisons Department is to be replaced by an Approved School under the control of the Social Welfare Officer.

*Communities Welfare.* In this field too there is to be an increase of staff in order that the Social Welfare Office may be more able to assist the kaifong welfare associations to co-operate both with the Government and other unofficial agencies.

*Child Welfare.* Increased subventions are proposed for a number of orphanages and for the Society for the Protection of Children.

It has also been decided that a separate Remand Home and Place of Detention for juveniles is to be built in order to conform with modern practice, and to enable that body of the law which deals with juvenile delinquency to be fully implemented. This institution will be under the control of the Social Welfare Officer. It has not been possible to include this project in the 1952-53 programme but it is hoped to carry it out in the following year.

Probably the most important new development in the New-Territories has been the launching of the Co-Operative department which started operations early last year. Its activity so far has been concentrated mainly on the poultry breeders, the farmers and the fisher folk. Farmers generally have shown great enthusiasm for co-operative enterprise and already three marketing societies at Fan Ling, Tai Po and Sheung Shui have registered as co-operative societies and a number more are almost ready for registration. Pig breeders and poultry farmers are watching with interest. It would, however be a mistake to force the pace. We should not try to thrust co-operatives down their



throats, but should show them the advantages in the expectation that they'll join up. The question of a credit scheme for farmers is also under examination.

The vegetable marketing organization did even bigger business last year than it has ever done before, and the increase in local production was particularly notable.

Last year in my budget address I asked this question "Are we to give up all thought and all schemes for development?" And I gave the answer as a firm and definite "no". I have already given some examples of what has been achieved during the past twelve months in the educational, medical and other spheres. In addition 1951 has been a remarkable year for the number of major public works which Government has not merely planned but has actually embarked upon. Most noteworthy are the new reservoir at Tai Lam Chung which will, when completed with its ancillary works in about three years' time, give us an extra 7 million gallons more a day. Next on my list of major works is the reclamation at Causeway Bay. As Honourable Members are aware this will provide 50 or more acres of land at a cost of about \$17 millions. This will be used for recreation purposes towards which the Jockey Club has generally donated the sum of \$2½ millions. A start has also been made on the central reclamation where the new Star ferries will be accommodated and on which the City Hall will be erected. I don't propose to deal with the question of the City Hall any further, as it was debated in this Council at its last meeting. As a side line it is interesting to note however that St. Paul's Cathedral was built at a time when Britain was more or less bankrupt. It might therefore be said that we should go on with the City Hall in spite of our comparative lack of funds. It has however to be borne in mind that whereas in the days of Charles II governments had no liabilities in the way of schools, hospitals, roads and so on, governments of today do have such liabilities. If therefore they spend too great a proportion of their money on one project, there will be less available for others. None the less I hope that it will be possible to go ahead without interruption on the construction of the City Hall. It cannot of course be commenced, that is apart from the plans, until the reclamation is completed.

As regards the ensuing financial year the head of the Estimates, Public Works Non-recurrent, shows the work that it is proposed to undertake. This is the largest programme that the Public Works Department has ever undertaken. That is the measure of how we regard the future.

I shall leave it to the Financial Secretary to deal with the Budget. Estimated expenditure is \$285,207,198 and estimated revenue \$285,162,200 which means a small deficit of \$45,000. It would, of course, be possible to show a balanced budget with a surplus, by arbitrarily increasing the estimates of revenue; and in the past there has sometimes been criticism of Government as being too conservative in its estimates of revenue; but I doubt if any Honourable Member would in present circumstances advocate anything else but conservative estimating. Another way of balancing the budget would be to cut expenditure, and this may be necessary if the year turns out worse than we expect. But apart from this there are so many things crying out to be done, not only in the wide sphere of social welfare but also in such humdrum things as resurfacing of roads and the provision of branch post offices, that I should deprecate any curtailment of the projected programme. It would also be possible to augment revenue by increased taxation, either in the way of higher existing forms of taxation or new forms of taxation. Government is aware of the proverb of the goose and the golden eggs. But it is important that the Budget should be balanced. Some increases in taxation will therefore be necessary. What these are will be explained by the Financial Secretary.

None of us is all-seeing and none of us is all-wise. We can however try to be wise, and it seems to me that being wise at this juncture is to be bold but not reckless; cautious but not timid, in short, cautiously bold. If peace is assured, more particularly in the Far East, then we can expect an upsurge in business activity with a consequent increase in Government revenue and greater prosperity all round. That is our hope. Meanwhile we should carry on as we have been doing during the past twelve months: working together for the good of the Colony, and heartened by the words of the Secretary of State when he opened the Exhibition in Kowloon on 14th December last.

And now, one word more. Honourable Members will have read with, I am sure full agreement and appreciation the commendation expressed by the Secretary of State in the House of Commons for the excellent manner in which the Police behaved in last Saturday's disturbance. The praise bestowed by the Secretary of State was fully merited and in that praise I also include the Fire Brigade. Law and order must be maintained and we will not be intimidated. (Applause).

### **APPROPRIATION FOR 1952-53 BILL, 1952.**

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding two hundred and eighty five million two hundred and seven thousand one hundred and ninety eight dollars to the Public Service of the Financial Year ending 31st March, 1953".

He said: Sir, in order to help Honourable Members properly to appreciate the figures set forth in this Bill and in the estimates which are now in their hands, I think it is necessary that I should say a little about our finances during the past year, taking up the story at the point where my predecessor ended it twelve months ago.

The actual revenue for the financial year 1950/51 which ended on the 31st March last year was almost \$291¾ million against the original estimate of \$204 million, and the revised estimate of \$274¼ million. This is once again a record figure, representing an excess of over \$87 million on the estimate. Expenditure for the same year was a little over \$251½ million being almost \$51 million more than the estimate. The surplus for the year was thus just over \$40 million; but against this surplus had to be set off depreciation on our investments amounting to slightly over \$1¼ million, leaving the net surplus for the year 1950/51 at \$38¾ million.

Now it may well be said, and it has been said, that with a surplus of this magnitude the Colony is extremely well off. This view must be regarded as short-sighted. It has perhaps not been sufficiently emphasized in the past that the ordinary figures of revenue and expenditure leave out of account the expenditure on projects which it was originally intended should be financed by Loan. Honourable Members are now aware that the prospect of a successful loan issue is remote. Nevertheless, expenditure on Loan projects has had to go on, and the expenditure has been

met by advances from our surplus balances. It is inevitable that such advances must be charged off in the ordinary way. Now on the 31st March, 1951, the total of outstanding advances on Loan projects amounted to no less than \$25,793,925, so that it will be seen that our true surplus on the year was not \$38¾ million but \$13½ million. This puts rather a different complexion on the state of affairs.

I think that it is high time that this position was realized. There has been a distinct tendency to look merely at the difference between ordinary expenditure and ordinary revenue and to draw false conclusions therefrom, leaving out of account the very large sums that have been spent on rehabilitation and that have to be found sooner or later from ordinary revenue. The fact that the Colony is in such a sound financial position and that it has, so far, been possible to carry on in this way, is, I think, a tribute to the prudent and conservative policy which was adopted by my predecessor, Sir Geoffrey Follows.

The considerable excess of expenditure over the original estimate was largely due to the fact that there was charged off to expenditure during the financial year 1950/51 the sum of approximately \$50 million which had been outstanding as an advance from surplus funds on Loan account. Had it not been for this fact, the actual expenditure during the year would have approximated very closely to the estimate, despite the fact that a sum of \$16 million which was not provided for in the estimate was paid over to Her Majesty's Government as a contribution from this Colony towards the cost of reinforcing the Garrison, which Her Majesty's Government has had to bear. Certain heads of expenditure exceeded the estimate, but as usually happens others fell considerably below. Nevertheless the result on the year's working cannot be regarded as unsatisfactory.

Thus at the beginning of the present financial year 1951/52 we had a general revenue balance amounting to \$192,906,704. The estimates for this year provided for a surplus of \$13,130,800 which meant that our general revenue balance on the 31st March next should have increased to \$206 million. Unfortunately the revised figures for revenue and expenditure which have been produced within the past few months show that this result will not be achieved, and that the surplus for the current year will only be \$2,921,604. We shall fall short of our expectations by slightly over \$10 million.

Some explanation of this large difference is obviously called for, and I had best start with the expenditure figures. The original estimate for expenditure was approximately \$234½ million. Our revised estimate of expenditure now is \$288,404,796 which shows an excess of approximately \$54 million. I mentioned a few moments ago that at the beginning of this year we had the sum of approximately \$25¾ million outstanding in the accounts as an advance to be charged against Loan expenditure. As the year passed and it became apparent that we should have some money to spare, the decision was taken to dispose of this liability as quickly as possible, and accordingly the authority of Finance Committee was obtained to charge off the advance in full. We also transferred into our sinking fund for redemption of the Loan issue a further sum of \$5 million. The Rehabilitation Loan Ordinance provides that we must put each year into the sinking fund a sum of not less than one per cent of the issue, but we have always had in mind the necessity of putting by additional amounts so that when the Loan matures, we shall have sufficient funds for redemption. This we have done for the second time. Another heavy charge incurred during the year was \$6½ million as a further contribution to Her Majesty's Government towards the cost of reinforcing the garrison, making a total contribution for the current year of \$15 million. These three payments alone accounted for over \$37 million.

Then several other heavy bills came along. As Honourable Members are aware, the University of Hong Kong is to benefit to the total of \$16 million from the proceeds of Japanese assets in the Colony. The financial position of the University is precarious, and as it will probably be some time before it will get any benefit from the assets, it was decided that funds should be placed at its disposal by way of loan for early investment, so that income might be stepped up. Accordingly \$5 million has been lent interest free to the University for the purpose of an endowment fund. This loan will be a first charge on any assets which may be received by the University, and in fact the sum of \$1½ million has been inserted in the revenue estimates for the forthcoming year as a first instalment of the repayment. Two other sums of \$2½ million each were expended. One was in respect of the purchase of a plot of land at North Point, which was offered to Government on favourable terms, and represents a profitable investment; the other was a loan to the Anti T. B. Association for the construction of a badly needed new sanatorium which will be run on a self-supporting basis. This particular loan will be recoverable within twenty years. Yet another liability which had

to be met was the initial cost of the new Printing Department. This also amounted to approximately \$2½ million which was mainly expended on the purchase of plant and of stocks of paper.

All these items come to approximately \$50 million, but over and above this, further heavy bills had to be met for which no provision was made in the estimates. Of these probably the most important was the expenditure which resulted from the enactment of the Compulsory Service Ordinance. The Defence Force and Auxiliary Defence services have expanded, and pay and allowances, with other costs, have been a heavy drain. Another expense was due to the fact that provision made for cost of living allowances had been based on the old Retail Price Index which was increased from the 1st April last, and was further increased from the 1st October.

But although the expenditure estimate is so much higher than expected, the revenue estimate has also increased. The revised revenue estimate is now \$291,326,400 as compared with \$247¾ million showing an increase of approximately \$43½ million. This is all the more remarkable as two important Heads of revenue failed badly to come up to expectations. One is the Kowloon Canton Railway, whose receipts have suffered from the restrictions on transit across the frontier; the other is the Post Office, whose earnings are considerably down on the previous year. But other Heads of revenue surpassed all expectations. The estimate for earnings and profits tax is now \$50 million as compared with \$44 million; the estimate for duties is up by \$13 million, the main increase being due to tobacco duty. Entertainment tax surpassed expectations, as did stamp duty. Estate duty benefited by another windfall, and rates were swollen by the continued volume of new building. It is somewhat surprising that despite the heavy restrictions on supply, water revenue too has surpassed expectations. I might mention here in passing that we hope later in the year to find time to undertake a costing of our water undertaking in order to ascertain whether it is paying for itself. I understand that our charge for water is just about half that imposed in Singapore.

The fact of the matter really is that this year has been devoted to clearing off our outstanding liabilities with a view to putting our future accounting on a proper basis, and enabling us to see where we stand from day to day. We have now cleared all our liability on the so-called Loan advances up to the 31st March, 1951, and our maximum future liabilities in this respect will not

amount to more than \$13½ million which will be spread over at least two, and possibly three or four years. We have also made substantial provision for redemption of public debt. As will be seen by reference to the Treasury accounts which were laid on this table a few weeks ago, the outstanding public debt on the 31st March, 1951 was just over \$64½ million, a very small amount indeed when the annual revenue of the Colony exceeds \$250 million. The 4 per cent Conversion Loan issued in 1933, of which less than \$5 million is outstanding, falls due for redemption next year, and will be repaid on the due date. Rehabilitation Loan bonds were issued in 1947/48 to the total value of \$50 million. At the 31st March last the amount outstanding was \$47,680,000 and since then more bonds have been redeemed by purchase in the market. At the beginning of the present financial year the sinking fund exceeded \$4 million, and now with the additional payment of \$5 million, to which I have referred, will approach \$10 million or one fifth of the total outstanding issue, with twenty years still to go before the redemption date.

Thus on the 31st March next we expect to have a general revenue balance of \$196 million. We expect to have in our development fund the sum of \$74 million on an estimate of \$15 million as the profit from Government trading and financing during the current year. But I must add a word of warning about the Development Fund, because a considerable part of the profits of the Commerce and Industry Department which go annually to the Development Fund used to come from the financing of trade between Hong Kong and Japan, through the open account. As Honourable Members are aware, this system of trading has come to an end, and with it the profits which we made. In future, profits which go to the Development Fund, must come from our trading in foodstuffs, coal and firewood. Now it is Government's declared policy not to lose money on this trading; but it is equally our aim not to make a large profit on the essentials of life. It must be expected therefore that the annual contributions to the Development Fund from the profits on Government trading must be on a considerably smaller scale in future years. We have in mind the possibility, if the financial position of the Colony permits, of making grants to the Development Fund from ordinary revenue.

Over and above the general revenue balance and the Development Fund, we have our Trading Reserve Fund, which was set up during the course of the year, amounting to \$30 million, to cover us against possible losses on trading. Although this amount seems large, it is I fear the least we can set aside for the purpose. It is necessary to watch very closely indeed the trend of prices and the costs of administration to make sure that we do not incur heavy losses on trading, and I think that the staff of the Commerce and Industry Department who have handled this side of Government business, are worthy of commendation for the fact that they have managed to do so well for so many years without incurring a loss which would have to be borne by the taxpayer.

I should mention that a certain proportion, which varies from time to time, of our general revenue balance is necessarily tied up in stocks of foodstuffs, coal and firewood. It would not be in the public interest to disclose the actual current figure, but I can say that it is not an excessive proportion, and our liquid resources are ample for our requirements.

I now come to the actual estimates of revenue and expenditure for the forthcoming year. I do not propose to take up the time of Honourable Members by going into very great detail, but I think that a certain amount of detail in addition to the broad outline may be necessary fully to understand the picture.

Many changes will be observed in the general layout of the expenditure Heads. One department has disappeared—the Statistical Department. When we were suddenly faced with an economic crisis following the American embargo and the strategic controls, we found that our statistics of trade, of requirements of raw materials and the like, which at once became of vital importance, were far from satisfactory. Accordingly, the decision was taken to bring the Statistical Department into the Department of Commerce and Industry. Honourable Members are aware that we have already revised our trade statistical classification, and I have every reason to believe that in future, printed trade returns will be available by the end of the month immediately following the month to which they refer. Once we have cleared this particular hurdle we can think over the problem of what our next immediate need is in the field of statistics.

There is one new department, the Printing Department. The former long-term printing contract with Messrs. Noronha & Co. Ltd., has been terminated by mutual agreement, and Government



has taken over the plant and the greater part of the staff of this Company. We are now doing most of our own printing, and there seems every reason to believe that printing costs will be substantially reduced thereby. The Government printer from Malaya came here at our request, and has now submitted a very full and comprehensive report on what is required in order to build up an efficient printing organization, but that report is still under consideration.

Another new Head, the Public Services Commission, is new only in the sense that the provision formerly made as a block vote under Miscellaneous Services, is now broken down.

There is yet another addition to the estimates in the form of a new division of the Sanitary Department and Urban Council Head. This division provides for the cost of a large scale squatter resettlement scheme on which Government has embarked. It will be seen that this scheme is not a cheap one, but Government feels that it is one that must be undertaken.

Yet another change in the estimates is the grouping of defence expenditure, as far as possible, under one Head, comprising seven different divisions. In past years it has been difficult by examination of the estimates to find out exactly what defence was costing us. This year it will be somewhat easier, but I must emphasize that the expenditure shown under the Defence Head does not by any means include all defence expenditure. Many of the increased votes under other Heads, particularly under Police and the Medical Department, are directly or indirectly due to the requirements of security and defence in the troubled times through which we are living.

It might be thought at first glance that there has been a very large increase in the salaries paid to Government staff. The explanation of this of course lies in the scheme for consolidation of a proportion of cost of living allowances into basic salaries, which was put through in the course of last year. The fact is that basic salaries have been raised but cost of living allowances have been correspondingly reduced. Yet another complication has been introduced by the fact that the provision for cost of living allowance, instead of being placed under Miscellaneous Services as a block vote, has now been broken down under the various departments. This step should have been taken some time ago, but was deferred in view of the consolidation which has now been carried through. In past years the estimates have not in fact represented the true picture in so far as the cost

of any particular department was concerned. For example, a glance at the estimates might show that the total estimate for a particular department was \$20 million, whereas in fact the true cost was probably \$22 million, by reason of the fact that cost of living allowances drawn by the staff were shown under the block vote under Miscellaneous Services. The Memorandum on the Estimates attempts for each Head to relate the estimate for the forthcoming year to the revised estimated expenditure for the present year, including cost of living allowance.

The decision to break down the block vote for cost of living allowance is again reflected in certain open votes, such as for example, conservancy under the Urban Council or anti-malarial work under the Medical Department. In certain of these block votes provision is made for staff employed on the work; these open votes must now not only provide for the basic pay of the staff, but also for their allowances. The breakdown of cost of living allowances has also had the effect of swelling the votes for daily rated staff formerly described, and wrongly described, as casual labour.

There have been a number of changes designed to simplify accounting procedure and to secure greater efficiency. In past years departments were required to pay not only for the running of their motor vehicles, but also for repairs and maintenance. The procedure was that the Public Works Department did the necessary repairs, and billed the department with the estimated cost. There was a great deal of accounting work involved. In order to obtain some simplification, it has now been decided that one single block vote under the Public Works Department will provide for the maintenance and repair of all Government vehicles, whether departmental vehicles or pool vehicles. Departments will continue to pay for their own petrol, oil and lubricants. This has involved a change in the name of the particular vote under the department, and a reduction in the amount, but the total of such reductions is offset, and in view of rising costs, probably more than offset, by the block vote for maintenance of Government vehicles under the Public Works Department.

Two suspense accounts under the Public Works Department have been done away with. Formerly, the operation of Government quarries was financed by a suspense account, which in effect meant that only the net cost of operating the quarry after deducting the cost of the products was shown in the estimates. This system has not operated very satisfactorily, and accounting

difficulties and audit queries have been mounting. It has accordingly been thought best to abolish this system of accounting, and in future all expenditure will appear under an expenditure Head whilst the proceeds of sale of the products of the quarry will appear under a revenue Head. A similar step has been taken with the Waterworks House Service account. Hitherto, under the existing system, an individual who wished for example to have his house connected up to a main was charged the actual cost plus a supervision fee. The costing of the work involved a considerable amount of labour and of paper, and the efficiency expert who reported on the Public Works Department condemned it unreservedly. Accordingly the decision has been made, that charges shall be fixed from time to time for the particular types of job that the Waterworks Office is called upon to do, and that such charges shall be paid into Revenue. The cost of staff and materials will be charged to the appropriate expenditure vote.

Before I leave this question of simplifying accounting and endeavouring to secure greater efficiency at less cost, I might invite attention to both the Treasury and the Waterworks Office of the Public Works Department. In both cases provision is made for mechanical accounting equipment. The decision has been taken to mechanize accounts in the Treasury, as far as possible, and also to provide the equipment so that water accounts may similarly be made out by machine instead of by a battalion of clerks.

Now although it is true that increased provision for individual Heads is in many cases largely due to accounting modifications or to consolidation of salaries, the overall increase in the expenditure estimate can only be due to increased cost of administration. A very large proportion of the increase is due to the requirements of defence and security, and it will be seen that the total under the Defence Head alone, leaving out of account the expenditure necessitated by defence under other Heads, amounts to \$27,771,473 or to roughly 9 per cent of the total expenditure. This is a heavy sum, but I fear that it is the minimum that we can spend so long as the present state of world tension, and particularly tension in the Far East, continues. There is similarly a large increase under the Police Head, for which the estimate is \$30,503,147,—over ten per cent of the total expenditure. Thus these two Heads alone will account for just one-fifth of our total spending next year.

A good deal of the general increase is due to increased costs and increased prices which have had their effect even on such minor votes as Publications, to say nothing of Power and Lighting.

Not only in the field of defence and security, but also in other fields it has been necessary to make increased provision and to provide additional staff. We are committed to an educational policy which means providing more Government schools and more facilities for education in private schools, and the increase in the staff of the Education Department speaks for itself. Not only under the Education Head, but also under the Subventions Head, will be seen increases for education. Similarly there has been a considerable increase in the staff of the Social Welfare Officer, who moreover has had his vote for general welfare work increased by  $33\frac{1}{3}$  per cent. There has been an increase both in staff and in other charges for the Medical Department, exclusive of the expense that is going to be incurred in the course of squatter re-settlement. There has been an increase in the staff of the Commerce & Industry Department, due to the obligations which have been imposed upon us as a member of the United Nations under the resolution adopted as a consequence of the Korean incident.

Not all the apparent staff increases are in fact true increases. For some years since the war, a considerable number of officers have been provided for under block votes styled Temporary Staff, in the hope that sooner or later the necessity for their services would no longer exist, and the liability of Government might be correspondingly reduced. A very good example of this type of procedure is apparent by reference to the Commerce & Industry Department, or rather that branch of it which was formerly known as the Supplies and Distribution Department. The greater part of the staff of that organization was not shown save as a block vote under Temporary Staff. It is apparent to me, as I think it must be apparent to all Honourable Members, that there is little prospect in the foreseeable future of Government being able to divest itself of responsibility for the procurement of rice, sugar, meat, coal and other essential supplies. In justice to the staff, who are employed on these matters, it has been felt necessary to provide for them as for other Government servants, the need for whose services is likely to remain for some time. The staff increases under each Head of expenditure are set forth as clearly as is feasible in the Memorandum, and a close study of that paper will perhaps be worth while.

But perhaps one of the most important reasons for the general increase in expenditure is the fact that so-called Loan expenditure is now coming to an end. Instructions have been given that all new work must be charged to ordinary expenditure instead of being charged to an advance account against possible reimbursement from Loan, and the effect on the estimate of expenditure is already apparent. I shall come back later to the question of Loan expenditure.

After this broad outline of the expenditure position that I have attempted to convey, I trust Honourable Members will bear with me a little longer whilst I touch on some of the details of the more important individual Heads.

The Colonial Secretariat and Legislature Head shows an increase. This is in part due to the fact that we have brought under this Head responsibility for the Offices of this Government in Tokyo and in London. Formerly the Tokyo Office was provided for under the Commerce and Industry Department, and the London Office was provided for under Miscellaneous Services. It has been thought appropriate that these offices should not only be brought under the direct control of the Secretariat, but that the Secretariat should assume the financial responsibility for them. In addition, we have found it necessary to provide for a post of Economic Secretary. In almost every country in the world the economic side of Government has become, and is becoming, more and more important daily. Hitherto the economic side has been dealt with by the Colonial Secretary, and the Financial Secretary, and it is felt that an expert adviser must be available. It is accordingly proposed to appoint an Economic Secretary who will deputize for the Financial Secretary on economic matters, and will relieve him and the Colonial Secretary of a great deal of routine work.

The Commerce and Industry Department still grows. Last year, it absorbed the Supplies and Distribution Department; this year it absorbs the Statistical Department. The controls imposed on the import and export of certain materials of a strategic nature, which resulted from the resolution of the Linked Nations, have had to be enforced; moreover the same causes coupled with the restrictions placed on imports to this Colony by the Government of the United States, have caused a great deal of work in connexion with the procurement of necessary raw materials and of certain consumer goods. Both these problems have necessitated additional staff. Furthermore, the trade position is such that it

has been felt necessary as a long term policy measure to do something for the promotion of trade as well as for its suppression, and accordingly provision has been made for a new post of Trade Promotion Officer. This officer, who has just been appointed, will have a very wide field in which to operate. He will take over the organization of the Hong Kong stand at the British Industries Fair and will be responsible for oiling the wheels of trade wherever he possibly can.

I have already referred to the heavy expenditure which we are incurring on defence. The estimates for Defence, Divisions A to E, which deal with the front line services and the passive defence services all show large increases, an inevitable result of the compulsory service legislation which was passed last year. The F division dealing with the registration of persons, was formerly a division of the Statistical Department which is now no more. Although the estimate for the forthcoming year appears to show an increase, in actual fact it was never possible to keep expenses for the present year down to the approved estimate. The department was placed on a care and maintenance basis, but it was found that the provision made was inadequate and had to be supplemented during the course of the year.

The Miscellaneous Measures of Defence which appear under "G" have been gathered together from many departments. During the present year the Auxiliary Fire Service, for example, was shown under the Fire Brigade Head, and Special Constabulary was shown under Police. The two items 6 and 7 of Special Expenditure were formerly shown under Public Works non-Recurrent and under Miscellaneous Services. The contribution towards the cost of reinforcing the garrison in the current estimates was placed at \$8<sup>^</sup>- million, but in actual fact we contributed \$15 million during the current financial year, and last year we contributed \$16 million. For a Colony like Hong Kong, a million pounds is possibly only a fair contribution towards the heavy expenses incurred by Her Majesty's Government in affording us the protection we need.

It will be observed from the memorandum on the Estimates that the staff of the Education Department has been increased by 152. Not only has staff been increased, but it will be observed that allowances paid to teachers at evening classes have increased from \$102,000 to \$600,000. I greatly fear that this increased expenditure is a very necessary corollary to the education policy that has been adopted, and that unless we are to curtail our educational programme we must provide these funds.

The staff of the Inland Revenue Department has been increased by 42. For some time past, there have been numerous complaints from members of the public that they have experienced very long delays in having their assessments for tax finally confirmed. This has been due partly to shortage of staff, and partly to the fact that it has not been possible to find efficient and experienced staff. The Commissioner of Inland Revenue was asked to state his requirements, and he was granted practically everything he asked for. He has just paid a visit to Australia in an endeavour to recruit additional Assessors of some experience who can deal with the arrears of work and step up the yield of revenue. I trust that if his efforts are successful, complaints from the public about delays in assessment will cease, and revenue will benefit accordingly.

Under the Head, Judiciary, provision is made for two additional Magistrates, one for Hong Kong and one for Kowloon. But difficulty is still being experienced in finding permanent officers to fill the posts. As a result of this difficulty the Magistracy estimates appear somewhat confusing, for although four permanent Magistrates are shown for Hong Kong, provision has only been made for salary for one. One Magistrate is employed on a temporary basis in receipt of an honorarium rather than a salary, and three are grouped under a block item, temporary staff. I might add that proposals are afoot for the provision of district courts which would have a jurisdiction some way between that of the Supreme Court and those of the Magistracies. If these proposals are approved, it may be necessary during the coming year to make additional provision for more posts.

There has been an increase in staff and an increase in Other Charges under the Labour Department Head. This has been due partly to the inauguration of a small mining sub-department as a result of the devastation occasioned on the hills in the New Territories by trespassers on crown land in search of mineral ores. Additional staff is also necessary to cope with the increase of work which will be occasioned when the Workman's Compensation bill becomes law.

Under the Legal Department, additional staff has again been provided. The Attorney General has represented that he is quite unable to cope with the volume of work and has been accorded a net increase of four Crown Counsel, some of whom are of a new senior grade.

The Marine Department Special Expenditure shows an increase. This is due to the need for additional craft, mainly for the Police. Six 60 feet launches are being provided for Police work; a small craft is being provided for Police work in Aberdeen; a small shallow draught launch is being provided for Police work in the New Territories; and a prototype craft, estimated to cost \$3½ million, is provided as an all-weather Police patrol vessel. So far the craft exists only on the drawing board, but it is expected that plans will shortly be completed and \$1½ million out of the total of \$3½ million will probably be required during the forthcoming year.

Of the Medical Department I can say very little. The demand for additional medical and health facilities continues unabated. The clinics that have been established all over the Colony continue to be crowded, and the medical supplies that are required to keep them going have continued to increase in price. All this means an increased estimate for next year. The problem of tuberculosis has been given first priority. The building of T.B. clinics and the provision of x-ray apparatus for them is reflected in Special Expenditure, and the staff required for their manning is provided for under personal emoluments. In addition a B.C.G. inoculation campaign is to be inaugurated during the year in co-operation with U.N.I.C.E.F.

The Head, Miscellaneous Services, is one—almost the only one—that shows a very large drop. Unfortunately this drop is not so real as would appear, as it has been occasioned by the transfer of the block vote for cost of living allowances to departmental Heads; by the removal of the vote for film censorship; and of those for the London Office and for the Public Services Commission. Moreover, under Special Expenditure, two large defence subheads have been removed to the new general Defence Head.

The Police Head is one on which I think it would be foolish to endeavour to save. There has been an increase of 462 in the over-all staff, and there have been increases in Other Charges and in Special Expenditure,

The Public Relations Office has undergone some reorganization during the year, as is apparent by the changes in nomenclature.

The Public Works Recurrent total has increased, due largely to increased prices but due also in part to the accounting changes to which I have referred earlier.



There has been an increase of 59 in the staff of the Social Welfare Officer, and an increase in his vote for general welfare work. Your Excellency has already dealt with this side of Government's activities.

The Stores Department also shows a reduction in the over-all total, but here again I regret to say that the reduction is only an apparent one, due to the fact that the former large vote for printing and binding has been deleted owing to the inauguration of a new printing department.

There have been increases in a number of sub-heads under Subventions. These increases have been recommended by the Welfare Advisory Committee, and over and above these increases new subventions have been introduced for the Port Welfare Committee which caters for the welfare of visiting seamen; and for the Mission to Lepers in respect of its work in setting up a leprosarium on Nun Island, and transferring thither the lepers now accommodated at Sandy Bay. It will be noticed that the total subvention to the Mission to Lepers of \$350,000 has been divided into \$200,000 Special Expenditure for the cost of setting up the new institution on Nun Island, and \$150,000 as a recurrent grant.

I have left to the last the Head which must always be considered the most important one in a budget—Public Works Non-Recurrent. In the last quarter of 1951 a sub-committee of Finance Committee again went through the projects in the five year programme which was inaugurated something over a year ago. They spent a great deal of time and trouble on the work, and I should like to express my thanks to them for the services they have so freely given. They produced a report which was adopted by the full Finance Committee, and which is in the hands of Honourable Members today. That report formed the basis of the estimate for Public Works Non-Recurrent, but in view of the heavy demands for defence and security, and for such other services as Education and Health, Government has had to modify the plan somewhat on financial grounds. One project had to be omitted. It proved necessary to defer for the present the Public Works Department workshop and garage, on which my Honourable Friend, the Director of Public Works had set his heart. There is I think little doubt that the erection of a central workshop would contribute greatly to the efficiency of the Public Works Department Electrical and Mechanical Sub-Department, but I fear that we shall have to do without this project for another year at least. Another project which has not been cut out, but

which has had to be curtailed, is the programme of reconstruction of public roads. It was proposed by the Subcommittee that the sum of \$4 million should be provided annually for road reconstruction, and that the vote for road maintenance should be reduced to \$2 million. It has been found necessary to reduce the programme for road reconstruction to \$3 million but somewhat to offset this, the programme for road maintenance has been increased to \$2,300,000 in order to provide for a modest level of maintenance and to cover existing contracts on reconstruction which are in progress.

On the other hand, it has proved necessary to bring forward one project, which the committee recommended should not commence for another year or two: this is the Kowloon General Hospital. The existing Kowloon Hospital is already outmoded, and is far too small for requirements on the other side of the harbour. Moreover, planes coming in to land at Kai Tak now pass directly over the hospital at a low height, and if, as we hope, it proves possible to extend and develop Kai Tak airfield to take Stratocruisers and Comets, and to permit of night operating, the noise alone will compel abandonment of the hospital. It may even be necessary to demolish the buildings in order to ensure the safety of aircraft. In the circumstances Government thinks it advisable that the project for a new hospital should be gone into at once. The Director of Public Works has been authorized to carry out investigations for a site east of Kings Park and of the Railway, and funds must be provided in the coming year for his expenses. I might say that the estimate of \$14 million for the new Kowloon Hospital is based only on a 400 bed hospital. My Honourable Friend the Director of Medical and Health Services is insistent that at least 1,000 beds are required to provide minimum hospital facilities for Kowloon: I have little doubt that he is right, and if so, the cost of the new hospital will be very much more than \$14 million.

I shall not weary Honourable Members with a recapitulation of the major works which are set forth in the Report. Apart from them there are a number of lesser items which have been included either as carry-overs from the present year, or as new projects which cannot very well be fitted into the major programme, but which are none the less desirable, and even necessary. Many of them are so self-evident that little explanation is required from me, but possibly the provision of \$583,200 for a crematorium at Kai Lung Wan is worthy of some attention. It is the case that the Colonial Cemetery at Happy Valley has now become so

crowded that it is necessary to find a new cemetery site. I understand from the Chairman Urban Council that this site is to be at Kai Lung Wan. It is proposed at this cemetery to provide a modern and up to date crematorium which may be used by all religions and all denominations.

Another item perhaps worthy of mention is the slaughterhouse by-products scheme. At present, carcasses considered unfit for human consumption have to be burned at considerable cost. In advance of construction of a new abattoir, which may take some years, it is proposed to instal a modest plant to convert the carcasses into fertilizer and animal feeding stuffs. It is hoped that a fair profit will result.

It will be observed that the provision for a new post office at Sham Shui Po which was included last year has been omitted. This omission is not because a Post Office at Sham Shui Po is not necessary, but it arises from the recommendation of the 5-year plan committee regarding District branch offices. Land available for development in the urban areas is becoming increasingly scarce. Accordingly, Government feels that where a new Government office is required in any district, it should not be built, even though an overwhelming case is made out for it, unless the land is being put to a proper economic use. This Post Office was to have been a two-storey building, and was to be built on land worth at least \$20 a square foot. It seems to Government that such uneconomic building on valuable land is not only a waste of our assets, but sets a very bad example, and the question of the provision of branch offices and their suitable siting is to be gone into as soon as possible. I have to express my apologies to the Postmaster General, whose branch post offices I have to admit are no great credit either to the Postal Administration or to the Government of this Colony; but I think I can assure him that his needs are not being overlooked. Meanwhile considerable sums have been spent on the improvement of the existing General Post Office building, and further sums are being provided in the draft estimates.

The estimate of total expenditure for the forthcoming year is \$285,207,198, which is well over the approved estimate for this year, but slightly below the revised estimate of \$291,326,400. But this figure does not comprise all our spending. We are now beginning to make use of our Development Fund, and on page no of the Estimates will be found the particulars. We expect to spend \$9,695,000 on Tai Lam Chung and a further sum of \$1,900,000 by way of loan to the Hong Kong Housing Society.

The precise way in which expenditure from a Development Fund should be shown was the subject of much discussion at the conference of Financial Secretaries held in London last year. The method of a separate schedule which appears this year can probably be improved, but has been adopted as a temporary measure pending fuller consideration.

In addition we are still spending on a small scale from so-called Loan Funds. A full investigation has been made into the position, and as a result I have endeavoured at the end of the Estimates to set forth on one single schedule the full story of the Loan and of the expenditure incurred and proposed under it. It will be seen that up to and including the 31st March, 1951, we have spent \$125,681,383 of which \$50,000,000 came from borrowed money, and the balance of over \$75½ million from ordinary revenue. For the current year we do not expect that our Loan expenditure will have exceeded \$4 million by very much. After the 31st March next only another \$9 million remain, of which \$5 million are in respect of rolling stock for the railway. Both the \$4 million and the \$9 million will have to be found from revenue at some future date, but we have clearly defined and limited our Loan liability for the future, and when the \$13 million have been cleared we can revert to orthodox accounting.

I turn now to Revenue, which has been estimated at \$285,162,200 as compared with the original estimate of \$247,799,850 for 1951/52 and with the revised estimate of \$291,326,400. There is little that I can add to the notes in the Memorandum, except possibly to emphasize that the estimating is as liberal as possible; for example, the estimate of \$60 million for Earnings and Profits Tax is dependent on the success of the efforts now being made to fill the many vacancies among the senior staff of the Inland Revenue Department.

The profits earned by the Supplies Division of the Commerce and Industry Department from trading and from financing trade with Japan during the year which ended on the 31st March, 1951, totalled \$21,670,467.44 which sum has been credited to the Development Fund. I have, Sir, to apologise to this Council for the fact that the trading accounts have not yet been laid on the table. They are included as an Annexe to the Annual Report of the Director of Commerce and Industry, which has not yet, thanks to a series of unfortunate delays, been printed. The preliminary estimate of profits for the current year is \$15 million.

It will not have escaped the attention of Honourable Members that the figures of Expenditure and Revenue that I have given mean that we have a budgetary deficit, amounting to the small sum of \$44,998. That unfortunately is not all, for since the figures were determined, I have been informed by the Chairman of the Urban Council that progress on Squatter Resettlement has not proceeded as quickly as was hoped, and that funds totalling over \$600,000 which should have been spent this year will not be spent, and will have to be provided next year. This increases the deficit to approximately \$650,000. A deficit of such an order would be nothing to worry about in the normal course of events, for it has been our experience during past years that expenditure on public works always falls far short of the estimate. On this occasion, my Honourable Friend the Director of Public Works assures me that he can, and that he will, spend all his provision under Public Works Non-Recurrent. He also complains that he has not been given enough money for Public Works Recurrent, and could spend far more if he were allowed. In the circumstances it seems to Government that the gap must be covered by an increase in revenue. It is therefore proposed that the betting tax, that is, the tax on bets placed on the totalizator, shall be increased from 3 per cent to 5 per cent with effect from the 1st April next, and the necessary resolution will shortly be moved in this Council. Additional revenue of \$1½ million should result and a precarious balance between revenue and expenditure will be achieved, but I cannot rule out the possibility, and even the probability, of yet more taxation in the near future.

Before I conclude, I think I must indicate in some measure what we might expect in future years. What is the position?

We are committed to a large programme of development. We are spending \$1½ million annually on new schools. We are building a new reservoir at Tai Lam Chung; we propose to build a new general hospital in Kowloon; a new mental hospital; a new abattoir; a city hall and a reclamation on which to put it; new central Government offices; a new Police Headquarters; and a Causeway Bay reclamation scheme to provide playing fields. The preliminary estimate of cost for these projects is \$136 million. But this is far from being the whole story; there is a whole host of other projects; one of these days we are going to have a huge bill for a proper airport; we need a new general post office in Kowloon; we are committed to increasing Medical facilities; to providing additional educational staff and additional help for private schools; and we have above all the ever-continuing and

ever-growing cost of defence and security. There has been a very great public demand for many of these facilities; we are constantly being told that our medical facilities are inadequate; that our educational facilities are inadequate; that it is disgraceful that a city of this size should not have a city hall or a civic centre. We have to build an abattoir because the existing slaughterhouses are out-moded, and the particular one on this side of the harbour is shored up lest it collapse. All these things should be done and can be done, but I must take this opportunity to warn Honourable Members that they will have to be paid for, and paid for out of revenue. Not only will they have to be paid for, but after they have been built, the recurrent cost of maintenance and of staff will also have to be paid for. I have already indicated the means by which we propose to pay for our programme this year, and I see little doubt myself that even more money will have to be found next year. We are doing our utmost to increase the yield of taxation at existing rates, as is evidenced by the staff increase in the Inland Revenue Department. But I foresee that there is a limit to this method of attack when expenditure keeps on increasing, and that either existing rates of taxation will have to be increased very greatly during the next few years, or new sources of revenue must be found.

I have often asked myself, as many Honourable Members must have done, what would be our position if there were to be a sudden economic crisis such as there was in the early thirties. Government has been considering what means could possibly be adopted to meet the shock that a sudden crisis might have on our economy, in so far as Government revenue is concerned. I do not propose to go into details of the proposals which we have in mind, and which are still the subject of discussion between this Government and the Secretary of State, but whatever device may be adopted to cushion the immediate shock of any such crisis, there is only one real answer for a prolonged crisis, and that is, that expenditure must be slashed or revenue must be increased, or both. This point was very much in Government's mind when the Development Fund was established. It is proposed to charge to the Development Fund those projects which are necessary and vital to the Colony, and which will not on completion form an ever-growing drain on our reserves. Accordingly the two schemes which are set forth on page no of the estimates have been approved. It is absolutely vital that the Tai Lam Chung reservoir scheme shall go forward without regard to the state of Government finances, and it has therefore been decided that it should be charged to the Development Fund. In being so charged it will

Not be affected by any crisis which might have the effect of drastically reducing Government's revenue. It can carry on with its own particular source of finance. The same applies to the housing scheme for which the money is being lent at a modest rate of interest.

Sir, I have endeavoured, in what I have said, to give the broad outline of the Colony's financial position and prospects, and of our proposals for the future, without going into too much detail. Even such a broad summary seems to have taken up a great deal of the time of this Council, but if any Honourable Member feels that more information should have been given, I shall be very glad to remedy the omission at a later stage,

Before I resume my seat I should like, with your permission, Sir, to make two acknowledgments. One is to the Members of this Council who constitute the Finance Committee, on whose counsel and support the Financial Secretary relies so much; the other is to my assistant Mr. T. D. Sorby, who has been responsible for preparing the Estimates and the Memorandum, and has had to work long hours of overtime to complete the work on schedule, in addition to carrying on his normal duties. (Applause).

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

### **PENSIONS (AMENDMENT) REGULATIONS, 1952.**

THE ATTORNEY GENERAL moved the following resolution:—

Resolved that pursuant to the power conferred by section 3(3) of the Pensions Ordinance, Chapter 89, the retrospective effect as expressed therein of the proposed regulation in the Schedule attached, be approved.

He said: Sir, under Regulation 18 of the Pensions Regulations, provision is made for the computation of the pensions of public officers. Normally this is based on the full annual pensionable emoluments enjoyed by the officer in the three years preceding retirement. The effect of the Regulations to which this resolution relates is to substitute the pensionable emoluments which such officer would have had as a result of the recent salaries revision had such revision been made at the commencement of the three year period. In other words, the Regulations give the revised salaries retrospective effect for pension purposes. This is no more than Justice requires and follows the provision made when the salaries of public officers were revised in 1947.

THE COLONIAL SECRETARY seconded, and the motion was carried.

## **INDUSTRIAL AND REFORMATORY SCHOOLS**

### **(AMENDMENT) BILL, 1952.**

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Industrial and Reformatory Schools Ordinance, Chapter 225."

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 Industrial and Reformatory Schools (Amendment) Bill, 1952 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.

## **TRADE MARKS REGISTER (RECONSTRUCTION)**

### **AMENDMENT BILL, 1952.**

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Trade Marks Register (Reconstruction) Ordinance, Chapter 262."

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

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

Clause 2.

THE ATTORNEY GENERAL:—I move an amendment to clause 2 which has been tabled and is before Council and the reasons for the amendment are also given. I formally move the amendment of clause 2 as tabled.

This was agreed to.

Council then resumed.



THE ATTORNEY GENERAL reported that the Trade Marks Register (Reconstruction) Amendment Bill, 1952 had passed through Committee with one amendment and moved the Third reading.

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

### **TENANCY (PROLONGED DURATION) BILL, 1952.**

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to remedy certain abuses resulting from the exclusion of new buildings and certain reconstructed buildings from the operation of the Landlord and Tenant Ordinance, Chapter 255."

THE COLONIAL SECRETARY seconded.

HON. LO MAN-WAI, O.B.E.:—Your Excellency, when I had the opportunity of studying this Bill for the first time, I was not happy about clause 3 firstly because I consider the inclusion therein of implied covenants would tend to obscure the real purpose of the Bill, and secondly because I apprehend that its effect would be that every tenant who has paid key money would have the same benefit under this Bill, irrespective of the amount of key money paid. There is no means of finding out the amount of money paid in this manner in each case and it may vary from, say, \$1,000 to \$10,000. This provision, if my construction is correct, is obviously unfair. I was glad therefore to hear from my friend the Honourable Acting Attorney General in introducing the Bill on the first reading refer to this defect and invited Honourable Members to give Government the benefit of their views on this point and on the Bill generally. He has been good enough to show me a copy of the amendments. If I may say so they are an improvement, a great improvement, on the Bill in its original form and have removed the objections I had to the Bill, and I therefore would like to say that I support the Bill.

However, in order to remove some misunderstanding, and the possibility of misunderstanding has been demonstrated by an article which appeared in the China Mail of Friday, 22nd February, I beg to give my reasons for supporting this Bill. The object of this Bill, as I understand it, has nothing to do with bringing new buildings under control on the lines of the Landlord and Tenant Ordinance. If it were so, I would oppose it. Government, as a matter of policy in the public interests as

a whole, decided that new buildings should be excluded from the operation of the Landlord and Tenant Ordinance. With this policy I respectfully agree. I am convinced that in regard to the problem of housing shortage, the solution lies in a great measure on the erection of new buildings by private enterprise and it is clear to me that few persons in the Colony would invest money in new buildings for letting if the terms of the letting were to be under Government control.

What then is the mischief which this Bill seeks to remedy? Clearly it is not the mere payment of key money, which the article in the China Mail seems to imply is an offence in itself. This Bill is couched in highly technical terms, but when one has penetrated through its legal phraseology, one would appreciate that its real purport is an attempt to insert an essential term in the contract of letting, which the parties if they had applied their mind to it, at the time of letting, would have done so themselves. Now generally speaking, it is not the province of the Government to assist persons who have made a bad contract. But I am satisfied that since the war, payment of key money by tenants has become widespread and such payment has been made under the erroneous impression that once they become tenants, they will be protected from eviction in reliance on the Landlord and Tenant Ordinance. I know of cases where a person on becoming a tenant of a new flat has paid a large sum of money in addition to the payment of a monthly rent without any written agreement and without bothering to obtain from the landlord a definite understanding as to the term of the tenancy. Now it could never have been the intention of the parties in such a case, that the tenant should quit the premises after having occupied the premises for only a month and yet legally the landlord could in such case terminate the tenancy on one month's notice. This, as I understand it, is the mischief which this Bill attempts to remedy. This is not an easy task and I fully appreciate the difficulties inherent in legislation of this kind. This Bill, even with the proposed amendments, is not perfect by any means but perfection is too much to expect. Certainty in the law is easier to achieve than perfection and the sooner this Bill is passed into law the better it is for all parties concerned.

Sir, with these remarks I would say again that I support this Bill.

The Bill was read a Second time.

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

Clause 3:

THE ATTORNEY GENERAL:—Sir, I have tabled the amendments to clause 3. The amendment does make considerable modifications on the Bill as it was previously submitted to Council and you may therefore Sir, consider that those amendments are material within Standing Order 28. I would be obliged if you gave me a ruling on this point.

H.E. THE GOVERNOR:—Mr. Attorney I regard these proposed amendments as material.

THE ATTORNEY GENERAL:—I am obliged Sir. The reasons for these amendments are before Council and I formally move the amendments as tabled.

This was agreed to.

Council then resumed.

THE ATTORNEY GENERAL:—Sir, I have to report that the Bill before Council had passed through Committee with amendments which you, Sir, have deemed material. It is accordingly not in order for me to move at this meeting of Council the Third reading of the Bill.

H.E. THE GOVERNOR:—That is unless Standing Orders are suspended. The Honourable Member Mr. M. W. Lo in his address to Council said that the sooner this Bill became law the better. If this is the opinion of other Honourable Members, I would suggest that the Attorney General might move the suspension of Standing Orders. That would be seconded, and if this is approved the Third reading could then be taken at this meeting.

THE ATTORNEY GENERAL:—Sir, I move the suspension of so much of Standing Orders as stand in the way of taking this Bill through its remaining stages at this meeting of Council.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

THE ATTORNEY GENERAL moved the Third reading of the Tenancy (Prolonged Duration) Bill 1952.

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

**ADJOURNMENT.**

H.E. THE GOVERNOR:—That concludes the business, Gentlemen. Just a word on the programme for the Budget. In accordance with our usual practice we will adjourn today for two weeks. At our next meeting two weeks hence the Financial Secretary will move the Second reading of the Appropriation Bill; the Unofficials would then make their speeches at the end of which the Financial Secretary would move that the debate on the Bill be adjourned and the draft Estimates of Revenue and Expenditure be referred to the Select Committee. We then usually adjourn for another week. Well, that would take us to Wednesday 26th March which, as my Honourable Friend Dr. S. N. Chau informs me, is a Race Day. Possibly Honourable Members would prefer on that occasion to meet on the Thursday rather than on the Wednesday. If this is so, then we would now adjourn to Wednesday 19th, and then after that we would adjourn to Thursday 27th. Is that agreeable, Gentlemen?

This was agreed to.

H.E. THE GOVERNOR:—Council will now adjourn to this day fortnight.

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