

19th March, 1936.

PRESENT:—

HIS EXCELLENCY THE GOVERNOR (SIR ANDREW CALDECOTT, Kt., C.M.G., C.B.E.).

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

THE COLONIAL SECRETARY (HON. SIR THOMAS SOUTHORN, K.B.E., C.M.G., LL.D.).

THE ATTORNEY GENERAL (HON. MR. C. G. ALABASTER, O.B.E., K.C.).

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

THE COLONIAL TREASURER (HON. MR. E. TAYLOR).

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

HON. DR. A. R. WELLINGTON, C.M.G., (Director of Medical and Sanitary Services).

HON. MR. T. H. KING, (Inspector General of Police).

HON. MR. A. G. W. TICKLE, (Director of Public Works, *Acting*).

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

HON. SIR WILLIAM SHENTON, Kt.

HON. MR. J. P. BRAGA, O.B.E.

HON. MR. T. N. CHAU.

HON. MR. J. J. PATERSON.

HON. MR. W. H. BELL.

HON. MR. M. K. LO.

MR. H. R. BUTTERS, (Deputy Clerk of Councils).

ABSENT:—

HON. MR. S. W. TS'O, C.B.E., LL.D.

MINUTES.

The Minutes of the previous meetings were read and confirmed.

NEW MEMBERS.

The Acting Secretary for Chinese Affairs (Hon. Mr. R. A. C. North) and the Acting Director of Public Works (Hon. Mr. A. G. W. Tickle) took the Oath of Allegiance and assumed their seats as members of the Council.

PAPERS.

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

Modification of Article 1 (2) made by the Governor in Council under Article 5 (2) of the Treaty of Peace (Covenant of the League of Nations) Order, 1935, dated 23rd January, 1936.

Addition to Regulation 30 made by the Governor in Council under section 3 of the Post Office Ordinance, 1926, Ordinance No. 7 of 1926, relating to the acceptance of letters for transmission by Chinese Air Mail Service from Canton, dated 24th January, 1936.

Amendment made by the Governor in Council under section 3 of the Official Signatures Fees Ordinance, 1935, Ordinance No. 37 of 1935, to the Schedule to the Ordinance, dated 24th January, 1936.

Order made by the Governor in Council under section 5 of the Ferries Ordinance, 1917, Ordinance No. 28 of 1917, relating to the ferry service between Tap Mun Village and Tai Po, dated 1st February, 1936.

Resolution adopted by the Urban Council under section 2 (1) (h) of the Public Health (Animals and Birds) Ordinance, 1935, Ordinance No. 16 of 1935, dated 4th February, 1936.

Regulation made by the Governor in Council under section 3 of the Importation and Exportation Ordinance, 1915, Ordinance No. 32 of 1915, regarding the importation of vaccine lymph, dated 10th February, 1936.

Amendments to Regulations made by the Governor in Council under section 3 of the Registration of Imports and Exports Ordinance, 1922, Ordinance No. 12 of 1922, dated 13th February, 1936.

Amendment made by the Governor in Council under section 88 of the Liquors Ordinance, 1931, Ordinance No. 36 of 1931, to Form No. 5 in the First Schedule to the Ordinance, dated 14th February, 1936.

Notification under section 3 of the Marriage Ordinance, 1875, Ordinance No. 7 of 1875, declaring the Chinese Methodist Church, Hennessy Road, Hong Kong, licensed for the celebration of marriages, dated 17th February, 1936.

New Kowloon Cemetery No. 7 authorised as a place to be used as a Chinese Cemetery by the Governor in Council under section 73 of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, dated 2nd March, 1936.

Addition to Regulation 30 of the Post Office Regulations made by the Governor in Council under section 3 of the Post Office Ordinance, 1926, Ordinance No. 7 of 1926, relating to rates of postage for the trans-Pacific Air Service, dated 2nd March, 1936.

Amendments to the Boarding-house rules made by the Governor in Council under section 44 (1) of the Asiatic Emigration Ordinance, 1915, Ordinance No. 30 of 1915, and section 3 of the Boarding-house Ordinance, 1917, Ordinance No. 23 of 1917, dated 4th March, 1936.

Order made by the Governor in Council under section 7 (7) of the Public Health (Animals and Birds) Ordinance, 1935, Ordinance No. 16 of 1935, defining periods of incubation of certain diseases, dated 4th March, 1936.

Amendments of regulations made by the Governor in Council under section 3 of the Dogs Ordinance, 1927, Ordinance No. 21 of 1927, relating to increase in the licence fees for dogs, dated 12th March, 1936.

Administration Reports, 1935:—

Part I.—General Administration: Report of the Director of the Royal Observatory, Hong Kong.

Part II.—Law and Order: Report of the Official Receiver and Registrar of Trade Marks and Patents.

Part VII.—Undertakings of Government: Report of the General Post Office.

QUESTIONS.

HON. MR. J. P. BRAGA asked:—

1.—Will the Government communicate to the Council any information in its possession concerning the telegraphed report, dated London, March 6, 1936, that Mr. J. H. Thomas has decided to despatch a Commission of Inquiry from Britain to Hong Kong to further investigate the *mui-tsai* system?

2.—Will the Government inform the Council whether—(a) the report is true; (b) if true, at whose expense the Commission will be proceeding to Hong Kong; and (c) if it be at the Colony's expense, will His Excellency the Governor forthwith protest against the imposition of any further expenditure on local tax-payers in presence of the Colony's unbalanced Budget for the current financial year?

THE COLONIAL SECRETARY replied:—

(1) The report is correct and the Honourable Member will be already aware that the Secretary of State has appointed Sir Wilfrid Woods, Miss E. Picton-Turbervill and Mr. C. A. Willis to be members of the Commission. No information has been received as to when the Commission will arrive. The proposal to appoint a Commission was referred to this Government and was considered in Executive Council where the view was taken that the first conclusion of the Report to the recent Committee on *mui-tsai* in Hong Kong (Sessional Paper 8/1935) rendered it desirable to welcome a Commission if one should be appointed.

(2) This Government will certainly be expected to contribute a share of the cost.

(3) For the reason given in the first paragraph of this reply the Government is unable to protest in the manner suggested.

MOTIONS.

THE COLONIAL TREASURER.—Your Excellency, Five items of the Schedule to the Hong Kong Dollar Loan Ordinance No. 11 of 1934 as amended by the resolution of 16th May, 1935 now require further amendment and as Your Excellency has directed under Section 3 (2) that certain transfers be made the resolution I am about to move is now submitted for the approval of Council.

Honourable Members are already aware of these alterations, which have now received the approval of the Secretary of State for the Colonies, as they were shown in Appendix VI (b) p. 115 of the draft estimates for 1936. I will, however, recapitulate.

Item No. 2: Shing Mun Valley Water Scheme from \$10,043,531 to \$10,443,530. Two new works, the second 24" Trunk Main \$350,000 and third Rapid Gravity Filters \$300,000 have been added. This is a gross increase under the head of \$650,000 but partially offset by a saving of a further \$250,000 on the Gorge Dam, reducing that total from \$9,000,000 to \$8,750,000.

Item No. 4: New Gaol at Stanley from \$4,631,000 to \$4,500,000.

Item No. 5: Tytam Tuk Catchwaters from \$800,000 to \$720,000.

Both the above two items, it is anticipated, will be completed for the reduced totals now inserted.

Item No. 6: Airport Development from \$895,000 to \$975,486. This is accounted for to the extent of \$20,486 originally charged to surplus balances, \$140,000 for levelling the area known as the Flight Gap to the north of aerodrome \$20,000 for flood lighting making a total of \$180,486 which is offset by savings amounting to one lakh giving the revised figure of \$975,486.

Item No. 8: Other Public Works.

Allowing for the above adjustments, this item will be reduced by \$269,485 and the new loan schedule will stand as follows:

Item No. 1	.....	\$2,555,703
" " 2	.....	10,443,530
" " 3	.....	1,930,000
" " 4	.....	4,500,000
" " 5	.....	720,000
" " 6	.....	975,486
" " 7	.....	3,864,943
" " 8	.....	10,338
		\$25,000,000

I now move the following resolution:—

"That this Council approves under Section 3 (2) of the Hong Kong Dollar Loan Ordinance, No. 11 of 1934, of the following transfers in the Schedule as amended by the resolution of 16th May, 1935.

Item No. 2.—Shing Mun Valley Water Scheme from \$10,043,531 to \$10,443,530.

Item No. 4.—New Gaol at Stanley from \$4,631,000 to \$4,500,000.

Item No. 5.—Tytam Tuk Catchwaters from \$800,000 to \$720,000.

Item No. 6.—Airport Development from \$895,000 to \$975,486.

Item No. 8.—Other Public Works from \$279,823 to \$10,338.

THE COLONIAL SECRETARY seconded, and this was agreed to.

THE COLONIAL TREASURER.—Before moving the second resolution standing in my name I would ask Your Excellency's permission to amend the amount under Head 3, Vehicular Ferry by deducting two cents as this resolution was prepared and printed before the accounts for last year had been finally closed. I wish to reduce the amount from \$62,022.51 to \$62,022.49 and the total from \$5,223,077.82 to \$5,223,077.80.

H.E. THE GOVERNOR concurred, and this was agreed to.

THE COLONIAL TREASURER.—Your Excellency, The next resolution standing in my name is in connection with the proposed expenditure in 1936 on approved loan-works. Honourable Members are already familiar with the items in the schedule which appear in Appendix VI (b) p. 115 of the draft estimates for 1936. There are, however, three exceptions which were originally estimated as under and now require alteration.

Head 2.—Shing Mun Water Scheme:

<i>b</i> (5) 2nd 24" Trunk Main	\$250,000
<i>b</i> (6) 3rd Rapid Gravity Filters	\$150,000

Head 3.—Vehicular Ferry \$1,582.51.

Regarding the first two items there is every indication at the present rate of construction of the Shing Mun Gorge Dam that the draft provision of \$250,000 for the 2nd 24" Trunk Main and of \$150,000 for the 3rd Rapid Gravity Filters will be insufficient for the revised 1936 programme of work and approval is requested to spend this year up to \$300,000 and \$250,000 respectively. Corresponding decreases in estimated expenditure on these sub-heads for 1937 will take place and the total estimate for the works will not be affected.

There remains the third exception Head 3—Vehicular Ferry—the amount under which has been increased by \$60,439.98 from \$1,582.51 to \$62,022.49. Honourable Members will remember that by a Resolution dated 5th September, 1935, the sum of \$78,000 was approved for the service last year in order to construct two new caissons and certain other works. In introducing the resolution last September, I stated that it was possible that the full sum of \$78,000 might not be required during 1935 and this has proved to be correct. The contract was only let on the 22nd October last and the total amount spent to the end of the year amounted to \$17,560 out of the full allotment of \$78,000. I am now asking for the balance of \$60,439.98 to be added to the sum of \$1,582.51 for 1936.

I now move:—

"That this Council approves of the expenditure of \$5,223,077.80 on the various items of Loan Works as enumerated below during the financial year 1936, which sum shall be met from surplus balances pending the issue of a further loan."

Schedule.

Head 2.—Shing Mun Valley Water Scheme:

(b) 2nd Section

(3) Gorge Dam	\$1,800,000.00
(5) 2nd 24" Trunk Main	300,000.00
(6) 3rd Rapid Gravity Filters	250,000.00

Head 3.—Vehicular Ferry

62,022.49

Head 4.—New Gaol at Stanley

2,600,000.00

Head 5.—Tytam Tuk Catchworks

59,751.17

Head 6.—Airport

(b) Airport and Seaplane Slipway

151,304.14

\$5,223,077.80

THE COLONIAL SECRETARY seconded, and the motion was agreed to.

URBAN COUNCIL BY-LAWS.

THE ATTORNEY GENERAL.—I beg to move the following resolutions:—

1. That the amendment to the Market by-laws made by the Urban Council under section 5 of the Public Health (Food) Ordinance, 1935, Ordinance No. 13 of 1935, on the 7th January, 1936, be approved.

2. That the amendment to the Scavenging by-laws made by the Urban Council under section 4 (xv) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, on the 7th January, 1936, be approved.

3. That the amendment to the General and Licensing by-laws made by the Urban Council under section 2 and 4 of the Hawkers Ordinance, 1935, Ordinance No. 22 of 1935, on the 7th January, 1936, be approved.

The newly-formed Urban Council has power under various Ordinances to make by-laws, but under each of these Ordinances the approval of the Legislative Council to the draft is necessary. On 7th January, the Urban Council made these three by-laws I have moved above. The first by-law provides that no flesh of any animal slaughtered in the Government slaughter-house at Sai Wan Ho shall be exposed for sale in any market in the Colony other than the markets at Quarry Bay, Sai Wan Ho and Shaukiwan and no flesh of any animal slaughtered in the Government Slaughter-house at Aberdeen shall be exposed for sale in any market in the Colony other than the market at Aberdeen.

The slaughter houses at Sai Wan Ho and Aberdeen have been established for the convenience of the people residing there so that they should not have to take animals too far away from the market. But the object of the By-law is to prevent people who would normally have their animals slaughtered at Kennedy Town taking them far afield in the hope of getting the animals passed without supervision. That is clearly the object of that By-law and results from a case dealt with last year.

The second by-law relates to the providing of dust-bins. Actually this By-law has the same effect of By-laws 8 and 9 made last year by the Sanitary Board under the Public Health and Buildings Ordinance, 1903, which is no longer in force. Those By-laws were approved by this Council on 22nd August, 1935. I suggest that this Council will have no difficulty in approving this present motion.

The third By-law is that of Hawkers Licences except licences to hawk tobacco, cigars and cigarettes, issued under the Miscellaneous Licences Ordinance, 1933, shall be deemed to have been issued under these By-laws and shall continue in force until revoked or until they expire. Hawkers' licences were originally issued by the Police under the Miscellaneous Licences Ordinance and their issue by the Urban Council only starts from the coming into force of the Hawkers Ordinance this year. Actually, the dates when such licences are granted do not coincide with the year. The licences have already been granted by the Police and are still in force. The object of this By-law is to declare that they shall continue in force until the new licences have been issued under the Hawkers Ordinance. I move that the three amendments be approved.

THE COLONIAL SECRETARY seconded, and this was agreed to.

SUMMARY OFFENCES AMENDMENT ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Summary Offences Ordinance, 1932." He said: The object of this Bill is to give the Police greater power over flag days.

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

Objects and Reasons.

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

1.—This Ordinance adds a new paragraph to section 3 of Ordinance No. 40 of 1932, making it a summary offence to organise, equip or take part in any collection of money or the sale of badges for any charitable or benevolent purpose in any public place without the permission in writing of the Inspector General of Police or in contravention of any condition that may have been attached to any such permission.

2.—The increase in the number of "flag days" undertaken by various charitable organisations has made some such legislation necessary.

STONECUTTERS ISLAND AMENDMENT ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Stonecutters Island Ordinance, 1889." He said: The object of this Bill is to give the Naval Authorities the same powers of exclusion of trespassers already possessed by the Military Authorities and to enable the Hon. Colonial Secretary to grant permission to land.

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

Objects and Reasons.

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

1.—This Ordinance amends the Stonecutters Island Ordinance with the object generally of giving to the Naval Authorities the same powers as to the exclusion of trespassers as those already possessed by the Military Authorities.

2.—This is considered necessary as there are a Naval Rifle Range, a Naval Wireless Station and other Naval establishments on the Island.

3.—The amendment of the principal Ordinance to effect this object has been suggested by the local Naval Authorities and concurred in by the local Military Authorities.

4.—This Ordinance also adds the Colonial Secretary to the list of persons who may grant landing orders under section 3 (1) of the principal Ordinance.

5.—A Table of Correspondence between the new provision and those for which they are substituted is attached.

COMPANIES AMENDMENT ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend further the Companies Ordinance, 1932." He said: The object of this Bill is fully stated in the Memorandum attached to it.

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

Objects and Reasons.

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

1.—The object of Clause 2 of this Bill is to add two new paragraphs to section 19 (2) of the principal Ordinance, which will have the effect of preventing a company being registered by a name containing the word "Savings" or the word "Trust" or "Trustee" unless the consent of the Governor to such registration has been obtained.

2.—At present there is nothing to prevent an association registering with the name "Savings Bank" or "Savings Society" without any intention of conducting its business on the principles governing Trustee Savings Banks in England.

3.—Similarly, although there is statutory provision in Part VIII of the Trustee Ordinance, No. 18 of 1934, for the registration subject to certain conditions of any public company as a Trust Company, there is at present nothing to prevent a company which does not comply with those conditions using the word "Trust" or "Trustee" in its name and thereby suggesting that it is registered as such.

4.—Section 251 (1) of the principal Companies Ordinance, No. 39 of 1932, contained a paragraph which provided that in a winding up all local rates due from the company at the relevant date, and having become due and payable within twelve months next before that date should be given certain priority.

5.—That paragraph and two others giving priority to certain wages, were repealed and replaced by three new paragraphs which were enacted by section 5 of Ordinance No. 29 of 1933.

6.—The reason for that amendment was to make the priorities of debts in the case of companies in liquidation coincide with those provided by section 38 (1) of the Bankruptcy Ordinance, No. 10 of 1931, for ordinary bankruptcies, amendment to this effect having been suggested by the Secretary of State in the final paragraph of his despatch to the Governor of the 1st June, 1933.

7.—Consequently for the paragraph relating to local rates there was substituted a paragraph giving a priority to all debts due from the Company to the Crown at the relevant date, and having become due and payable within twelve months next before that date.

8.—In this Colony rates are levied by the Government as representing the Crown and paid into the general revenues of the Colony. Provision for parochial and other local rates was therefore considered unnecessary.

9.—It has been pointed out recently by His Majesty's Consular representatives at Shanghai that the 1933 amendment has had the effect of depriving the Municipal Council of the International Settlement of its claim to legal priority in respect of rates due by China Companies in liquidation although that Council receives preferential treatment where winding up takes place under the jurisdiction of the Belgian, French and Netherlands Authorities.

10.—The object of clause 3 of this Bill is to add a further paragraph which will restore the former priority of local rates in the case of China Companies and Hong Kong China Companies, which are defined in section 348 of the principal Ordinance.

11.—This special provision is limited to China Companies and Hong Kong China Companies. Such companies, though registered in Hong Kong, carry on their business within the limits of the China Orders in Council and, for reasons of jurisdiction and otherwise, receive special treatment under the Companies Ordinance.

12.—It is not considered necessary to extend the special priority to companies generally or to ordinary bankruptcies, as it does not appear to be in accordance with the general policy of English law, on which the law of the Colony is founded, to afford special facilities for the enforcement of rates imposed by foreign municipalities for their domestic purposes (See *Municipal Council of Sydney v. Bull* 1909 I K.B. 7 and 6 *Hailsham's Halsbury* page 198, para. 241).

13.—The introduction of a clause to this effect has been approved by the Secretary of State in his despatch No. 5 of the 8th January, 1936.

DEPORTATION (BRITISH SUBJECTS) ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to regulate the Deportation of undesirable British subjects." He said: Last year, we repealed the 1917 Ordinance which had provisions relating to the deportation of British subjects and passed an Ordinance which dealt only with the deportation of aliens. The likelihood of deportation of British subjects is not very great, but it is necessary that the Governor should have power in the case of necessity. This bill is based, with the modifications contained in the Table of Correspondence, on a model bill prepared by a Departmental Committee of the Colonial Office.

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

Objects and Reasons.

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

1. As the consolidation of the Deportation Ordinances 1917, 1929 and 1931, in the Deportation of Aliens Ordinance, 1935, (Ordinance No. 39 of 1935) does not re-enact those of their provisions which related to British Subjects it has become necessary to enact a Deportation Ordinance for British Subjects.
2. This new Ordinance follows with modifications a model Bill which was attached to the Report, dated the 12th September, 1933, of a Departmental Committee of the Colonial Office appointed by the Secretary of State.
3. A Table of Correspondence between the new Ordinance and the Model Bill is attached.

HONGKONG GOVERNMENT SERVICE (LEVY ON SALARIES) ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to make provision for a levy on the salaries of public officers in the Hong Kong Government Service." He said: The necessity for the introduction of a measure of this nature and the general principles governing it are set out in the Memorandum of Objects and Reasons, but in a Bill of this importance it is only right that I should supplement that Memorandum with an explanation in greater detail.

Clause 2 provides for a double levy on all sterling salaries which exceed £240 per annum. That figure has been selected because it is regarded as the bare level of subsistence in the case of sterling paid officers. Officers below the £240 level are, in the Police Department lance-sergeants whose salary rises from £190 to £240, in the Prisons Department certain junior warders where the salary rises from £190 to £330, and in the Medical Department certain junior nursing sisters where the salary rises from £220 to £295.

The first part of the double levy on sterling salaries is, a graduated percentage cut of 2½ per cent. on the first £240, 5 per cent. on the next £360, 7½ per cent. on the next £400, 10 per cent. on the next £400 and 12½ per cent. on the remainder of the salary.

The second part of the double levy is provided for in clause 2 (4) and involves the payment of the salaries, after deduction of the percentage levy and Widows' and Orphans' Pension Contribution (if any), at the arbitrary rate of one shilling and sixpence to the dollar,

for the first quarter of this year, and for subsequent quarters at such rates as this Council may direct by resolution. On this point I may say that the Government intend to introduce, with the approval of the Secretary of State, a resolution for a lower exchange rate, that of one shilling and five pence farthing, for the second quarter, with further reductions of rate for the last two quarters.

The double cut for the first quarter will amount on the higher salaries of £1,400 and over to a levy of 20 per cent. and over.

These proposals sound very drastic, but they are designed to do justice between sterling paid salaries and dollar paid salaries in view of the fact that when a sharp fall in exchange occurs the cost of living does not rise *pari passu*. There is a lag which has for the purpose in hand been taken at a year, partly because that is the period under review and partly because there are grounds for viewing the financial situation after 1936 with less anxiety as by that time our most expensive commitments for Public Works Extraordinary will be completed or nearing completion.

Clause 3 of the Bill provides for a levy on dollar salaries exceeding \$240 per annum at the rate for the first half year of 4 per cent. on the first \$1,000, 8 per cent. on the next \$1,500, 12 per cent. on the next \$2,500, and 15 per cent. on the remainder. For the rest of the year these rates will be reduced to 3 per cent., 6 per cent., 10 per cent., and 12 per cent. respectively.

Here again the figure \$240 has been selected as representing the bare level of subsistence. It will exclude messengers and coolies and others not receiving more than \$20 per mensem.

It must be remembered that on the revision of salaries in 1930 resulting from the Report of the Salaries Commission the basic dollar salaries were increased twenty per cent. whereas the basic sterling salaries received an increase of only 15 per cent., the contemplated High Cost of Living Allowance never having been in fact paid. This fact has to be considered in contrasting the differences in the incidence of the levy in the cases of the dollar paid and sterling paid salaries.

The only other clause of the Bill which calls for special comment is clause 6 which allows the Legislative Council by resolution to exempt either wholly or partially from the operation of clauses 2 and 3 any officer or any class or description of officer. It is intended by the Government to introduce under this clause a resolution exempting from levy the salaries paid to those (other than officers seconded from the general establishment) employed on the construction of the Jubilee Reservoir and Shing Mun Dam.

I now turn to the financial aspect of the proposals.

The deficit on the estimates for 1936 at one shilling and eight-pence amount to \$2,926,303. To this has to be added the sum of

\$3,000,000 for our sterling commitments if the dollar is reckoned at one shilling and threepence making \$5,926,303 in all. The conventional dollar taxes on liquor, tobacco and light dues are estimated (less Military Contribution) to produce \$936,000 and the taking in the surplus on the Trade Loan (less military contribution) a further \$400,000. Deducting these receipts the deficit is reduced to \$4,590,303. The dollar and sterling salary cuts are estimated to reduce the total salary bill by \$1,143,475 leaving a deficit on the year's working of \$3,446,828. Certain reductions in Public Works expenditure have been effected, which, however, are largely set off by the extra cost (owing to the low dollar) of the new Queen Mary Hospital; but it is anticipated that \$164,600 will be saved. Deducting this sum the net deficit is therefore \$3,282,228 for the year.

It is obvious that such a position calls for sacrifice on the part of Government officers and the only question the Government had to consider was the amount of that sacrifice.

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

Objects and Reasons.

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

1.—In order to assist in decreasing the anticipated budget deficit for the year 1936 after the fall in the exchange value of the local dollar it has been considered necessary to impose a temporary levy on Government salaries by way of reduction of expenditure.

2.—In accordance with the views expressed in the Secretary of State's Circular despatch of the 16th July, 1932, dealing with such levies in the Colonies generally, the reductions are clearly designated as temporary and accordingly take the form of a levy on salaries imposed by statute renewable from year to year, the value of emoluments for pension purposes is not affected, and the principle of a fairly graduated scale of reduction is adopted in preference to an arrangement providing for all-over cuts of so much per cent. on salaries up to a certain limit, and of a higher percentage on salaries above that limit.

3.—Clause 6 gives the legislature power to grant exemptions by resolution.

TELECOMMUNICATION ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend and consolidate the law relating to Telecommunication." He said: When this Bill goes into Committee I have certain amendments to propose in Clauses 3 and 6.

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

Clause 3:

THE ATTORNEY GENERAL.—I move that sub-clause 3 of this clause be taken out of the clause as it stands and be transferred to the end of the Bill as the first sub-clause of a new clause 42 which will be added to the Bill. I think this clause will be better at the end of the Bill; I do not propose that the language be altered.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Clause 6:

THE ATTORNEY GENERAL.—I move that in the 12th line of Sub-Clause 1 the word "retransmit" be altered and that "tendered for transmission" be substituted.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Clause 42:

THE ATTORNEY GENERAL.—I move that after clause 41 we insert a new clause 42, the first sub-section of which will be the part deleted from clause 3, and the second sub-section to read as follows:

2.—Nothing in this Ordinance shall be deemed to authorise the placing or maintenance of any telegraph line under, over, along or across, or of any telegraph posts in or upon, any immovable property, which is vested in or under the control of the Naval, Military or Air Force Authorities, without the previous consent of the authorities concerned.

THE COLONIAL SECRETARY seconded, and this was agreed to.

Upon Council resuming,

THE ATTORNEY GENERAL.—In Committee this Bill was amended I think materially and Standing Order 28 (1) requires that in this event it should be published in the *Gazette* before the third reading is taken. I propose, therefore, that it be published in tomorrow's *Gazette* and that the third reading be taken at the next meeting.

THE COLONIAL SECRETARY seconded, and this was agreed to.

MARRIED WOMEN ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the law relating to the capacity, property and liabilities of married women and the liabilities of husbands."

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

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

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment and moved the third reading.

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

TORTFEASORS ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the law relating to proceedings against, and contribution between, tortfeasors."

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

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

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment and moved the third reading.

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

LIQUORS AMENDMENT ORDINANCE, 1936.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the law relating to alcoholic liquors."

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

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

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment and moved the third reading.

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

CIVIL SERVICE DEBATE.

HON. MR. M. K. LO.—I beg to move the following resolution:—"That in the opinion of this Council the Colony cannot afford to maintain so large and costly a Civil Service as now exists, and that the Government should take immediate steps to effect all possible retrenchments in the same."

Your Excellency,—In rising to do so, I crave that indulgence of this Council which I know will readily be accorded to a new member, attempting his maiden speech, and this indulgence is all the more necessary because I fear I will have to take up some twenty minutes of this Council's valuable time in saying what I desire to say in support of this motion. The view asserted by the terms of my motion is that the Colony cannot afford to maintain the existing Civil Service, and I will at once proceed to set out shortly the grounds on which this view is based.

It might have been thought at one time that one of the alleged differences between public and private finance is that, whilst in private finance outlay must be gauged and conditioned by income, in public finance the reverse is the case, in that after the expenditures are fixed it is the duty of the Legislature to provide the revenues. But this alleged difference is generally regarded as illusory and unsound because the State, like the individual, must in the long run cut its coat according to its cloth, and persistent violation of this principle must eventually entail the same consequences, alike for State and individual. I unhesitatingly accept the validity of this principle.

What, then, is the present financial position of the Colony? The Hon. Mr. N. L. Smith, as Acting Colonial Secretary, in the course of his extremely able and lucid Budget speech on the 12th September, 1935, after stating that it was anticipated that the estimated revenue for 1936 would be about a million and a half behind the 1935 revised figures, summed up the position as follows:—"As a result of all these economies the gap between revenue and expenditure has been considerably reduced but with the dollar rate taken at 1s. 8d., which seems a prudent figure, there will still be a deficit, after allowing for the surplus balances as mentioned, of about \$830,000. The exact figures are Revenue \$26,671,845 plus Surplus Balances (in excess of ten million dollars) \$2,095,789—total \$28,767,634; Expenditure \$29,598,148."

Pausing here I should like to state that, in my humble opinion, the normal revenue of just over twenty six and a half million dollars must be regarded as representing the cloth according to which Government must cut its coat, for I do most respectfully agree with the views recently expressed as to the inability of the Colony to stand the strain of extra taxation, and particularly by Dr. R. H. Kotewall, who spoke in the last Budget debate as the Senior Unofficial

Chinese Member of this Council, that the Colony "is already taxed to capacity, if not beyond it, and any new tax-burdens may be the last straw." I therefore take the figure of \$26,671,845 as representing the normal revenue for 1936, and the figure of just over twenty-nine and a half million dollars as estimated expenditure for 1936.

The total expenditure includes the items for Military Contribution amounting to \$4,366,901.00, and for Interest on Public Debt amounting to \$1,390,831.00, making a total of \$5,757,732.00. Subtracting this sum from the total expenditure there will remain the sum of \$23,840,416.00 available for all other purposes, and it will be rather illuminating to see how much of this available surplus—which, in order to avoid undue repetition, I have called the "available expenditure"—has been absorbed by salaries. I may incidentally mention that of this available expenditure no less than \$3,207,560.00 has been earmarked for Public Works Extraordinary.

I have added the totals of all personal emoluments set out in the Estimates for 1936, and I find that the total comes to the sum of \$11,457,821.00. In order to get a correct picture of the amount spent on salaries in the Civil Service in relation to income one has to add at least three important items to the above sum which, staggering as it is, is not the full bill which the Colony has to pay. To begin with it must be remembered that the figures given in the 1936 Estimates are based, so far as sterling salaries are concerned, on a 1s. 8d. dollar. The Acting Colonial Secretary stated in his speech, above referred to, that in terms of sterling the amount budgeted for as representing Salaries, Purchases from Crown Agents, Pensions, etc., comes to just over £750,000, and all the salary figures must be very substantially increased when the sterling commitment is calculated at the prevailing rate of exchange, namely, round about a 1s. 3½d. dollar. Moreover, the salary figure of nearly eleven and a half million does not include pensions, rent allowances or transport. It must of course be conceded that rent allowances and transport must be included. And I submit that this applies equally to pensions, for it is now generally accepted that a pension is in truth not a reward or gift, but rather a deferred wage, or a compensation paid to the employee for the gradual destruction of his wage-earning capacity in the course of his work. The figures for the three items mentioned above are as follows:

Pensions	\$1,810,000.00
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Miscellaneous Services.

Rent Allowances:

Senior Officers	\$ 128,000.00
European Subordinate Officers	110,000.00
Asiatic Officers	120,000.00
Transport	475,000.00
Total	<u>\$2,643,000.00</u>

Therefore, if you add the total of \$2,643,000.00 to the total of \$11,457,821.00 you get the stupendous sum of \$14,100,821 as the full bill for salaries. Another way of stating this position is that out of approximately twenty-three and a half million "available expenditure" (of which nearly three and a half million is earmarked for Public Works Extraordinary), the sum of over fourteen million is spent on salaries; in other words, 60 per cent. is spent on salaries, leaving the sum of just over nine and a half million to cover the whole cost of Civil Administration, including Social Services and the thousand and one items of essential public expenditure. Need I say more to show that the existing Civil Service is too costly for the Colony to bear? Is it exaggeration of language to say that, unless this crushing burden of salaries is substantially reduced, all hopes of effecting substantial improvements in the Colony must indefinitely be relegated to the realm of fanciful dreams?

I am aware that Government has, year after year, expressed its intention to retrench. For instance during the Budget Debate in 1931 His Excellency Sir William Peel said:—"When I came here, I was impressed by the large number of European staff, particularly in the subordinate grades. Steps are being taken to replace some of these gradually by local officers, though it is a step which must be taken with caution. Government is ready to give local recruits every chance, and it will be for them to prove that such confidence is not misplaced. This policy can only be followed if local recruits prove that they possess the necessary integrity and efficiency. If they fail to do this, they and the Colony cannot complain if we have to revert to the system which has obtained hitherto. The matter lies in their hands." (Hansard, page 191).

In the Budget Debate in 1934 His Excellency Sir William Peel said:—"We are, however, carrying out a scheme of a local branch of the Senior Clerical and Accounting Staff and are endeavouring to train local sanitary inspectors. Further, I hope that it may be possible to train local nursing sisters and so reduce the large number of sisters recruited from England. I propose to go into this question with my Honourable friend, the Director of Medical and Sanitary Services." (Hansard, page 187).

In the Budget Debate in 1935 the Hon. the Acting Colonial Secretary said:—"The Government has fully and frankly accepted that policy of replacing wherever possible European by Asiatic employees, but it must be evident that such a policy can show its full effect only gradually." (Hansard, page 201).

And, yet, what is the actual result? I must confess that if any result has been achieved it is so disappointingly small that I am quite unable to discern it! In his answers to my questions on the 16th January, 1936, the Hon. the Colonial Secretary stated that the number of European Civil Servants employed rose from 647 in 1923, to 975 in 1935; that as regards the European Senior Clerical and

Accounting Staff the same rose from 24 in 1923, to 63 in 1935; and that 52 additional Europeans have been employed since the date of the Retrenchment Commission Report in 1931.

May I respectfully ask what actual steps have been taken by Government to give effect to that policy, so "fully and frankly accepted by Government," of replacing wherever possible European by Asiatic employees? In this connection I would like to bring forward a case which happened to come to my knowledge a few weeks ago. A certain Chinese from Canton recently saw me in connection with his application for the post of Assistant Government Analyst which was then vacant. His qualifications and references were unexceptionable. He duly sent in his application, but later he understood that a sterling man from England had just embarked to fill up this post. What steps did Government take to find a suitable man locally to fill up this post before resorting to engaging a new man in England?

I do respectfully press for an answer to this question, not in the interests of this particular applicant—indeed he was quite unknown to me—but because it would show the nature of the effort which Government is stated to be making in carrying out the policy of reducing the number of sterling paid men in the financial interests of the Colony.

With reference to the statement of His Excellency Sir William Peel, already quoted above, on the question of Nursing Sisters, I confess I cannot understand why His Excellency should have regarded his own proposal, that local nursing sisters might be trained so as to "reduce the large number of sisters recruited from England," as a matter of mere "hope" and "possibility," in view of the fact that Hong Kong annually produces scores of nurses qualified according to the presumably high and exacting standard set by Government. In any case I venture to enquire what is the practical outcome of the deliberations between His Excellency and the Hon. the D.M.S.S.? According to the Estimates for 1936 there are fifty nursing sisters on the General Nursing Staff on sterling pay which, at Exchange 1s. 8d., amounts to \$162,031.00. With a lower rate of exchange, and with the stipulated annual increments, this amount must of course substantially increase year by year.

From information given to me by those who have had actual experience I know that the skill, care, solicitude and devotion bestowed by those nursing sisters on their patients are beyond praise and cannot be measured in terms of any currency. Good nursing is indeed priceless. I gladly and gratefully record my sincere humble tribute to them. But I submit that the financial condition of the Colony renders the carrying out of Sir William Peel's project a matter not only of expediency but of urgency.

I understand that the present holder of the position of Secretary to the Hon. the Director of Public Works draws over £1,000 a year.

I gladly concede this gentleman's exceptional ability and that he is worth this pay. But the point is: Is it really necessary to employ such a high salaried man for this post? I may remark that this salary is higher than that now paid to many experienced professional men in the Service, such as doctors and solicitors.

Is it a fact that a sterling man is employed as Librarian of the Library at the C.S.O., and if so, is this necessary?

Is it really necessary to have so many Europeans on Sterling basis on the staff of the C.S.O.?—Or, with so many Cadet Officers in that Office, to have a Chief Clerk at a salary of £1,050?

Can we really afford to have a special sterling officer as Official Anaesthetist who, I understand, will shortly join the Medical Department? Surely it would have been much more economical to have engaged a doctor graduated from the University of Hong Kong, and to have sent him to undergo a special course of training in Anaesthetics in Europe.

The published figures show that the expenses of the Medical Department rose from \$502,000.00 odd in 1924, to \$1,505,264.00 in 1934, and to \$1,651,378.00 in the Estimates for 1936, of which \$1,160,694.00 represents personal emoluments. No one can possibly have a higher admiration than I have for the services rendered by my Honourable friend the D.M.S.S., but apart from matters like the Children's Clinic, Venereal Clinics, Medical Services in the New Territories, are the medical facilities and the general medical and public health standard in the Colony improved to such an extent as to merit an extra annual expenditure of over a million dollars when the figures for 1924 and 1936 are compared? In any case, can the Colony afford it?

To what extent are the increased hospital and other medical facilities offered by Government made use of by those who can afford to pay reasonable charges for the same? And, to the extent indicated above, are not such facilities merely competitive with those offered by private practitioners? I venture to suggest that questions such as those indicated above should engage the immediate attention of Government.

Again, I yield to none in my admiration and respect for the Police Force, but are all the numerous Assistant Superintendents of Police really necessary? I should very much like to know how many Assistant Superintendents we had, say, fifteen years ago.

Then, look at the pension figures. The amount of pensions paid in a year rose from \$503,000.00 odd in 1924, to the sum of \$1,810,000.00 in the Estimates for 1936. I do not know whether Government has ever obtained actuarial assistance in computing the potential liability of the Colony for pensions in respect of the existing

Civil Establishment, but I shudder to think what this figure will be, say, in ten years' time, as the pensions payable already amount to nearly \$2,000,000.00 a year!

In my submission, what Government should do is to attempt to tackle the present financial position by business methods: in other words, by taking stock of the whole financial position and adjusting its expenditure in relation to its income, or probable income, for the present, and the years to come. To introduce the wholesale reduction in the salaries of civil servants avowedly as a temporary measure is at best a makeshift arrangement which cannot afford a final solution.

It may well be that too sudden or too drastic a reduction in personnel must necessarily impair to some extent the existing high efficiency of the Administration. But just as it would be suicidal for a business concern to strive to attain the ideal of efficiency without taking due heed of bankruptcy, so I submit Government must restrict its cost of Administration within the limits of the Colony's capacity to pay.

I submit therefore that Government should not engage any more persons on sterling basis without consulting this Council; that no vacancy should be filled without similar consultation; that facilities be given to all officers recently recruited and not absolutely indispensable to leave the Service without subjecting the Colony to any liability to pensions, and that a real effort be made to utilise local talent, such as qualified doctors from the University of Hong Kong, etc. But in this connection I would like to make one suggestion.

For the sake of the reputation of the Government Service bribery or other irregular practice must be stamped out, and I venture to think that all new men employed should be engaged on the clear and distinct basis that their service is liable to be terminated if the Governor in Council, after enquiry, should be of the opinion that their continuance in office is detrimental to the interests of the Colony. Indeed, I consider that this rule should apply to the whole Service. I say this because, to my mind, and having regard to local conditions, it is quite futile to expect that, generally speaking, such evidence of bribery or corruption will be forthcoming as will secure a verdict of guilt in a Court of Law. I do not see why, when the Government wishes to dispense with the services of an undesirable employee, there should be required the same proof of guilt as would secure a conviction in a Court of Justice. All servants of the Government should know that they must be above suspicion of any corrupt practice, and I cannot see why they should be retained if the Governor in Council, after careful enquiry, should have reasonable ground for thinking that such practice has been committed, even in the absence of such proof as is necessary in a Court of Justice.

I submit that the question as to what constitutes proof of guilt in a criminal prosecution, and the question as to what are the circumstances under which an employer should be entitled to terminate a contract of service, are entirely different, and should not be confused.

To my mind the Civil Service is not only overstaffed, but in many individual cases grossly overpaid, and I feel that until this fundamental defect in Administration has been remedied, it is a matter for regret that it should be necessary to call upon all the civil servants to bear a sacrifice which, no doubt, works great hardship in individual cases. And this regret is all the greater when we reflect that this necessity would not have arisen this year if Government had only acceded to the unanimous and urgent business-like request of the unofficial members—about which I understand my Honourable friend, the Senior Unofficial Member, will speak—to fix exchange forward for all the 1936 sterling commitments. More-over, until this defect is remedied Government obviously is not in a position to find the necessary money for various necessary projects. For instance, malaria is still rampant in the Colony, and I would like to see half a million, or even a million, dollars devoted in one year to eradicating this disease. But salaries having absorbed over fourteen million, where is the money to come from?

I apologise for the time I have taken up this afternoon.

I beg to move the motion standing in my name and respectfully commend it to the consideration of this Council. (Applause).

THE HON. SIR HENRY POLLOCK.—Your Excellency,—I have much pleasure in seconding this motion which has the unanimous support of the Unofficial Members. My Honourable friend, Mr. M. K. Lo, is to be congratulated upon the trouble which he has taken in looking up and presenting to this Council the illuminating figures which he has just laid before us in regard to the very large expenditure of this Colony upon the salaries and pensions of Civil Servants. This heavy burden demands the serious attention of the Government at the present time when a marked trade depression synchronizes with an unbalanced Budget.

In my Budget speech, on the 3rd October last, speaking on behalf of all the Unofficial Members, I said (see Hansard 1935, page 180):—"Regarding retrenchment we are glad to learn that the Government is carefully considering whether it is necessary to fill up Posts as vacancies occur. Our Staff of Civil Servants is a very large one, even after making the fullest allowance for the fact that the Government has also to perform the duties of a Municipality. Indeed it is considered by some that we have too many Regulations in this Colony and too large a staff of Subordinate Officers fussing about and worrying people regarding the meticulous observance of Regulations. Also the prevalent notion that Police Officers and Sanitary Inspectors acquire merit by prosecuting people is apt to render the Government unpopular and to make the man in the street consider that we could do with fewer of such Officers."

In the same debate my Honourable friend, Sir William Shenton, recommended (Hansard page 188) "a careful survey of every branch of the Government service with a view to effecting substantial economies."

In the course of his speech, in support of the motion now before the Council, the mover indicated certain directions in which he suggests that economies might be effected in various Departments, and I would like to add some remarks with which my Unofficial colleagues are in general agreement.

Firstly, in regard to the Medical Department, I notice (at pages 30 and 31 of the Staff List which has recently been printed and sent by the Government to the Unofficial Members) that no less than 7 out of the 10 European Medical Officers, connected with the Hospital Division of the Medical Department, with salaries rising from £700 to £1,180 per annum, have been appointed since the 1st January, 1930. I conjecture that part of that large increase in the Hospital Medical Staff is owing to the Government having, about five years ago, given to all Civil Servants, right up to the Governor, the privilege of free Government Medical attendance in their own homes. That privilege was formerly confined to Subordinate Officers, whilst the Senior Officers had to resort to and pay for the services of Doctors in private firms. In this connection I have been informed that the fees received by one private firm of Doctors from Senior Civil Servants in the year 1931 amounted to \$9,141, but have, in the year 1935, fallen to \$2,107.

Whilst private practitioners are being hard hit by the above new policy of the Government, which occasions increased expense to the tax-payers of this Colony for salary, housing, leave-pay, and pensions, and, therefore, ought as a new policy to have been submitted to this Council for its approval, those practitioners are rigidly, and, as we think, wrongly, excluded from every part of the Government Hospitals, except the maternity wards of the Victoria and Kowloon Hospitals, and thus are debarred, in the majority of cases, from attending upon those of their patients who go into Government Hospital. We urge strongly that such exclusion should be abolished.

We have been informed that it is part of the policy of the Honourable the Director of Medical and Sanitary Services for the Government to take over (at the expense of the tax-payers) all the Medical Services of this Colony and to drive eventually the private practitioners out of business by the Government competing with them. We shall be glad to learn from Dr. Wellington, as a Member of this Council, whether our above information is substantially correct. Surely it would be possible for the Government to arrange for contracts with a firm of doctors, as is done by business people now, and to save public money by so doing; the choice of doctors to be left to patients to decide.

Of course it is conceded that, owing to the increase, during recent years, of accommodation at the Kowloon Hospital, some increase in the Government Hospital Medical staff was necessary, but we contend that such increase certainly did not justify the engagement

of so many as seven additional European Doctors in the Hospital Division of the Medical Department.

In the course of his Budget speech of the 12th September last, the Acting Colonial Secretary said (see Hansard 1935, page 165):—"No provision, apart from one sew amah, has been made for the extra staff that will be required for the new Queen Mary Hospital, as the Hospital will not be ready until 1937."

In this connection it is suggested, firstly, that a good deal of the time of the present Government Medical Officers could be saved, if people, who now go to Government Hospitals (which are paid for by the Public and should be open to private practitioners) for treatment or operations but can afford to pay a private practitioner for treatment or operations, be allowed to be attended there by private practitioners, and secondly, that, if any increase of the Government Hospital Staff is found to be necessary in order to staff the Queen Mary Hospital, considerable economy could be effected by the Government engaging medical graduates of the Hong Kong University on dollar salaries instead of engaging Medical Officers from Britain on expensive sterling salaries.

Yet another point which we would urge is that economies might possibly be effected if an Unofficial Member of this Council were appointed in an advisory capacity, a Member of the Appointments Board to the Senior Clerical and Accounting Service.

In the course of his speech Mr. Lo has referred to the difficulty of getting rid of Civil Servants for bribery or other irregular practices, and there can be no doubt that this difficulty in getting rid of Subordinate Officers for bribery constitutes a serious blot upon the wholesome administration of the laws and regulations of this Colony. In Hong Kong, unfortunately, conditions are far more conducive than in other Colonies to the offer and acceptance of bribes, and accordingly many of our Ordinances and regulations are potential vehicles for bribery.

In these circumstances the Unofficial Members feel compelled, in the interests of the public, to suggest a radical change, namely, that no Subordinate Officials in the service, should, in future be taken on to the permanent Staff of the Colony, but that, instead, they be taken on, on agreements for terms of years, which would be renewable, at the option of the Government. Some sort of scheme for a contributory provident fund for such Officers would have to be created, in lieu of a pension.

In conclusion I must deal with a point, which has been briefly referred to by the mover of this motion, and which is a very sore point with the Unofficial Members of this Council. In my letter to the Colonial Secretary of the 18th September last I, as the mouthpiece of every one of the Unofficial Members, urged the

Government to fix Exchange forward for all the sterling commitments of the Government for 1936. Those sterling commitments the Acting Colonial Secretary, in his Budget speech, stated to amount to £750,000 sterling. (See Hansard 1935 at page 157). In a further letter to the Government of the 25th September I, on behalf of all the Unofficial Members, urged that at least sterling Exchange should be fixed forward for all the Government's sterling commitments in 1936, other than for sterling salaries, "as being in accordance with the best commercial practice."

As sterling exchange could have then, or shortly afterwards, been fixed at the rate of about 2s. to the dollar, the Colony has become involved, quite unnecessarily, in a large extra expenditure to meet its sterling commitments for 1936, with the result that our Budget for this year has become badly unbalanced, instead of our being in a comparatively satisfactory financial position.

This is most regrettable, and, up to the present moment no reason has been given to us, which we regard as adequate, for that deplorable omission on the part of the Government to adopt the obviously businesslike course of fixing sufficient sterling exchange forward to cover its sterling commitments which would have materially helped the Government to balance its 1936 Budget. Such omission on the part of the Government is all the more inexplicable, inasmuch as the Acting Colonial Secretary, in his Budget speech of the 12th September, 1935, clearly foresaw the possibility of an unbalanced Budget. (See Hansard 1935, at page 158).

We hope that the Government is not going to shelter itself behind the plea that it could not fix sterling exchange forward because it had some foreknowledge of the possibility of measures being taken by it to establish a managed currency. In considering such a plea, it is necessary to remember that the Government are trustees for the taxpayers of this Colony, whose interests it is the Government's duty to protect by every means in its power.

It is also necessary to remember that the other party to any such exchange transaction by the Government would be a Bank, which would at once protect itself against loss by entering into a covering contract. When the Unofficials ask for protection for the tax-payers' money, their wishes should be met and the onus for the action laid on them. In the present instance the Government were in the extraordinarily fortunate position of the Unofficial Members of this Council unanimously volunteering to take upon their own shoulders the responsibility for the Government fixing sterling exchange forward.

We regret being obliged to emphasise this point of fixing exchange forward. Our reason for doing so is that it has been suggested by persons outside of this Council (in ignorance of the true facts) that the Unofficial Members were to blame for omitting to advise the Government to adopt the business-like precaution of fixing sterling exchange forward.

And, lastly, the Unofficial Members desire me to express our sympathy with Your Excellency in having so soon after your arrival here, to deal with an unbalanced Budget, and also in being the chief sufferer from those cuts in Civil Servants' salaries which you have, so promptly, brought into force. (Applause).

THE DIRECTOR OF MEDICAL AND SANITARY SERVICES.—

1. When making comparisons between the present medical staff and that of say 1930 or 1929 it is only fair that certain facts should be borne in mind:—

- (a) That the Medical Department when I arrived in 1929 was admittedly inadequate for the work it had to perform, and the first task set me was that of reorganisation of the Medical and Sanitary Services.
- (b) That a twenty per cent. leave reserve must be allowed if officers are to get their proper quota of leave.
- (c) That in a small service, although for clearness of administration the staff is divided into branches, it is not economical to provide a 20 per cent. leave reserve for each branch but that the largest section should carry a sufficient reserve to allow of such replacements as the Malariologist, the Bacteriologist, the Radiologist, and so on.
- (d) That in 1929 there was no adequate leave reserve.

2.—The fact that the individual officers were appointed since 1930 does not seem to be relevant. The date of appointment does not necessarily imply the creation of a new post but ordinarily implies only that an existing vacancy was filled on that date.

The 1929 staff list shows that there were then eight Medical Officers all but one of whom belonged to what is now the Hospital Division, and that one exception helped in hospital work when occasion demanded. The number quoted by the Hon. Member is 10, an increase of only two.

3.—The work of the hospital division includes duties in connection with:—

- (a) Government Civil Hospital—both inpatients and outpatients.
- (b) Government Mental Hospital.
- (c) Victoria Hospital—inpatients and outpatients.
- (d) Kowloon Hospital—inpatients and outpatients.
- (e) Infectious Diseases Hospital.

- (f) Victoria Gaol Hospital.
- (g) Lai Chi Kok Prison Hospital.
- (h) Kowloon Mortuary.
- (i) Families of Government servants, Victoria.
- (j) Families of Government Servants, Kowloon.
- (k) New Territories Dispensaries—six in number.
- (l) Hospital at Jubilee Reservoir (Shing Mun).

4.—Since 1929 there has been a considerable increase in the various activities connected with the hospital division:—

- (a) At the three general hospitals only the inpatients have increased from 6,845 in 1929 to 8,614 in 1935, the outpatients from 79,450 to 150,629.
- (b) Work at the gaol and prison hospitals has so increased that the Superintendent of Prisons has asked for a whole time Medical Officer.
- (c) The number of bodies dealt with at the Kowloon Mortuary was 2,626 in 1929 and 3,107 in 1935.

In addition, 97,575 rats were examined.

- (d) In the New Territories work has greatly increased there being six dispensaries instead of two, also a travelling dispensary.
- (e) At Jubilee Reservoir (Shing Mun) there is a small hospital and an outpatient clinic for 2,000 labourers.

5.—With regard to the domiciliary treatment of Government servants there has been no outstanding increase and there is now for this duty the same number of Medical Officers as there was in 1929 viz. one for Victoria—who also does the Gaol and Infectious Diseases Hospital and acts as Police Surgeon—and one for Kowloon who also does the prisons, the Mortuary, the New Territory and in addition is Railway Medical Officer.

6.—It will be seen that the small increase of staff of the Hospital Division from eight to ten is in no way due to the change of the Government Orders which allowed of senior officers being attended in their houses when such was necessary.

7.—It is not therefore correct to say that a good deal of the time of the present medical officers could be saved if people who now go to Government Hospitals were compelled to consult private practitioners.

8.—With regard to the Hon. Member's suggestion that Government should arrange for contracts with private firms of doctors for medical attendance, the Government does not consider that the arrangement would be economical. The amount of time spent over domiciliary visits is far less than the Hon. Member seems to think. This is obvious from the large amount of other work the Medical Officers for Families have to do.

9.—There is no restriction on any officer's choice of doctor but Government servants are not compelled to ignore the qualifications of Government Medical Officers and seek the attention of Private Practitioners.

10.—The Hon. Member has been misinformed—It is not the policy of the Director of Medical and Sanitary Services for the Government to take over (at the expense of the taxpayer) all the Medical Services of the Colony and to drive eventually the private practitioners out of business. There are already adequate nursing homes where the private practitioners can attend their own patients.

11.—The custom of restricting treatment in Government hospitals to members of the Hospital Staff does not differ materially from that in vogue elsewhere.

12.—In the so called voluntary hospitals in London, if a patient chooses to resort there for treatment he must put up with treatment by one of the staff: the same applies to the Municipal Hospitals of London or Glasgow: the same applies to Hospitals in America, in Germany, in France and Italy: the same applies to Malaya.

13.—With regard to the staffing of the Queen Mary Hospital, it is intended that the same system as prevails at the Government Civil Hospital shall prevail there viz.—that the work shall be divided between the Government Medical Staff and the Government Consultants who are Professors in the University. The Government Staff then as now will consist of both European Medical Officers and Chinese Medical Officers.

14.—The number of Chinese Medical Officers in the service already represents 43 per cent. of the total number of qualified medical officers, and this proportion will be increased.

15.—I hope that the replies I have given will convince the Hon. Senior Unofficial Member that the small increase of Medical Officers from 8 to 10 is justified.

THE COLONIAL SECRETARY.—I should like in the first place to congratulate the Honourable Member on both the manner and the matter of his maiden speech in this Council. It was said, I think by Disraeli, that no Government can last without a strong opposition, and this Government welcomes criticism of a constructive nature, such as has been advanced in the speech to which we have just listened.

Mr. Lo's case, expressed succinctly in his own words, is "that the Colony cannot afford to maintain the existing Civil Service" and that it must "cut its coat according to its cloth." The Government would be inclined to concur, if the mover would add the proviso "in present circumstances." One is apt to be misled by metaphors and the Honourable Member seems to contemplate a static Colony, which has reached the end of its growth. It is doubtful if Mr. Lo consciously intends to put forward this view, but the view is implicit in his arguments. With this implication the Government cannot agree.

The Honourable Member takes the figure of the estimated revenue for 1936, namely \$26,671,845, which was calculated with the rate of exchange taken at 1s. 8d. to the dollar, which revenue will, if the dollar remains at about 1s. 3½d., be increased by a sum estimated at \$1,170,000, representing the increased yield of the taxes based on the conventional dollar, and assets without any explanation in support that a revenue of just over \$26½ millions must be regarded as normal, or, as he says, as representing the cloth according to which the Government must cut its coat. It will be remembered that the revenue in 1931 was \$33,146,724, in 1932 \$33,549,716, in 1933 \$32,099,278 and in 1934 \$29,574,286. The final figures for 1935 are not yet to hand. The Government is of opinion that a figure, which, it is hoped, represents the estimated minimum revenue of the Colony at the nadir of a period of depression cannot be taken as the standard for future years.

The Government again is unable to agree that the Colony cannot, at the appropriate time, stand the strain of extra taxation. This Colony is frequently compared with Singapore, although its municipal undertakings are under the direct control of the Colonial Government. Honourable Members will remember that the assessed tax in Singapore is 22+2 per cent., a total of 24 per cent., in comparison with the 17 per cent. in force in this Colony, and in Singapore there is no free water allowance. The Government cannot agree that a Colony, such as Hong Kong, in which there is little direct taxation, where there is no Income Tax, where the duty on whisky and gin is one-sixth of the duty in the United Kingdom, and the duty on cigarettes proportionately even less, "is already taxed to capacity, if not beyond it."

The Honourable Member has devoted a considerable part of his speech to an attempt to prove that because 60 per cent. of the Colony's revenue is spent on what he calls "salaries" leaving only \$9,500,000, I quote his words, "to cover the whole cost of Civil Administration including social services and the thousand and one items of essential public expenditure" therefore the existing Civil Service is too costly for the Colony to bear. Now I venture to assert that there is a fundamental fallacy in the Honourable Member's dramatic contrast of \$14,000,000 spent on salaries and nine and a half million dollars on the whole of the civil administration including social services. No such contrast in fact exists. The Honourable Member seems to

imply that there is nothing to show for the large sum spent on salaries, but the salaries for the most part represent the cost of the civil administration and of the social services to which the Honourable Member refers. Take for example the legal departments the cost of which goes almost entirely in salaries—what are these but part of the cost of civil administration? Or take the Medical Department, the personal emoluments of which amount to roughly eleven out of sixteen lakhs of dollars, or the Education Department with fourteen lakhs for personal emoluments out of just under nineteen lakhs. What are these but two of the social services of the Colony? Does he include Roads under items of essential Public Expenditure? It has been asserted that under certain modern methods of road making 85 per cent. of the cost goes in wages.

The conclusion drawn by the Honourable Member from his premises is a complete *non sequitur*. A far better analysis of Public Expenditure is to be found in a publication entitled "An Economic Survey of the Colonial Empire (1932)" published by His Majesty's Stationery Office in 1934. The figures there given in respect of several Colonies are as follows:—

	H.K.	F.M.S.	Straits Settlements	Kenya	Nigeria
	%	%	%	%	%
Administration	38.00	34.4	41.4	37.0	36.1
Economic development	9.7	12.0	13.7	20.7	9.1
Social Services	21.8	21.5	24.5	22.17	17.8
Defence	18.9	2.8	13.3	4.45	7.2

It will be seen that the cost of administration in Hong Kong is put at 38 per cent. as against 41.4 per cent. in the Straits Settlements, 37 per cent. in Kenya and 36.1 per cent. in Nigeria. Mr. Lo will of course object that the cost of administration should be computed by his method to include various other items, but this would apply alike to the computation in respect of these other Colonies. The Government's case is that the cost of administration in Hong Kong compares not unfavourably with that of other Colonies.

I suggest that it would be more profitable to abandon this fallacious distinction between salaries and other forms of expenditure and to consider the question of whether the taxpayer receives an adequate return for his expenditure as a whole, whether the Colony has undertaken services which it cannot afford and whether the services it provides could be provided more cheaply than at present without undue loss of efficiency. Now these are matters which the Government has always in mind. It believes that the taxpayer does receive an adequate return for his expenditure, the services it under-

takes have been asked for and indeed in most cases demanded by the public and have in all cases been approved by this Council. Such services could of course be curtailed but the Honourable Member has wisely refrained from specifying the services he wishes curtailed, except for a hint that the Government is giving greater medical facilities than the Colony can afford.

My Honourable friend the Director of Medical and Sanitary Services has replied in detail to most of the points raised by the seconder of the motion in connection with the Medical Establishment of the Colony. On this subject I shall confine myself to more general remarks on the points raised by the mover.

The Medical and Sanitary Departments have during the last few years been reorganised with what was thought to be the support, if not the encouragement, of the unofficial members of this Council, a reform which culminated in the recent legislation covering all matters of public health.

It must be remembered that in 1924 the estimated population of Hong Kong was 695,500 as against 966,341 in 1935. In 1924 the public health organisation of the Colony was considerably below that deemed normal for a first class Colony such as Hong Kong then was and still is. In 1924 there was no Government Hospital in Kowloon, which had then a population of 140,000. The only medical assistance offered by Government on the peninsula was at a small outpatients' dispensary in Nathan Road. The present Government Civil Hospital, soon to be replaced by the Queen Mary Hospital, contained two wards less than to-day. The Maternity block at the Victoria Hospital had not been erected. There was no Central Medical Store, no special Radiological Branch or Malaria Bureau, no Venereal Diseases Clinic, no New Territories dispensaries, no Infant Welfare Centres and no school welfare service, and the Tsan Yuk Hospital was not a Government institution.

The amount of work performed by the Medical Department, that is the amount of service to the community of Hong Kong, may be gauged by the following figures showing the increase in the number of patients treated in Government Hospitals, clinics and dispensaries.

	1924	1935
Inpatients	6,899	12,510
Outpatients	66,578	277,188
Vaccination	—	11,438
Operations	864	2,691

It is somewhat inopportune now to query the cost, unless the Colony is prepared to forego the services which it has till recently been demanding. In providing these services Government in no way wishes to enter into competition with private practitioners, or to provide free what can and should be paid for. A recent investigation

as to the use made of the Government Hospitals by persons, other than Government servants, able to afford the services of private practitioners does not support the complaint that the Government Medical Service is merely entering into competition with the private practitioner. It is true that the fees charged could be raised but the Government is anxious to avoid the necessity for raising them being of opinion that the charges at present fixed are not unduly low.

The Education Department like the Medical Department has developed with the times. Honourable Members will recollect how Government was urged to proceed with the new Central British School. The Police Department, regarding which I shall speak more fully later, has had new and onerous duties thrust upon it, and an opium policy, which we have adopted in conformity with our obligations to the League of Nations, has at the same time diminished our revenue and swollen the population of our gaols.

I now turn to the third of the questions I suggested as matters for consideration viz. whether the services rendered by the Government could be performed more cheaply without undue loss of efficiency. The Honourable Member's arguments on this point aimed chiefly to show that the Government ought to proceed more rapidly with the replacement of an admittedly expensive European staff, more particularly in the subordinate grades, by Asiatics. Mr. Lo quotes statements by the late Governor and by the Acting Colonial Secretary. The Government stands by these statements but as the Honourable Member must realize the process is an extremely slow one. The Government has the matter constantly in mind but there is a transition period in which we now are when we still have the Europeans more or less as teachers and the non-Europeans still more or less in the capacity of pupils. This is the case in the Sanitary Department, where local Sanitary Inspectors have been and are being trained. It is also the case in the Medical Department in respect of Nursing Sisters, but there are other reasons why it has not been found possible to reduce the number of sisters and increase the number of nurses. There is no difficulty with regard to recruiting probationers for the local nursing staff; in fact there is a large waiting list. In spite, however, of the salaries given which are higher than those offered in other institutions and in spite of the excellence of the accommodation provided the majority of nurses leave hospital soon after qualification. This exodus has been very disappointing especially to the teaching staff who have worked so hard to train the nurses and uphold the standard required. A large number of nurses have married, some are in Government employment as public health nurses, others are engaged in private nursing.

It appears to be a fact that Chinese girls like their sisters in England prefer to reside in their own homes or in their own quarters where there is more freedom than is possible in an institution where routine work under strict discipline must be maintained. Government

trained nurses are in good demand outside and there is no difficulty in finding employment. The time must come when the number of trained nurses will be sufficient to satisfy all needs as is the case in England; when that happens graduates will be content to continue their careers in hospitals.

The following record shows the after history of Government trained nurses:

Employed by Government of whom two are in Government Hospitals and fourteen in outside clinics	16
Married	17
Employed by the Society for the Protection of Children	3
Private nursing	2
Nursing outside the Colony	2
Physically unfit	2
Died	2
Unaccounted for	2
Training for a medical degree	1
Total	47

A local branch of the Senior Clerical & Accounting Staff has been formed, but considerable difficulty has been experienced in recruiting suitable candidates from outside Government Service.

Honourable Members are already familiar with the work per formed by the Electrical Department of the Public Works Department in the training and employment of local staff, but they may be unaware that University trained Chinese expect salaries equal to those drawn by European Officers. Mr. Lo of course will point to the saving on passages. Leave in England, however, serves more purposes than mere recruitment of health. Many professional officers of this Government devote their leave of absence to bringing themselves up to date in their particular speciality, and increase in qualifications is reflected in increase in efficiency.

The Honourable Member refers to an application for the post of Assistant Government Analyst from a certain Chinese from Canton. On the appearance of this candidate, as his qualifications were *prima facie* satisfactory, a telegram was immediately sent to the Secretary of State for the Colonies requesting that the recruitment of a sterling officer should be postponed. That officer had, however, already sailed. The Government Analysts do important work for the mercantile

community as well as for the Government and fully qualified officers are necessary and the Government had no reason to believe that a local candidate with the necessary qualifications was available for the vacancy. In this connection I would remind the Honourable Member that one of the existing Assistant Analysts is a local appointee.

I regret to have to state that the initial experiment of employing Chinese Sub-Inspectors of Police proved unsuccessful, and that the services of the officers employed in that capacity had to be discontinued.

The mover and seconder of this motion have both referred to the subject of bribery and to the need for some change in the conditions of employment which would make it easier to dispense with an officer's service. Now, Sir, however desirable it may appear that the services of Government servants generally should be determinable at the discretion of the Governor-in-Council, the Government is bound by the Colonial Regulations covering this matter, and it is more than doubtful whether the Secretary of State for the Colonies would grant a special dispensation therefrom in the case of one Colony. Criminal proceedings, as the Honourable Member points out, may not in certain cases be successful, but a difficulty exists in that if an officer were found guilty by the Governor-in-Council of an offence which is clearly criminal he might well protest that the Government did not venture to bring the case before a Court, so that he might take his trial before a public and independent tribunal.

The seconder proposes a far-reaching change on which he will hardly expect the Government to express an opinion at a moment's notice. The Government will however give careful consideration to his proposal.

The mover points the finger of reproof at certain individual officers and certain departments. He mentions the Secretary to the Director of Public Works, whose salary is on a scale recommended by the Salaries Commission, which consisted of the then Chief Justice of this Colony, together with two gentlemen who have been members of this Council. He refers to the Librarian and Chief Clerk at the Colonial Secretary's Office and asks whether the one need be a sterling paid officer and the other on a salary of £1,050. In respect of the Librarian, it should be pointed out that this officer is responsible for the preparation of Government publications and their distribution, is also the storekeeper of the office and in charge of the Government printing and publishing sales department. He also performs the clerical duties in connection with the Legislative Council meetings. It is more than doubtful whether he could be efficiently replaced by an officer on a lower scale of salary.

In regard to the Chief Clerk, who is the head of the Government Clerical Staff, and to the European clerical staff of the Colonial Secretary's Office generally, it will be remembered that this Colony differs from most other Colonies by the fact that the great majority of its inhabitants and even of its locally recruited Civil Servants are

not British subjects. There is a certain amount of work which in other Colonies may be undertaken by locally born British subjects, which in this Colony has perforce to be performed by Europeans. The growing complexity of modern government is inevitably reflected in an increase of work and responsibility in the Colonial Secretary's Office.

I am glad the Honourable Member referred particularly to the proposed appointment of a sterling-paid officer as official anaesthetist. He will be interested to learn that this appointment was advocated with a view of improving the facilities for the teaching of medical students at the University of Hong Kong. The great majority of these students are non-European, but to make them proficient to replace Europeans the engagement of Europeans, as in this instance, is necessary. The appointment in question is not that of a special sterling-paid officer as official anaesthetist, but of a Medical Officer with special experience in the administration of anaesthetics to fill a vacancy in the medical establishment for a European medical officer, and it was with a view to economy combined with efficiency that the idea of engaging a medical officer with special training in anaesthetics was conceived. Such an officer is available in the Medical Departments of the Straits Settlements and of the Federated Malay States, and the lack of a specialist in Hong Kong has laid open to serious criticism the curriculum for the instruction of students.

As I said before the Honourable Member appears to ignore the growth of the Colony within recent years, a growth which I hope and expect will continue. That growth alone accounts for the increase in several departments, and to this must be added the international obligations which the Colony has had to undertake. I would mention in passing the International Convention for the Safety of Life at Sea, which has entailed an increase in the work of the Harbour Department, the Factory and Mui-tsai legislation, which has necessitated an Inspectorate under the Secretariat for Chinese Affairs, the development of flying with its attendant increase of staff, not only under Air Services but also under Royal Observatory, the development of Wireless services, entailing more work in both the Post Office and the Public Works Department, the increase in the Volunteer Defence Corps and the inauguration of the Naval Volunteer Force. All these additional commitments have been undertaken by Government with the approval of this Council.

The Honourable Member refers to the numbers of officers in the Police. The authorised establishment fifteen years ago (in 1921) was one Captain Superintendent of Police, one Deputy Superintendent of Police, three Assistant Superintendents of Police and one probationer. The provision in the estimates for this year is for one Inspector General of Police, one Deputy Inspector General, two Divisional Superintendents of Police, two Superintendents, seven Assistant Superintendents and one probationer. It is submitted that this increase is not disproportionate to the growth of the Colony, nor is the number of Commissioned Officers excessive for a Force of

over 2,000 men. In this connection the Honourable Member will bear in mind that times of depression are not necessarily times in which the work of Government decreases. On the contrary such times frequently throw considerable additional work on certain Government Departments, of which the Police is one, and the Treasury another.

The Honourable Member also quoted figures to show that the Government has not implemented its promise to retrench, particularly in the matter of European staff. He quoted the number of European Civil Servants in 1935 as 975, the number given by the Government in answer to his recent question. That figure includes, however, fifty-two European Civil Servants on dollar salaries. The total number of European Civil Servants has increased from 647 in 1923 to 975 in 1935, but the proportion of Europeans on sterling salaries to the total Civil Service in 1923 was only 9.65 and it has decreased to 9.52 in 1935. The increase in the Civil Service has been consonant with the increase in the growth of the Colony and the amount of work, municipal and otherwise which has to be performed by the Government.

The Government regrets that it has again as in the case of sterling paid officers in 1931, found it necessary to impose a levy on the emoluments of its servants, with a view to decreasing the deficit in the Budget. As Honourable Members are aware a bill has been read a first time this afternoon in which legislative sanction is sought for the levy on salaries and in introducing the Bill the Attorney General has set out the financial position which compelled the Government to impose the levy. The Government is taxing its own servants to meet what it hopes is a temporary emergency, and it is exploring every possible means of economy; it is at the same time considering every possible method of increasing the Colony's revenue. In addition it is considering the granting of facilities to officers to retire before the normal age limit, and except where it is absolutely necessary, it is not appointing new officers for whom provision is made in the estimates or filling vacancies as they occur or renewing the contracts of officers on a temporary basis. The Honourable Member asks that Government should not engage any more persons on a sterling basis without consulting this Council, and that no vacancies should be filled without similar consultation. That to a large extent represents the present practice. The annual estimates, by which the expenditure of the year is definitely limited and arranged, are submitted to this Council and in respect of any application for supplementary expenditure the approval of the Finance Committee, on which there is an unofficial majority, is almost invariably sought in the first instance.

The Honourable Member who seconded the motion suggests that an Unofficial Member should be appointed to the Appointments Board of the Senior Clerical and Accounting Service.

It is assumed that the Honourable Member refers to the Appointments Committee which deals chiefly with promotions and with the filling of vacancies as they occur. These are matters for which the

Government must accept complete responsibility. The Committee does not deal with the creation of new posts or with salaries. These matters the Government is obliged by the Constitution to refer to the Legislative Council. It does so refer them and the Legislative Council after receiving such information as it may consider necessary to justify the proposals must share with the Government the responsibility for the creation of new posts and for any changes of salary scales. The Government feels that the Honourable Member's proposal would not prove satisfactory either to this Council or to the Government.

The mover refers briefly and the seconder at some length to the failure of the Government to fix exchange forward for the whole of its sterling commitments for 1936 at the time when the budget for 1936 was under consideration. Even supposing such a course had been possible the Government could not properly have taken it. The matter was very fully discussed at the time. The Government was in possession of exclusive information as to the probable course of exchange in the near future. To use that information to meet a possible budgetary difficulty at an extremely critical moment for the Colony's currency when a transaction such as that suggested might have precipitated a crisis, and have caused detriment to others appeared to the Officer then administering the Government and to his advisers to be little short of immoral.

The Government, Sir, is now engaged in the difficult task of keeping its Expenditure within its means. Its expenditure happens at the moment to be inflated by commitments on large public works which cannot economically be curtailed and some of its revenue producing assets are at the moment unrealizable. The sudden drop in exchange has disturbed the equilibrium between revenue and expenditure but there is no reason for panic or for uneconomic retrenchment. Our major commitments should be completed by this time next year, certain of our assets which do not appear in the balance sheet should be realizable as soon as commercial prosperity revives, and a cautious policy in the future should quickly restore the equilibrium.

Meanwhile the Government is obliged to take unusual and I hope temporary measures to reduce the deficit in its budget and these measures include a temporary levy on salaries and retrenchment in staff and work where this can be accomplished without undue loss together with an in-road into the surplus balances which have been built up to meet just such an emergency as has now come upon us.

The Government agrees with the resolution standing in the name of the Honourable Member only in so far as it refers to present circumstances. It cannot accept all the arguments advanced by Mr. Lo in support of his motion and it hopes that the Honourable Member

after hearing this explanation will be content with the ventilation of a very important matter and will not press his motion to a division. (Applause).

HON. MR. M. K. LO.—Before I say a word in reply I wish to ask if Your Excellency would give the Unofficial Members leave to confer for a few minutes with reference to the concluding remarks of the Colonial Secretary.

HON. SIR HENRY POLLOCK.—This was granted on a previous occasion.

H.E. THE GOVERNOR.—I would like the privilege of addressing the Council myself.

HON. SIR HENRY POLLOCK.—I beg Your Excellency's pardon.

H.E. THE GOVERNOR.—I want to thank the Honourable Member who proposed this Resolution for a most usefully critical speech. If his particular points could not have been met to the very full extent that they have been met by my Honourable colleague, the Colonial Secretary, it would of course have signified that the authorities who framed our past budgets and the Councillors who passed them were either negligent, incapable or improvident. Happily for their reputation and for the Colony's well-being the picture is not in fact so black as the Honourable Member has painted it. Its gloomy tones, I am bold to believe, are partly and largely the shadows of the dark clouds of a passing depression.

But the pragmatic value of criticism lies not in the answers given to particular points but in the general reaction which it evokes; and I can assure this Council that the Government will, so long at any rate as I am associated with it, react to Mr. Lo's two main points; firstly, that staff must be kept at the minimum compatible with efficiency; second, that the percentage of local recruits must be kept at the maximum so compatible.

Coming from the Straits Settlements I am already accustomed to find in the Unofficial Members on Finance Committee the trusty watch-dogs of the tax-payer: this is an important function and none the less salutary because they may occasionally be found barking up the wrong tree. But the mover of this resolution, in his two main points, is undoubtedly on the right scent and one that I have been following myself.

Inter-Colonial comparisons are difficult. Variations in Exchange rate here, and the complexities of Municipal, Rural Board, Education Board and Hospital Board finance in the Straits Settlements, make a comparison between the two Far-Eastern Colonies particularly difficult. But if my calculation is correct that the Straits Settlements salaries bill, exclusive of pensions and allowances, is 46 per cent.

of their 1936 budget and 56 per cent. of their annually recurrent expenditure, I should tell you also that their mounting pensions liability has been a matter of increasing concern to their Legislative Council, and that the ear-marking out of general surplus of a Pensions Reserve Fund has been recently mooted.

While therefore I am not prepared to subscribe to the letter of this motion I have a grateful sympathy with its spirit, and I will say now on behalf of the Government that no vacant post on the establishment will be filled without examining the possibility of its retrenchment and that no officer will be engaged from overseas without first examining the possibility of a local recruitment.

In the latter connection, however, I desire to refer to one passage in the Colonial Secretary's speech, the passage in which he told us that University-trained Chinese expect salaries equal to those drawn by European officers. That, surely, is an unreasonable expectation. European officers have to endure and to finance climatically enforced separations from their families, and it is an accepted and uncriticised principle in Malaya that at least 25 per cent. of their salaries represents an overseas allowance. I feel sure that the principle will prove equally acceptable here when people have had time to think it over.

The Honourable the Senior Unofficial Member who seconded the motion has been given, in answer to his remarks regarding Government's refusal last autumn to fix exchange forward for its sterling Commitments this year, the very reply that he hoped would not be given. That is because it is the true and only possible reply. I was not here at the time, but I have read the correspondence and from it emerges very plainly the dilemma in which Government found itself. It was on the one hand, as the Honourable Member expressed it, the trustee of the tax-payer; and it was on the other the keeper of the public conscience.

The fact that the advice for fixing exchange forward was tendered unanimously by the Unofficial Members of this Council was proof enough that the proposal was not morally indefensible. But there are matters in which a Government should not allow itself to be placed in a position where a defence of its morality may be even called for. For Government to have fixed exchange forward with an exclusive foreknowledge of relevant future events to be brought about by itself might, I consider, have created a situation in which official scrupulousness could have been questioned; and questionings of that kind might have done the Administration greater injury than it would have reaped financial gain by fixing exchange forward.

That is all I have to say on this motion but before putting it to the vote I would ask the Honourable proposer to consider whether his purpose has not been adequately served by this debate; if it has,

there is hardly any need to proceed to a division. I will gladly accede to the proposer's wish to confer with his colleagues on this matter. (Applause).

The Unofficial members then retired.

Upon Council resuming,

HON. MR. M. K. LO.—May I, Sir, thank the Hon. Colonial Secretary for his very able and comprehensive statement and my Hon. Friend, Dr. Wellington. It is impossible to reply to such a lengthy statement at a moment's notice, but I hope the Honourable Colonial Secretary will forgive me if I say frankly that I am not myself convinced that everything has been done to effect retrenchment in all directions during the past few years. We are very grateful to Your Excellency for what you have said and I am personally grateful to Your Excellency for your comments and the spirit in which you have accepted and considered my motion.

But the object of this motion is not so much to criticise what has been done in the past, as to focus with as concentrated a light as possible on the danger signals disclosed by the present, and pointing ominously to the future.

That the Civil Establishment is overstaffed is the general impression of the public, is the conviction of the Unofficial Members and is, I believe, conceded by a substantial number of the Civil Servants themselves.

The idea of the motion is to record our views of the present so that they will serve as a useful reminder. I submit that only a frank recognition and acceptance of this view can constitute the impelling determination to effect all possible retrenchments, and for this reason I must press for a division.

The motion was put to the meeting and defeated by nine votes to six.

H.E. THE GOVERNOR.—You have abstained, Mr. Braga?

HON. MR. J. P. BRAGA.—I am abstaining from voting for the reasons I now explain. My reasons are that the statements from Government have been so satisfactory in giving a frank and candid expression of opinion on the criticisms that have been advanced on the subject of the necessity for retrenchment. Further, the under-taking on the part of the Government to consider retrenchment in the future is to my mind satisfactory, and is in support of the very spirit of the resolution proposed on behalf of the Unofficial Members.

HON. SIR HENRY POLLOCK.—I would like to mention, Your Excellency, that although the Hon. Dr. Ts'o is not present he is in general sympathy with the motion.

ADJOURNMENT.

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

FINANCE COMMITTEE.

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

Votes totalling \$29,552, being \$19,255 under Estimates 1935, and \$10,297 under Estimates 1936, were considered.

All the votes were approved.
