

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 29th February, 1956.**

PRESENT:HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

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

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

LIEUTWANT-GENERAL WILLIAM HENRY STRATTON, C.B., C.V.O., C.B.E., D.S.O.

THE HONOURABLE THE COLONIAL SECRETARY

MR. EDGEWORTH BERESFORD DAVID, C.M.G.

THE HONOURABLE THE ATTORNEY GENERAL

MR. ARTHUR HOOTON, Q.C. (*Acting*).

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

MR. BRIAN CHARLES KEITH HAWKINS, C.M.G., O.B.E.

THE HONOURABLE THE FINANCIAL SECRETARY

MR. ARTHUR GRENFELL CLARKE, C.M.G.

THE HONOURABLE THEODORE LOUIS BOWRTNG, C.M.G., O.B.E.

(Director of Public Works).

DR. THE HONOURABLE YEO KOK CHEANG, C.M.G.

(Director of Medical and Health Services).

THE HONOURABLE DAVID RONALD HOLMES, M.B.E., M.C.

(Director of Urban Services).

THE HONOURABLE PATRICK CARDINALL MASON SEDGWICK

(Commissioner of Labour).

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

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY, O.B.E.

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

THE HONOURABLE NGAN SHING-KWAN, O.B.E.

THE HONOURABLE DHUN JEHANGIR RUTTONJEE.

THE HONOURABLE CEDRIC BLAKER, M.C., E.D.

THE HONOURABLE KWOK CHAN, O.B.E.

DR. THE HONOURABLE ALBERTO MARIA RODRIGUES, M.B.E., E.D.

MR. CHARLES RAYMOND LAWRENCE (*Deputy Clerk of Councils*)

MINUTES.

The Minutes of the Meeting of the Council held on 22nd February, 1956, 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, 1957.	
Memorandum on the Estimates, 1956/57.	
Report of the Sub-Committee of Finance Committee on The Public Works Programme.	
Hong Kong Annual Report, 1955.	
Report on the Review of Professional, Administrative and Superscale Salaries by W. D. Godsall, C.M.G.	
Training Centres Ordinance, 1953.	
Training Centres (Amendment) Regulations, 1956	A. 13

ADDRESS BY THE GOVERNOR.

Honourable Members, in the opening words of the first chapter of the Annual Report for 1955 it is stated that the year 1955 was an ordinary year, that is ordinary in the sense in which the extraordinary is ordinary, as it so often is in Hong Kong. But there were no major catastrophes such as the Shek Kip Mei fire of 1953, neither was there a boom, nor a slump, in trade. We merely went on our extraordinary course in an ordinary manner.

I propose to commence my address by saying something about our life blood, which if it does not flow freely and vigorously will have ill effects on our growth and on our activities generally. Our life blood is trade, that is to say commerce and industry.

Trade & Industry.

I am glad to say that trade in 1955 showed improvement as compared with the figures for the previous year. The value of imports and exports rose by 7% and the volume by 14%. There

was once again a rise in the value of exports of locally manufactured products—this time by 7%. And here it should be noted that each dollar of exports of local manufactures is worth much more than a dollar of entrepot trade, in terms of net income to the Colony. Taken all in all I would describe this situation as, on the whole, satisfactory in present circumstances. The pattern of trade indicates for one thing that Hong Kong products are continuing to gain ground steadily in overseas markets, and for another that our exports in general are finding other outlets to offset the restricted and still declining market in China. As regards local products, a most interesting feature is that in 1955 the United Kingdom was the leading buyer and almost doubled the purchases made in 1954. Success in such a market indicates that there has been some general improvement in the quality of our goods, for the United Kingdom is a quality market as compared with some of our other export markets.

We have continued, still at great cost to the Colony's economy, to observe strictly the letter and the spirit of the United Nations' embargo resolution on the export of strategic goods. However, during the past year we have managed, in one way or another, to ease the burden on local merchants without relaxing overall control. For example, last May, as a result of the effectiveness of our export controls and the successful efforts of our vigilant Preventive Service, we were able to abolish the complicated Essential Supplies Certificate system, with its elaborate checks over internal end-use, and to replace it by a simpler form of quantitative import control. In December this control, in turn, eased over a wide range of minor strategic-type goods, so as to permit importers to hold larger stocks. I hope that during this year we shall be able to relax our import controls further, and to rely almost entirely on export controls, which are considerably less troublesome, both to merchants and to Government.

Following the resumption of rice and coal imports by commercial undertakings on 1st January, 1955, it was found possible to make similar arrangements for frozen meat imports, and in March Government became no longer directly responsible for purchase or distribution. We are all aware of the importance of obtaining cheap and plentiful supplies of rice for the Colony, but the problem is complicated by the need to maintain here, at all times, an adequate reserve stock and to ensure that there

is not undue dependence on any single source of supply. The present arrangements for the Colony's rice supply, which have been the target of criticism from time to time, have been in operation now for over a year, and I think that, in general, they have worked satisfactorily. The position is, however, being kept under review, in order to ensure that the public interest is served to the best advantage.

I referred in my address last year to the scheme for providing flew factory sites by reclamation at Kun Tong. Part of the initial stages of the reclamation has been completed and some twenty-seven acres of usable industrial land are now available for allocation. An inter-departmental working committee was set up to advise upon an appropriate system of allocating sites and the terms and conditions on which sites should be granted. During their investigations it came to light that if there were intensive industrialization of the area with innumerable factory chimneys, there would, under certain weather conditions, be a serious smoke nuisance, so serious that it would affect adversely the use of Kai Tak airport. It would obviously be folly to spend \$100 millions on improving the airport and then to blanket it out with smoke. This is a most unfortunate situation. It is now being closely examined to see if it would not be possible to permit factories that, relying on electric power, emit little or no smoke, or otherwise to reduce the smoke nuisance to a degree that would not interfere with the airport. Meanwhile we are stuck. I should also mention another limiting factor, and that is water. Certain industries are great users of water, and there will only be available at Kun Tong, even after Tai Lam Chung is completed, two million gallons a day. This limiting factor is however only a temporary one, until such time as the Lantao scheme, if practicable, —and present preliminary indications are that it will be, —is completed and comes into use. This however will not be for some years. Land and Water! If only we had all that we needed of them, how much simpler many of our problems would be.

So much for the development of industry, but there have been developments in other directions, and visitors to the Colony are invariably amazed at the amount of construction work that is going on. In the past year more than 2,000 new buildings were erected, of which 1,700 were houses or blocks of flats. This last figure shows an increase of more than 50% over the figure for the previous year. Public, that is government, construction

has also not been lagging. Amongst the principal buildings were six new schools, school medical clinics, the Tsan Yuk hospital, a new police station and quarters in the western district. More land has been reclaimed; nine acres in the central reclamation, nine acres at Chai Wan, thirty acres at Cheung Sha Wan, forty-five acres at Hung Hom. Kun Tong I have already mentioned. And so it goes on. As regards water supplies, we should be getting some water from Tai Lam Chung next dry season, although the whole scheme will not be completed until September 1957. It is however now obvious that this scheme even when finished will not solve our problems, what with the constant increase in population and growth in industrialization. Investigations are therefore being carried out on Lantau with the idea of building another large reservoir there.

These are just some of the works that have been and are being done. It is really quite prodigious, is it not? In addition, more roads and streets are being dug up than ever before! (*Laughter*)

New Territories.

As regards the New Territories, a programme of irrigation schemes at a cost of \$400,000, financed from Colonial Development and Welfare funds, was completed during last year. A further scheme for improving communications and irrigation in the New Territories has recently been approved to be carried out over the next two to three years. This scheme will also largely be financed from Colonial Development and Welfare funds to an amount exceeding \$4 millions.

Farmers have continued to receive assistance from the Kadoorie Agricultural Aid Association and the J.E. Joseph Trust Fund, and the Kadoorie brothers recently contributed \$250,000 towards setting up a fund for loans to farmers on condition that Government contributed an equal amount. This offer was accepted and the necessary legislation enacted last year to constitute the fund.

Government's general policy for future agricultural development also took an important step forward this year when a comprehensive plan was tabled in Legislative Council and adopted in principle.

Resettlement and Housing.

I come now to resettlement and housing. These twin problems remain one of our worst headaches. But we have not been idle in dealing with them: we can't afford to be. It will however be several years before they are solved. The position at present is that by the end of March the population of the resettlement areas and estates will reach a figure of over 170,000, an increase of 45,000 on the figure at the end of March of last year. Of this number at least 105,000 will be living in accommodation built by Government since the beginning of 1954, and it can be stated with certainty that these 105,000 persons could not have been resettled by any other means. The experience of the past two years has in fact shown that multi-storey estates are a necessity because of the shortage of land; and it is obvious that such estates cannot be financed by the squatters themselves who, in general, are unable to afford to do more than build themselves small wooden huts. These persons can, however, afford to pay an economic rent to Government for a room in a seven-storey building, as is proved by the fact that in 1955 only \$1,538 had to be written off as irrecoverable, out of a total of \$1,853,300 due in rent for rooms in the resettlement estates. The revenue from rents will enable Government to recover its capital expenditure in forty years, with compound interest at 3½%, and is designed to cover all maintenance and administration costs.

The fact that the main stream of resettlement must now be directed into multi-storey estates does not mean that development of the original temporary cottage areas has ceased. This form of resettlement is being continued as a means of putting to good use land which will not be required for any other purpose within the immediate future, and the community owes a great debt to the various voluntary organizations, which have built in these areas large numbers of stone or brick cottages which the settlers could not have afforded to build for themselves. These cottages not only provide better living conditions than wooden shacks, but help to reduce considerably the fire risk which must always be present in any area containing a large number of this type of structure. The majority of these areas are, however, now full and they will not be able to take more than a very small percentage of the remaining squatters.

During the past year work was started on schemes for the construction of twenty-four new seven-storey blocks in three separate estates, and nine of these blocks will have been completed by the end of March. The draft estimates for next year include provision for the completion of the remaining fifteen blocks which will provide accommodation for another 30,000 persons, so that by the time these schemes are completed in September of this year the population in the resettlement areas will be over 200,000. This is a very large figure, and it indicates that the major policy decision taken in 1954 to embark on a building programme of multi-storey estates was the right one and that we are working on the correct lines. Much however still remains to be done.

In October of last year a survey was completed of all the remaining squatter areas, during which the survey teams visited each hut or illegal structure, and ascertained the number of its inhabitants. These remaining squatter areas can be divided into two categories. The first category consists of areas which should be cleared as soon as possible, either because they are required for permanent development or because they present a serious fire and health risk. Last October the population of the areas in this category was just under 200,000. By next October 40,000 of these persons will have been settled, leaving a balance of 160,000. The second category consists of areas in which a large proportion of the buildings are of stone or brick and which are not immediately required for permanent development. Large areas of this type exist at Shaukiwan and in the Diamond Hill district north of Kai Tak. Their total population is now known to be nearly 100,000. These areas may require rather different treatment from those in the first category. Certainly their clearance is less urgent, though the sanitary conditions in them can hardly be regarded as satisfactory. The results of this survey may therefore be said to emphasize the need for more multi-storey estates.

The figures I have given for the population of the remaining squatter areas do not of course include the persons living in huts on roof-tops, nor the dwellers in over-crowded basements. These persons are a separate problem, the solution of which will depend to some extent on whether means can be devised to prevent the re-occupation of roof-tops and basements which have been cleared. Then there are the persons living in over-crowded tenements. This is the twin problem to squatter resettlement, the problem of providing adequate low-cost housing. Here, as honourable

Members are aware, we have now entered the field of state housing through the medium of the Housing Authority (which is the Urban Council in another guise with certain additional members), we have continued to advance funds at low rates of interest to the Hong Kong Housing Society, an unofficial agency which is operating with great success in the field of non-profit-making low cost housing, and of course private building is continuing briskly enough. Two large Housing Authority schemes have been approved this year, for the building of about 2,600 flats to house about 20,000 persons, at a cost of \$33 millions. I understand that further large-scale schemes are under consideration by the Authority, and I am sure Members will wish me to assure the Authority and the public that all such proposals will receive rapid and sympathetic examination as soon as they are submitted. The Housing Society has made excellent progress during the year with the building of two housing estates with money advanced by Government. 433 of the flats to be provided in these schemes have already been completed, a further 796 will probably be finished during the forthcoming financial year, and these will be followed by the balance of 659 flats, together with the school which is to be built as part of the Hung Horn Estate, sometime during 1958.

I have already mentioned the large amount of private building that has taken and is taking place. This is all to the good and does help, but having regard to the rents at which this new accommodation is let it is doubtful if it is making such a substantial contribution to the solution of the basic problem as one might be inclined to think. At all events, all these developments, whilst they are a matter in which we can justly take pride and whilst they are certainly doing a good deal more than scratching the surface of the problem, do not represent progress on a scale anything like commensurate with the overall needs. Members are, I am sure, all too familiar with the over-crowded housing conditions which prevail throughout the urban areas. To this I may add that estimates of the natural increase of the population vary from 60,000 to 75,000 per annum. Government has concluded that the whole housing problem must be reviewed in its widest possible aspects, and, as was announced earlier this month, an independent committee has now been appointed to that end with very wide terms of reference. An anti-climax, you may say; —having described a situation which deeply affects the health and happiness of the great majority of our people and which

moreover has a vital bearing—make no mistake about it—on the Colony's economic and social stability, I go on to say that the Government has appointed a committee! I would only reply that the progress which has been made with squatter resettlement, and to which I have already referred, all stemmed from a report made two years ago by a committee of the Urban Council. It has been made clear to the new committee that they are free to examine every aspect of the housing problem, and to report on every possible line of action which is open to us. I hope they will consider the possibility of redeveloping slum areas, of developing new towns or suburbs, of accelerating non-profit-making housing schemes and of offering every possible assistance, encouragement and guidance to private enterprise, which must, I am sure, play a major part in any successful development plan. What the financial implications will be no-one can tell at this stage. But I am sure there is no Member of this Council who would not welcome a comprehensive report stating at least what can be done and at what cost. Only when that is known can we consider what we can afford and what we must do. It is also quite obvious that we cannot permit any increase in our population from outside until this grave shortage in housing is made up, to say nothing of the shortage in water and educational and health services. I should here like to add that we should much prefer it if we could return to our traditional policy of freedom of movement of persons and freedom of movement of goods, for it is on these that Hong Kong has largely been built up. But "needs must when the devil drives", and we simply cannot take in thousands more from the mainland or elsewhere. As regards freedom of trade, we are hamstrung at the moment by the United Nations' embargo. Let us hope that in the not too distant future it will be possible fully to restore these two freedoms.

The other matters with which the Urban Council is concerned are perhaps not so much in the public eye as those I have just mentioned, but they are numerous and important. The biggest single project in this field to which reference will be found in this year's draft estimates, is the construction at Kennedy Town of a new modern abattoir to replace the two present slaughterhouses which date back to the Victorian era. The cost of the new abattoir is estimated at over \$22 millions. On grounds both of public health and of humanity it is of the greatest importance that proper modern provision be made for the slaughtering

operations which are carried out in this Colony every day of the year. The cost seems high, but it must be remembered that these operations are on a very large scale indeed.

The need for more public parks and open spaces, playing fields, and children's playgrounds makes itself continually more urgently felt, and Members will, I am sure, have observed with satisfaction the progress which has been made during the present financial year with the lay-out, surfacing and turfing of the Victoria Park at Causeway Bay, towards which the Jockey Club generously contributed \$2½ millions. With funds from the same source it is proposed, during the forthcoming financial year, to make substantial progress with the construction in Victoria Park of a public swimming-pool designed to Olympic standards, the total estimated cost of this pool being \$1.3 million. The draft estimates also include provision for the formation, extension or improvement of a number of playgrounds throughout the urban districts, and I hope Members will agree with me that the development of open space for public recreation is in important need in our crowded city.

Time does not permit me to deal more fully with those aspects of the public administration with which the Urban Council is concerned. But it does permit me to pay a tribute to the experience and energy which they have devoted to their many and varied responsibilities during the past year. I think I have observed, in recent months, indications that the public generally, who formerly were perhaps inclined to take note only of the occasional sensational debate in the Urban Council, are now beginning to appreciate more fully how much solid work is done for the community, unobtrusively and almost behind the scenes, by that Council.

Education.

I come now to Education. In my last Budget address to this Council I referred to the heavy and increasing pressure on the schools, and to the consideration which Government was then giving to a new seven-year plan for primary education. Honourable Members have since approved this plan in principle, and it is now in operation. It calls for approximately 26,000 additional primary school places in each of the next seven years, and for a proportionate expansion of teacher training. By the end of

December last year 23,000 new places had been found, compared with 10,000 for the corresponding period of the previous year. At the same time, the number of students admitted to Grantham Training College has been doubled, and will be increased further when a new wing to the College, now under construction, has been completed. The Seven-Year Plan has thus got off to a good start. That this should be the case is due in very large measure to the support it has received from private individuals and institutions and from voluntary bodies of all kinds. By the greater use of existing accommodation, by extensions to existing buildings and by new construction, a total of 21,000 places has been found in subsidized and private primary schools alone. Towards the cost of this the general public has contributed generously and Government on its part has assisted by increased capital and recurrent grants, by the provision of building sites on favourable terms, and by interest-free loans. At the present time loans for educational development, issued or approved by this Council, amount to \$11½ millions. Government's direct share in the extension of primary education will become more apparent in the coming year new buildings, now in course of construction, are completed.

At the same time care is being taken to ensure that in the process of rapid growth due regard is paid to the need for maintaining, and indeed improving, the quality of instruction that is offered. There are strong social and political reasons why we should press forward with ambitious schemes for educational development; but it would be neither wise nor safe to obtain this at the sacrifice of essential standards whether of teaching or accommodation.

Expansion at the primary level of education imposes, of course, an increased demand for places in secondary schools, and as more children come within the orbit of primary education so greater provision must be made for their admission, by a system of selection, to Government and Aided secondary institutions. For some years 90% of all places in the lowest forms of Government secondary schools have been filled by pupils who passed the Joint Primary VI Examination. The Grant-in-Aid schools have now agreed to be associated with this examination, and to reserve a certain number of places in their lowest forms

for pupils who have taken it successfully. A fair chance will thus be offered to every child, regardless of means, to go beyond the primary stage if, in competition with others, he has demonstrated his ability to do so.

The rapid development of industry in Hong Kong is reflected in the increased number of local students who seek a technical education. In 1948 there were 716 students attending the Technical College; to-day there are almost 5,000. Mention was made in last year's Budget debate of the need for a new Technical College and of the value, in promoting such a scheme, of co-operation between Government and Industry. Since then the Chinese Manufacturers' Union has made an offer of \$1 million towards the cost of building a new Government Technical College, and this munificent lead has been followed by other generous offers from certain commercial and industrial groups. Last week I had the pleasure of laying the Foundation Stone of the first stage of this new College, which we may hope to see completed next year. By then Hong Kong will be well on the way to having one of the finest and best equipped technical colleges in the Far East, and one which will serve every aspect of its industrial and commercial needs.

Medical & Health.

Turning now to health and medical problems, the most noteworthy improvement in the health of the Colony during the past year has been the fall in the incidence of typhoid fever and diphtheria. There was no increase in the number of typhoid cases reported during the summer months and the numbers reported for the whole year were the lowest since 1950. There were fewer deaths from this disease than in any year since the war. The diphtheria incidence has also shown a definite decline. There is little doubt that this improvement is associated with the intensive immunization campaigns which have been carried out during the past three years, but it must be pointed out that these diseases are still prevalent. The public is therefore urged to avail itself of the immunization facilities offered by the Government in order to reduce further the incidence of these diseases.

Tuberculosis continues to be the major health problem in Hong Kong. It is hoped shortly to improve the facilities for the treatment of this disease by the inclusion of a new tuberculosis

clinic in a new polyclinic which has been planned at Shek Kip Mei. The new hospital of 550 beds which is being built by the Anti-Tuberculosis Association in the Aberdeen area will provide a most welcome addition to the insufficient hospital accommodation which is at present available. Considerable strides have also been made in perfecting the system of ambulatory treatment at out-patient clinics. This special adaptation of treatment to meet the particular needs of Hong Kong has attracted the attention of the World Health Organization, and has been favourably commented on by visiting workers prominent in the field of tuberculosis.

Perhaps the most outstanding thing in connexion with the vital statistics of Hong Kong is the remarkable increase in the number of births over the number of deaths. There have been fewer deaths from all causes in 1955 than in 1954, but almost 10,000 more births. The natural increase in the population during 1955 was over 70,000. This steady increase in the population is raising serious problems as regards housing, employment, education and health services. What can be done about it? I pose the question, but do not answer it.

I have drawn attention to some of the more important of our achievements during the past year and I have indicated what are our major problems in the future. Of these latter there is the restoration of our entrepot trade, which depends in the first instance on the decisions of the United Nations. There is the development and expansion of our industries, which in the main depends on the enterprise of those engaged in it. More tangibly and calling for more direct government intervention are the questions of low-cost housing and resettlement, the provision of schools and teachers, and better medical facilities. Accentuating or aggravating these difficulties is the growing increase in our population. We have formidable tasks ahead of us, calling for continued exertions on the part of all of us, members of this Council, of Urban Council, of government departments, of every citizen. There can be no slackening. We shall probably never be able to achieve all that we want to do and which needs doing. But the rational man, —and who more rational than the Hong Kong man, —strikes a balance between what he desires and what can be done. It is only in imaginary worlds that we can do whatever we wish. It is your task and my task, Gentlemen, to strike the right balance. (*Applause*)

**RESOLUTION REGARDING DRAFT ESTIMATES OF
REVENUE AND EXPENDITURE FOR 1956-57.**

THE FINANCIAL SECRETARY moved the following Resolution: —

Resolved that the draft Estimates of Revenue and Expenditure for 1956-57 be referred to a Select Committee composed of the Colonial Secretary (Chairman), the Financial Secretary and all the Unofficial Members.

He said: Sir, in order to give an adequate explanation of the draft Estimates for the forthcoming financial year, I must, if Council will bear with me, go back to our financial position at the commencement of the present year. It is fully set forth in the accounts for the financial year 1954/55 which have now been in the hands of honourable Members for some weeks.

When I addressed this Council twelve months ago, I gave revised estimates of revenue and expenditure for the financial year 1954/55 at \$405.6 millions and \$384.5 millions respectively, giving a surplus of \$21.1 millions for the year. I also stated that I considered these figures were conservative in the light of events subsequent to the first half of the year, on the basis of which the Estimates were prepared, and my optimism was justified by the final figures, which turned out to be—Revenue \$434.4 millions; Expenditure \$373.3 millions; giving a surplus of \$61.1 millions on the year.

Revenue exceeded the originally approved estimate by almost \$45 millions. The largest single excess was \$8½ millions on Land Sales; Estate Duty, always unpredictable, was up by \$7 millions; and Stamp Duties were up by nearly \$6 millions. Postage was up by \$4½ millions, and the duty on hydrocarbon oils was up by almost the same amount.

The final figure of expenditure was only \$11.2 millions under the revised estimate, Public Works Non-Recurrent taking only \$45 millions as against the original estimate of \$69 millions, and the revised estimate of \$50 millions.

This surplus of \$61.1 millions, added to the General Revenue balance should have brought the figure up to \$303½ millions, but the position was changed materially as a result of the fall in the value of gilt-edged securities on the London market. It is

our practice to revalue all our investments to the middle market price as on the 31st March each year, and the revaluation on the 31st March, 1955, disclosed a net depreciation of \$9.7 millions, so reducing the surplus to \$51.4 millions. This depreciation of investments is not a matter for concern, as all our investments are dated, and maturity dates are spread so that a certain amount of cash is available from time to time, if it should be required, without having to sell investments at a loss. For example, during the forthcoming year nearly three million pounds should be available from maturing investments.

The net result of the year's working, therefore, is that our General Revenue Balance went up by \$51.4 millions; the Colony's reserves as on the 1st April, 1955, that is the commencement of the present financial year, were as follows: —

General Revenue Balance	\$293,791,761.87
Revenue Equalization Fund	\$137,514,760.94

I mentioned twelve months ago the point that these two funds together constituted the Colony's uncommitted reserves, and I forecast that their total would approximate to one year's revenue. It will be seen that the total of \$431 millions does indeed approximate very closely to the actual revenue for 1954/55 which, as I mentioned earlier, was \$434½ millions. Of this total, only \$3 millions were not readily realisable, our liquid position thus showing a very marked improvement over last year, when \$88 millions were tied up in stockpiles.

I might indeed, in passing, mention that, excluding such special funds as the Currency Funds, the Sinking Fund, and the Education Scholarships Fund, the total of cash and dated investments shown in the Colony's balance sheet, and in the balance sheet of the Development Fund, as on the 31st March, 1955, came to \$597 millions. Of this total \$18½ millions were held for the Trading Reserve Fund, and \$91½ millions for the Development Fund. The balance of \$487 millions, as well as covering the other liabilities shown in the Colony's balance sheet, covers also a liability which is not disclosed in the balance sheet. A recent actuarial investigation of the Widows and Orphans Pensions Scheme shows that our capital liability in respect of current and contingent benefits on the 31st December, 1952, was \$29 millions. Members are I think aware that a decision

in principle has been taken that the scheme should be funded, and it is perhaps well that this liability should be borne in mind. Investments form as large a proportion of these balances as is prudent, and reference to the appropriate revenue subhead under Head 9 will show that receipts by way of interest have gone up from \$5 millions in 1950/51 to almost \$13 millions in 1954/55; the estimate for 1956/57 is \$16 millions, a figure which is possibly conservative. Similarly for the Development Fund, in 1954/55, investment and bank interest came to over two million dollars.

On the same date, that is the commencement of the present year, the Colony's total debt amounted to \$56,452,320. Of this sum, \$667,200 were due to Her Majesty's Government in respect of loans from the Colonial Development and Welfare Fund, for fishermen and for vegetable marketing, and \$54,452,000 is the total outstanding indebtedness on the three public loans, against which the Sinking Fund amounted to \$14,106,278.23. The balance of the Colony's debt, amounting to \$1,333,120, is the amount lent to us up to that date by Her Majesty's Government towards construction of the new airport at Kai Tak. This loan, which has a limit of \$48 millions, is free of interest, and will have to be repaid by equal annual instalments over a period of 15 years, commencing in the year following that in which the final payment is received.

Last year I mentioned the difficulties that we had been experiencing over our issue of \$1 notes. Reference to page 100 of the report of the Accountant General will show that for the year 1954/55 the Dollar Note Security Fund showed a small profit. But since then our other difficulties increased. There was an even heavier demand for notes this last Chinese New Year; between the 1st January this year and noon on the 11th February, we had to issue \$10,200,000 in notes, and once again we were concerned lest the demand might exhaust our stocks. The notes in actual circulation on that day totalled almost \$37 millions as compared with \$33 millions on the previous Chinese New Year. But it was not only with notes that we had our anxieties. For the first time for four or five years there was a very heavy demand for coins, and the value of coins in circulation on the 11th February, was up by over \$2 millions in comparison with the previous Chinese New Year. We issued something over 12 million ten-cent coins between October last year and Chinese New Year. This demand for cash did not fall solely

on Government issues of notes and coins, for the demand on bank notes was also of a volume which has not been seen for many years. This heavy demand for cash, at a holiday period, by itself is not a good basis for arguing that the Colony's economy is deteriorating and that inflation is increasing, but when it is coupled with other signs, such as a large increase in revenue from luxury taxation, to which I shall refer later; the fact that private investment in new building reported in 1955 totalled \$147 millions, capital which investors expect to recover in a very few years; heavy speculation on the Stock Exchange; and a steady rise in Bank advances; it does seem that there was every justification for the action taken by the banks some months ago to slow down any further expansion of credit action which was taken after consultation with Government.

Before leaving the accounts for the financial year 1954/55, I might draw attention to Appendix 'F' to the Memorandum on the Draft Estimates. In this appendix are set forth the accounts of the Water Undertaking which been worked out on a notional or semi-notional basis, and are now published for general information. It will be seen that the Water Undertaking is still paying for itself, the surplus for the financial year 1954/55 being \$1.4 millions. New capital investment during the year was over \$15 millions, and the total capital invested from the 1st April, 1952 to the 31st March, 1955, was \$31 millions. This figure for invested capital is increasing rapidly as work proceeds on the new reservoir and on the other large schemes that are now in progress, but there is reason to believe that the undertaking will continue to show a modest profit, especially when water becomes available for sale as a result of the capital expenditure on Tai Lam Chung.

Before going on to the present year, I would like to dispose of the Development Fund. As Members will have seen from the monthly statements that appear in the *Gazette*, the accounting of the Development Fund has now been placed on commercial lines, the most obvious change being that a loan or advance made from the Fund is not charged off as in normal Government accounting, but is shown as an asset in the balance sheet. The balance sheet shown on page 83 of the Report of the Accountant

General shows that the assets of the Fund on the 31st March, 1955, totalled over \$99 millions, of which \$93 millions were liquid. During the year ending on that date the income of the Fund was almost \$3¾ millions, of which sum \$1.3 millions represented the trading profits of the Commerce and Industry Department Supplies Division for the financial year 1954/55, but as trading ceased on the 31st March, 1955, the Fund can expect no further income from this source. An even larger item of income was investment interest of \$1¾ millions; Bank interest brought in over \$400,000.

Reference to the latest available accounts giving the position of the Fund on the 30th November will show that the Fund has increased to over \$120½ millions. This considerable increase is due mainly to the transfer of the assets of the Trading Reserve Fund which, in view of the cessation of trading, was no longer necessary. The amount so transferred was \$19.2 millions.

The allocations so far made from the Fund, revised to date, are shown at Appendix I to the Draft Estimates; they total approximately \$75½ millions. If this figure be deducted from the Fund total of \$120½ millions, it will be seen that a further \$45 millions remain to be allocated. The decision has been taken that the whole of this balance shall be earmarked for the Housing Authority pending preparation of a scheme for the site which it has been allocated at So Uk.

The last accounts of the Fund published in the *Government Gazette* of the 10th February, show that the Housing Authority had spent less than half a million dollars up to the end of November, 1955, out of \$80 millions made available, and the Chairman tells me that the first flats are unlikely to be ready until September, 1957. I am sure that honourable Members will join with me in expressing the hope that this money, which is lying waiting to be used to alleviate in some small degree the Colony's acute housing problem, will be drawn upon without delay. The only grain of comfort to be gathered from the situation is the fact that these funds, which the Housing Authority cannot spend quickly enough, are earning interest, so making further money available.

I said that the total available balance was reserved for the use of the Housing Authority, but there are three further schemes which qualify for help from the Development Fund. The Director of Commerce and Industry is anxious to proceed with Stage 3 of the Kun Tong reclamation, estimated to cost \$15 millions. The Hong Kong Housing Society, which has completed one scheme and has two others well under way, would like more money. The first housing scheme which has been completed by a Civil Servants' Co-operative seems to have been a great success and several others are well under way. As stated in the Memorandum on the Estimates the various proposals that have been put up by Co-operatives indicate that their existing allocation of \$10 millions will be insufficient, and I think that it would be very unfortunate if our own servants, desirous of providing housing for themselves, should have to be told that no funds are available for them because they are all reserved for the Housing Authority. It is therefore, proposed that when an estimate is available from the Housing Authority for its new scheme at So Uk, the allocations from the Fund should be reviewed, but in any event I propose, subject to the approval of this Council, to appropriate \$10 millions from general revenue and transfer it to the Development Fund to be held for one or other, or all, of the three purposes that I have mentioned.

I propose also to make another appropriation from general revenue to the Fund. The Hong Kong Stadium which was built by Government at Sookunpoo was financed from the Development Fund in accordance with the original proposals whereby it would be vested in some corporate body which would assume responsibility for repayment of the capital expenditure over 20 years with interest at 4%. Unfortunately the original proposals proved unworkable, and the arrangements for running the Stadium which have finally been made with the Football Association differ very considerably from those originally contemplated. They give rise to an accounting problem in which it is difficult to separate payments and receipts under the Development Fund, from ordinary Government revenue and expenditure; it is not an insuperable problem, and could be set right in several different ways, but I propose, with the approval of this Council, to take the simplest way, and to reimburse to the Fund its capital outlay up to the 31st March next, with accrued interest, from general revenue. Thenceforth all income from, and expenditure on, the Stadium, will be accounted for through ordinary Government

revenue and expenditure, and the Development Fund will cease to any interest. Up to the end of November last, expenditure on the Stadium came to almost \$3 millions, so the additions to the Fund which I have proposed will be of the order of \$13 millions. This sum will be outside the funds earmarked for the Housing Authority.

I come now to the course of events during the present financial year, which has been considerably influenced by a number of factors, two of which I shall leave until later, when I touch on expenditure. On the revenue side, a positive step was taken when, as forecast in this Council twelve months ago, a revision of various charges was carried through, the most important being the fees for motor licences and learner drivers' licences, and certain Post Office charges. Then at a later date, Meals and Liquors tax was abolished, the resulting loss in revenue being partly compensated by an increase in the rates of liquor duty.

The outstanding feature of the present year has been the remarkable buoyancy of what I might call luxury taxation. For example the yield from Entertainment tax reckoned over the first 40 weeks of the present financial year is up by approximately 13% or \$21,000 a week, on the corresponding period of last year. The yield from tobacco is up by \$68,000 a week, or between 10 and 11%. That for liquor is up by \$41,000 a week, or over 12%, although this figure is a little prejudiced by the fact that rates of duty went up in the 35th week. Similarly for the other duties, comprising hydrocarbon oils, toilet preparations and aerated waters, the average weekly return is up by \$60,000 or over 13%. In the light of these figures I find it a little difficult to take too seriously the statement which one constantly hears, that trade is had, and that there is no money about. I would add that even the yield from the Public Dance Halls tax is up by 50%. Members may recollect that this tax is a levy of 10% on all payments for the services of a dancing partner.

The estimated figure for revenue, as approved by this Council twelve months ago, was \$413.7 millions and the revised figure is now \$433.3 millions, an increase of \$22 millions. Duties show an increase of \$6 millions on the estimate; Rates an increase of \$5 millions, due to the new valuation, and to the amount of building that has been going on; and Licences, Fines and Forfeitures show an increase of almost \$4 millions, due almost

entirely to the increased motor and learner drivers licence fees. Land sales are up by over \$2 millions. On the other hand Internal Revenue is down by over \$6 millions, partly due to the abolition of Meals and Liquors tax, but mainly to a reduction in the estimate for Earnings and Profits tax from \$110 millions to \$100 millions, a figure which the Commissioner fears is still somewhat optimistic. These reductions have been partly offset by an increase of \$5 millions in the estimated yield from Stamp duties, due chiefly to the large number of sales of valuable properties in the urban areas.

On the expenditure side the approved estimate of \$449 millions has now been revised to \$418.8 millions, a reduction of \$30.2 millions. This reduction is primarily due to the two factors to which I referred earlier. The major one has been the fall in the Retail Price Index. The platform used for the purpose of paying Cost of Living allowances was for some part of the year two stages below that on which the estimates were prepared. Treasury figures indicate that when the platform drops one stage the million saving on expenditure is roughly a quarter of a million, and as we stick on one platform for three months at a time, a one-stage drop means a minimum saving of three-quarters of a million dollars. The two drops which occurred meant a million and a half dollars a quarter, so that the saving during the year from this cause was quite substantial. The other factor was a direction, at the instance of Your Excellency, to Heads of Departments to economize, and if possible to keep expenditure down to eleven-twelfths of the approved provision on Other Charges votes.

As a result of these two factors there have been considerable reductions over the whole field. For example the Education Department shows a saving of \$1½ millions, the Public Works Department almost \$2½ millions, and the Police \$2 millions. Even the Urban Services Department and Urban Council shows a saving of \$1½ millions on its Head Office and Sanitary Division.

Some savings have been due to other factors. For example the Resettlement Department will underspend by a million and a half because some of their projects have been held up, and Public Works Non-Recurrent, as usual, will be underspent, although the overestimate quoted to me for this year is only \$9

millions. The Marine Department will underspend by \$3½ millions, mainly due to revision of the programme of special expenditure and especially to abandonment of the project for building a prototype police cruising launch. The provision made under the Defence Head, for Reserve Stocks, being the net cost of maintaining stockpiles, looks like being completely unnecessary this year, the resultant saving being \$2½ millions. Under Educational subventions the provision for recurrent grants to subsidized schools will be underspent by no less an amount than \$3½ millions, the revised provision being only \$12 millions. Similarly for non-recurrent building grants to subsidized schools for which the approved estimate was \$2½ millions, the revised estimate is only \$840,000.

On the other hand several Heads show increased figures, especially Miscellaneous Services—up by about \$5½ millions. Full details are set forth in the Memorandum, but the biggest single item contributing to this increase is one of \$3¾ millions for interest-free loans to private schools.

With the revised revenue estimate of \$435.5 millions and a revised expenditure estimate of \$418.8 millions, it now looks as if for this year we shall have, not a deficit, but a surplus of \$16.7 millions. I regard this figure as conservative, because for the first nine months of the financial year the surplus was around \$40 millions, and I cannot believe that we shall run a deficit of over \$23 millions in the last three months of the financial year. But I am afraid that Departments generally are far too optimistic about the amount of money that they think they can spend.

As I mentioned earlier, I propose, subject to the approval of this Council, to appropriate to the Development Fund from this surplus the sum of \$10 millions, and also whatever amount is necessary to clear the Stadium account with the Fund. This should reduce the prospective surplus to approximately \$3½ millions, and our General Revenue balance should then be increased to \$297¼ millions at the end of the current year. In view of the trend of the gilt-edged market during the year it is almost inevitable that this balance will be affected by depreciation of investments. At the moment it is impossible to say what the effect will be, but if, as I consider is the case, the figure for the estimated surplus is conservative, it may well be that the final figure for the General Revenue Balance will not be very far off the result that I have forecast.

For the forthcoming year, 1956/57, I estimate revenue at \$449.8 millions. This figure exceeds by over \$14 millions the revised estimate for the present year, and it exceeds the approved estimate for the present year by over \$36 millions. This increase of \$36 millions is spread over every single Head of revenue except Head 3, Internal Revenue, under which I expect that revenue will be \$10 millions less than the approved estimate for 1955/56. The reason for this has been the abolition of Meals and Liquors Tax, coupled with somewhat discouraging information from the Inland Revenue Department as to recent levels of profit. The approved estimate for the present year for Earnings and Profits Tax was \$110 millions, and as I mentioned earlier this has been reduced to \$100 millions. In the absence of any reliable information as to current profits, it has been deemed advisable to retain the estimate for the forthcoming year at the same figure. Under the same Head the estimated revenue from Stamp Duties is put at \$18 millions in comparison with this year's approved estimate of \$15 millions, and the revised estimate of \$20 Millions.

The estimate of yield from Duties has been increased by \$9½ millions, partly due to increased rates of duty on certain classes of liquor, but also to increased consumption of liquor, tobacco, and hydrocarbon oils, especially petrol. The figure for Rates has been put up by \$6½ millions, partly for the obvious reason that building is going on at such a fantastic rate; partly because the first area in the New Territories will come in on the 1st April next, and is expected to produce three quarters of a million; and partly because the department of Rating and Valuation is now fully staffed. The increases under the other Heads of revenue are somewhat less startling, except possibly under Head 9, where the estimate for interest on investments and deposits has been substantially increased. Under non-recurrent revenue, increased receipts are expected by way of Land Sales, Colonial Development and Welfare grants, and Loans from Her Majesty's Government, this latter item being more than offset by double the same amount, being expenditure on the new airport.

Expenditure for the forthcoming year has been estimated at \$493.3 millions, an increase of \$44.3 millions over the approved estimate for the present year, and an increase of \$74½ millions over the revised estimate. Quite a few of the Departmental Heads of expenditure show a reduction, but these reductions are offset

by increases on other departments. The big increases are not for departments, but for Public Works Non-Recurrent \$18 millions; Subventions \$8 millions; Miscellaneous Services \$5 millions; and Colonial Development and Welfare expenditure \$3 millions. The Post Office is up by \$3 millions but part of this increase is due to revised accounting procedure, and the estimate of Post Office revenue is also up. The operations of the Post Office have been increasing and expanding to such an extent that this department is to be made self-accounting, and its expenditure subheads under Other Charges have been set out in such a way as to show more clearly how the money is spent. In past years some of them were misleading in that they represented net expenditure that is to say, payments less receipts. The subheads now show gross payments, any receipts being shown under the appropriate revenue subhead.

I should point out the heavy increase in the Subventions head, accounted for in part by an additional million for the University and a million for the Tung Wah and Associated hospitals. There is also a heavy increase in subventions for educational institutions other than the University, and the Director of Education assures me that on this occasion his estimating is realistic. Many of the worthy organizations, which are doing so much for social welfare in the Colony, have had their grants increased. If some of them have not been increased as much as was hoped for by those concerned, I can only say that this has not been because of any lack of sympathy; regard must be had to the state of the public purse as well as to the financial need.

Miscellaneous Services are up by \$5 millions because of two items. One is a figure of almost \$2½ millions for loans to private non-profit-making schools. The other item is one of 2¾ millions being an interest-free loan to the Hong Kong Anti-Tuberculosis Association. Honourable Members are aware that we have already lent this Association the sum of \$2½ millions for the purpose of building a T.B. Sanatorium. The association produced plans for building a sanatorium for this sum already granted, but the plans did not commend themselves to Government as they involved an uneconomical use of land. The Association duly reconsidered the matter and produced plans which involved the use of less land, with a higher building. Because of this change of plan, the original \$2½ millions were

not enough, but even then, when the revised plans were considered, it seemed to Government much more desirable that the site should be developed to the fullest extent straight away, rather than that development should be hampered by shortage of funds now, to be resumed at some future date with great inconvenience and probably at a greater cost. Accordingly the Association acceded to Government's suggestion that the site should be built tip to the maximum possible, with an 8-storey sanatorium providing 540 beds. Plans are now ready and it only remains for this Council to approve provision of the funds, for the project to go ahead. My honourable Friend, the Director of Medical and Health Services, has emphasized over and over again the desperate shortage of hospital accommodation in the Colony, particularly for T.B. cases, and Government wishes the Anti-T.B. Association every success in its public-spirited venture.

It will be noticed that there is a considerable increase in the provision for the Inland Revenue Department. This is due to the fact that this department has taken over from the Treasury the responsibility for Bets and Sweeps tax, Dance Halls Tax, Entertainment Tax, and Stamp Duties. This is in line with the policy of transferring responsibility for all "Internal Revenue" subheads to the Inland Revenue Department, and only one such subhead, Business Registration Fees, now remains to be transferred from the Commerce and Industry Department, a step which has so far been frustrated by considerations of office space and organization. There should be, theoretically, a corresponding reduction in the provision for the Treasury, which is now free to fulfil its proper function of looking after Government accounts, but with the general growth of responsibility this reduction is hardly visible. The Treasury has had to increase staff to deal with such things as collection of rent from tenants in the resettlement blocks. It has also had to augment the staff employed on the centralized salary accounting section. This centralization of pay sheets has resulted in a theoretical reduction in departmental staffs, but again the growth of departmental responsibilities has more than offset this reduction.

I should like to draw attention to the vote for collection and storage of sand which appears under the Stores Department head. It has once again been increased. During the year complaints have been received about the quality of the sand which is provided by the Stores Department, but I am afraid that it will have to be realized that the sand resources of the Colony have been so

desperately depleted during the past few years because of the enormous demands for building, that it is becoming more and more difficult to supply good quality building sand. Most of the sand now being sold is being dredged from the seabed in Tung Chung Bay, and the Port Shelter area is now being explored for sand deposits.

The Sand Ordinance was passed in order that the beaches should be preserved and should not be subject to the depredations of contractors, and this is still its purpose. We can hardly dig up the bathing beaches at Repulse Bay or at other popular bathing places, nor can we touch many of the New Territories beaches, the disappearance of which would seriously endanger low lying rice fields just inland. The position is indeed so difficult that for many months past the Public Works Department has given up the use of collected sand as much as possible, and is relying on its own quarry production, using what I am told are known as quarry "fines", and I am afraid that if builders are dissatisfied with the quality of the sand that we are able to supply, then they will have to follow Government's lead and make their own. The alternative is to import, and Government will place no hindrance in the way of those who can bring in sand from elsewhere. In order to supply the necessary inducement to private enterprise to think along these lines, the price of sand supplied by the Stores Department will be increased as from Friday next, from \$8 to \$10 per cubic yard. I am informed that this will probably increase the cost of building on the average by one-half of one per cent, an increase which builders, I have little doubt will take in their stride.

Both the Education Department and the Medical Department again show increases in their estimates for the forthcoming year, but of relatively modest dimensions. But I think I should draw the attention of honourable Members to the Appendices to the Memorandum on the Estimates. Appendices 'C' and 'D' give comparative analyses of expenditure on Education and on Medical and Health Services. It will be seen that expenditure on Education accounts for 13.6% of our estimated expenditure for the forthcoming year, and the corresponding figure for Medical and Health Services is 12.5. That is to say, Education and Medical and Health Services, together, account for over 26% of our estimated expenditure for next year. Appendix 'E' shows that Security expenditure for next year takes the same percentage of the total budget as it does for this year—16%.

The progress and programme of Public Works was considered on three occasions throughout the present year by a Sub-committee of Finance Committee whose report is on the table today, and I would like to take this opportunity of expressing Government's thanks to members of the Finance Committee, and to those who serve on its Sub-committees, and especially to those who served on this Public Works Sub-committee and gave very many hours of their time to consideration of the dozens of projects that were put up by departments for inclusion in the programme.

The system of priorities that was introduced last year has worked well, and the revisions made during the year have not been numerous. The items included in the priority categories A(i) and A(ii) drawn up by the Sub-committee, have all been provided in the Estimates except for two, deferred on financial grounds; only two items not considered by the Sub-committee have been added. Particulars of these are set forth in the appropriate section of the Memorandum on the Estimates.

The estimate is once again a record, coming to over \$125 millions, that is, more than one quarter of the total budget, and I must point out that of this amount no less than \$62 millions, almost half, are required for the Tai Lam Chung Scheme and for the airport. We are committed to these projects and the money to get on with them must be provided.

The largest single item is the airport—\$32 millions, but the largest single section once again is that for water supplies, already touched on by Your Excellency. The amount provided is \$35 millions; \$30 millions for the Tai Lam Chung Scheme, and the balance of \$5 millions is distributed over a number of projects, of which the largest is the provision of a proper water supply for the rapidly growing township of Tsun Wan. The extensive distribution scheme for the Island, which has been in progress for some years, requires \$1½ millions next year.

The Police have a large allocation—over \$6 millions. The items include the quarters and depot in the New Territories; the second stage of Police Headquarters, providing quarters for 300 rank and file, together with a school; and the Western Police Station, Stage 2, comprising more quarters.

Medical and Health provisions in comparison seem relatively small, but the ultimate commitment is very large indeed, including among other items over \$50 millions for the Kowloon Hospital and \$22½ millions for the abattoir. Final sketch plans for the new Hospital been approved and made public, and working drawings are in hand, but the abattoir has been held up by reconsideration of requirements. In this case, following the precedents adopted with the hospital and the airport, the planning is subject to scrutiny by yet another Sub-committee of Finance Committee, which, in considering new requirements, takes due regard to the public purse.

Resettlement once again accounts for a very considerable sum, and although a final decision has not yet been made by Government, the necessary funds are provided for the demolition of the Bowring Bungalows at Shek Kip Mei and their replacement by standard 7-storcy blocks; a scheme which will house more people and enable a little open space to be left.

Under "Offices and Quarters" provision is made for completion of the second block of the Central Government offices, which should be finished round about October. Another 40 flats are to be built for Government Servants in Argyle Street, Kowloon. Despite the recent completion of 99 quarters on the Island, the housing problem, thanks to the rapidly expanding establishment, seems to be getting worse.

Under "Roads and Bridges", a clear distinction has been made between new works and reconstruction. The new Tin Hau Temple Road, which will open up a new housing area, has been projected for some years, but its commencement has been held up by the presence of squatters on the site. It is hoped to make a real effort to get going during the next financial year. Over \$3 millions are provided for roads and drainage on the Kun Tong Reclamation and for the laying out of the housing zone in the area behind. As Your Excellency has pointed out, sonic difficulties have presented themselves over this scheme but it is hoped that they will be sorted out in time for this money to be utilized.

The reconstruction projects under "Roads and Bridges" include proposals to widen the causeway at Tai Po, and to reconstruct the bridge at Tai Po Market, both of which are

dangerous traffic bottle-necks at the moment. It is also proposed to construct a traffic island at the junction of Garden Road and Bowen Road and to widen the approaches—a scheme which is estimated to cost \$350,000.

Under "Reclamations and Piers", the estimate for the Star Ferry Piers has gone up from the original \$7 millions to over \$11 millions, a heavy expenditure which brings no additional revenue to Government. New vehicular ferry piers similarly would, from the financial point of view, be an unprofitable investment, and this point, among others, including the possibility of yet more bad estimating, caused Government to hesitate about embarking on the scheme for a new vehicular ferry before going fully into the merits of a tunnel.

Under "Drainage" it is expected that the large Yaumati Drainage scheme will be completed during the forthcoming year, so putting an end to the necessity for dry sanitation in large areas of Yaumati and Homuntin. There has already been an increase in land values in the areas affected, and the inevitable redevelopment will bring in increased revenue by way of rates and property tax. The next drainage scheme that is to be commenced is at Wanchai, where it is proposed, on the same lines, to lay a large intercepting sewer along Gloucester Road with one outfall. At present, a number of sewers discharge along the waterfront, and with the increase in density of population in the area, there is much fouling of the harbour and a serious danger to health.

A scheme for drainage of the eastern half of Kowloon following on that now being completed for the Western half is being worked out, and provision is made for a start on Stage 1. This is not of first priority, but as the scheme includes an outfall along the line of the new airport runway, the laying of this outfall can most readily be done simultaneously with the construction of the runway and is included in the airport contract.

With Revenue estimated at \$449.8 millions and Expenditure at \$493.3 millions, we thus have a budgetary deficit of \$43½ millions for the forthcoming year. Seeing that this year we budgeted for a deficit of over \$35 millions, and now expect a surplus of over \$16 millions, I imagine that there will be a distinct tendency to regard the estimated deficit with some degree of complacency, if not scepticism, and I need hardly say that I trust that such scepticism will be justified. But there is one point in

particular to which I think I should invite attention. This is the very considerable increase in staff for next year. Reference to Appendix 'A' of the memorandum will show that the net increase in monthly-paid staff is 4,031. It is true that of this total 2,142 represent staff formerly paid on daily rates and now transferred in accordance with Government policy, but even so, the normal increase is sufficiently large to deserve serious consideration, and I may add that if all the staff increases that were asked for, had been approved, the figure would have been larger—very much larger. It is this increase in recurrent expenditure which ultimately must necessitate an increase in Government's revenue. Not only shall we have to provide salaries and pensions for this additional staff, but we are being driven to provide more office accommodation. It now looks as if the Central Government Offices will be inadequate even before the third stage has started, and we have had to commence construction of a new block of offices in Kowloon to house the staff of the Public Works Department who have to work on that side. Moreover, when the additional staff is expatriate, then either quarters have to be built, or a contribution has to be made towards their maintenance in hotels, or in privately rented flats. On the other hand it is clear that we cannot go on building new schools, hospitals and clinics unless we provide staff to man them—some of the staff increases provided are for the new Kowloon Hospital and the new Mental Home—and with ever-increasing urban development it is equally clear that we have to provide such facilities as policing, sanitary services, and postal services which also necessitate more staff.

It will doubtless be pointed out that a great deal of capital expenditure is being financed out of revenue. This is true, but then it must not be forgotten that the revenue which is financing this capital expenditure is not all recurrent revenue. For example, the proceeds of land sales, which can hardly be described as recurrent, are included in revenue; so is Excess Stamp Duty, which is only charged on property assignments once. And the capital expenditure, as reference to the priority list will show, seems to be never-ending; it might almost be described as recurrent capital expenditure.

But every effort is still being made to increase efficiency in tax collection. This campaign for increased efficiency commenced a few years ago with the Inland Revenue Department, when staff was increased, a step which has been amply justified. I am

glad to say that this Department has caught up with its arrears, and indeed I have had a number of complaints from taxpayers that they are now being asked questions about their tax returns which have never been asked before. Up to quite recently the Department was far too busy trying to get up to date to go into tax returns in any great detail, but this is a thing of the past, and I am afraid that taxpayers must in future expect much closer scrutiny of their accounts. Similarly the Rating Department has now been brought up to strength. The first area of the New Territories to be rated will start to yield revenue as from the 1st April, and although the total annual figure is estimated at only \$750,000, I have little doubt that it will increase as development increases. So soon as this area is properly under control, consideration will be given, and indeed is already being given, to the further extension of Rating in the New Territories, in which large sums of public money are being spent.

This striving for increased efficiency in tax-gathering is continuing and will continue. For example, with the transfer of responsibility for Stamp duties to the Inland Revenue Department, I hope that there will be more efficient administration, if not increased revenue, as a consequence of continuity of administration. I hope also in the course of the forthcoming year to bring before this Council, draft legislation, which will have the effect of blocking up some of the loopholes in the Estate Duty Ordinance, loopholes through which much revenue is at present being lost.

There must, I think, be very few places in the world with the record of this Colony since the war. During the ten years since the re-establishment of civil government, we have carried through a very heavy programme of rehabilitation, and are going on with an even heavier one of development; we have admitted vast numbers of refugees and are providing for them without outside aid. Yet, apart from \$50 millions which we borrowed in 1947, we have, at rates of taxation, direct and indirect, which must be among the lowest in any country of the world of comparable development, paid for everything as we went along, and we have in addition built up a reserve of a year's revenue against a rainy day. And our public debt amounts to less than two month's income. I think that a deficit for next year would be justifiable by reference to two items alone of our capital programme, the airport and the reservoir, both of which would

be fair charges on our reserves, and I do not recommend any increases in taxation for next year. The position seems to be that, when we have a substantial reserve in hand, and for so long as we are able to meet all our commitments from revenue, we have no real cause for concern. When we find that we cannot pay for all our commitments from revenue, then we must look to financing our capital expenditure from our reserves, or by borrowing, or by increasing taxation, in that order of priority.

It only remains for me Sir to thank again the members of Finance Committee for their help during the past year, for their patience in listening to me for so long today, and I would also like to express my appreciation of the painstaking work of Mr. P. V. Dodge, who has prepared the Estimates, the Memorandum, and the Sub-committee's Report, all of which are on the table today.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

TRAINING CENTRES (AMENDMENT) BILL, 1956.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Training Centres Ordinance, 1953."

He said: Sir, the purposes for the amendments to the principal Ordinance proposed by this Bill are to bring certain of its provisions into conformity with the provisions of the Prisons Ordinance, 1954.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons.

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

The purpose of this Bill is to amend the definition in the Training Centres Ordinance, 1953, of the office of "Commissioner"

so as to bring it in line with the definition of that office in the Prisons Ordinance, 1954. The Bill also, by clause 3, substitutes references to the Prisons Ordinance, 1954, and the Prison Rules, 1954, for references, in section 8 of the Training Centres Ordinance, 1953, to the new repealed Prisons Ordinance (Chapter 234) and the Prison Rules made thereunder.

EDUCATION SCHOLARSHIPS FUND (AMENDMENT)

BILL, 1956.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Education Scholarships Fund Ordinance, 1955."

He said: Sir, the Education Scholarships Fund Ordinance, 1955 established a trust fund for the payment of scholarships. As a result of certain transactions with investments undertaken before the enactment of that Ordinance in the normal way by the Crown Agents for the Colonies, and of which Government only became cognizant after its enactment, it is necessary to replace the existing list of the moneys and assets available for the payment of certain scholarships by a new list.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons.

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

It has come to light that the First Schedule to the Education Scholarships Fund Ordinance, 1955, did not, at the time of enactment of that Ordinance, correctly set forth the moneys and assets available to the fund. A new First Schedule is substituted therefor, setting forth the moneys and assets which are at present available and which will be available on the vesting day, the 1st April, 1956.

**MEALS AND INTOXICATING LIQUORS TAX
(REPEAL) BILL, 1956.**

THE FINANCIAL SECRETARY moved the Second reading of a Bill intituled "An Ordinance to repeal the Meals and Intoxicating Liquors Tax Ordinance, Chapter 113."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 and 2 were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Meals and Intoxicating Liquors Tax (Repeal) Bill, 1956 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed.

**INSTITUTE OF THE SOEURS DES MISSIONS
ETRANGERES INCORPORATION BILL, 1956.**

DR. A. M. RODRIGUES moved the First reading of a Bill intituled "An Ordinance to provide for the incorporation of the Sister Superior in this Colony of the Institute of the Soeurs des Missions Etrangeres."

He said: Sir, this bill is similar to other bills already enacted in the Colony concerning religious institutions. I have nothing useful to add to what has already been clearly outlined under Objects and Reasons.

MR. C. BLAKER seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons.

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

1. The Institute of the Soeurs des Missions Etrangeres in Hong Kong has for some time past carried on missionary and welfare work in Hong Kong and it is desired to incorporate the Sister Superior in Hong Kong of the said Institute as a corporation sole to ensure continuity of succession.

2. Clause 2 of the Bill is intended to effect such incorporation and to provide the name by which the corporation will be known.

3. Clause 3 of the Bill defines the powers of the corporation.

4. Clause 4 of the Bill provides for the execution of documents by or on behalf of the corporation.

5. Clause 5 of the Bill provides that on the appointment of any person to the office of Sister Superior notification thereof shall be made to the Governor and that a notification in the *Gazette* under the hand of the Colonial Secretary that satisfactory evidence of the appointment has been furnished to the Governor by such person shall be conclusive evidence of such appointment.

6. Clause 6 of the Bill contains provisions saving the rights of the Crown as required, in the case of private Bills by Clause XXVII of the Royal Instructions.

**THE SOCIETY FOR THE RELIEF OF DISABLED
CHILDREN INCORPORATION BILL, 1956.**

MR. C. BLAKER moved the Second reading of a Bill intituled "An Ordinance to provide for the incorporation of the members of The Society for the Relief of Disabled Children."

DR. A. M. RODRIGUES seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 to 11 were agreed to.

Council then resumed.

MR. C. BLAKER reported that The Society for the Relief of Disabled Children Incorporation Bill, 1956 had passed through Committee without amendment and moved the Third reading.

DR. A. M. RODRIGUES seconded.

The question was put and agreed to.

The Bill was read a Third time and passed.

ADJOURNMENT.

H. E. THE GOVERNOR: —That concludes the business, gentlemen. Council will adjourn to this day three weeks.