

Thursday, 5th September, 1946.

PRESENT: —

HIS EXCELLENCY THE GOVERNOR (SIR MARK AITCHISON YOUNG, G.C.M.G.).

THE HONOURABLE THE OFFICER COMMANDING THE TROOPS (BRIGADIER P. L. LINDSAY).

THE COLONIAL SECRETARY (HON. MR. R. R. TODD, *Acting*).

THE ATTORNEY GENERAL (HON. MR. G. E. STRICKLAND, *Acting*).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. T. MEGARRY, *Acting*).

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

HON. DR. P. S. SELWYN-CLARKE, C.M.G., M.C., (Director of Medical Services).

HON. MR. C. H. SANSOM, C.M.G., C.B.E., (Acting Commissioner of Police).

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

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

HON. MR. D. F. LANDALE.

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

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

HON. MR. LEO D'ALMADA E CASTRO.

HON. MR. R. D. GILLESPIE.

HON. DR. CHAU SIK-NIN.

MR. D. R. HOLMES, M.B.E., M.C., (Deputy Clerk of Councils).

MINUTES.

The Minutes of the meeting of the Council held on Tuesday, 27th August, 1946, were confirmed.

PAPERS.

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

Order made by the Governor in Council under section 18 of the Quarantine and Prevention of Disease Ordinance, 1936, Ordinance No. 7 of 1936, declaring Formosa an infected place, dated 15th August, 1946.

Order made by the Acting Director of Supplies, Trade and Industry under Regulation 50 of the Defence Regulations, 1940, relating to the inspection of goods prohibited for export when transported in the New Territories, dated 8th August, 1946.

Additional items made by the Acting Director of Supplies, Trade and Industry, under Defence Regulation 50 of the Defence Regulations, 1940, to the Schedule to the Price Control Order, 1946, dated 14th August, 1946.

Amendments made by the Acting Director of Supplies, Trade and Industry, under Defence Regulation 50 of the Defence Regulations, 1940, to the Schedule to the Prohibited Exports Order, 1946, dated 14th August, 1946.

Additional item made by the Acting Director of Supplies, Trade and Industry, under Defence Regulation 50 of the Defence Regulations, 1940, to the Schedule to the Prohibited Exports Order, 1946, dated 14th August, 1946.

MOTIONS.

The ATTORNEY GENERAL: I rise to move the following resolution:

Resolved pursuant to section 3 of the Public Officers (Changes of Style) Ordinance, 1937, that the style of the office of "Bacteriological Institute" be changed to that of "Pathological Institute," that the style of the office of "Bacteriologist" be changed to that of "Pathologist," that the style of the office of "Assistant Bacteriologist" be changed to that of "Assistant Pathologist" and that the style of the office of "Local Assistant Bacteriologists" be

changed to that of "Local Assistant Pathologists" for all purposes and that the following addition be made to the Schedule to the said Ordinance: —

Old style of officer, office or department.	New style of officer, office or department.
Bacteriological Institute	Pathological Institute
Bacteriologist	Pathologist
Assistant Bacteriologist	Assistant Pathologist
Local Assistant Bacteriologists	Local Assistant Pathologists

He said: The resolution is of a formal nature and I shall leave it to my Honourable friend, the Director of Medical Services, to give the reasons why the word Pathologist is preferred to that of Bacteriologist and the consequent amendments.

The DIRECTOR OF MEDICAL SERVICES: The reason for the change of title is to conform to current practice and to employ names to describe more exactly the work of the Institute and the executive staff.

H.E. The GOVERNOR: The question is that the motion standing in the name of the ATTORNEY GENERAL be approved.

The motion was carried.

VEHICLES AND TRAFFIC REGULATION (AMENDMENT) BILL, 1946.

The ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend temporarily the Vehicles and Traffic e Regulation Ordinance, 1912." He said: The objects and reasons for the Bill have been fully stated and I don't propose to add anything to those objects and reasons.

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

Objects and Reasons.

1. The present definition of a "public vehicle" contained in the Vehicles and Traffic Regulation Ordinance, 1912, is: —

“Public vehicle’ includes every vehicle which plies for hire or is from time to time let out for hire or is intended to be let for hire, but does not include any bicycle or tricycle not propelled by mechanical power.”

2. As it stands, both bicycles and tricycles are excluded from plying for hire.

3. During the British Military Administration, Proclamation No. 26—Vehicular Traffic (Provisional Regulation) laid down a scale of fares inter alia for bicycles and tricycles. This provision was expressed to be made notwithstanding the provisions of the Vehicles and Motor Traffic Regulation Ordinance which it was then considered should not be, at that time, amended.

4. It has now been decided that pillion bicycles for hire must cease to ply after the end of August, but a limited number of tricycles will be allowed temporarily. It appears, therefore, to be an appropriate time to bring the Ordinance in line with proposed policy.

5. The amendment contained in Clause 2 of the Bill will alter the definition of public vehicle to read: —

" 'Public vehicle, includes every vehicle which plies for hire or is from time to time let out for hire or is intended to be let for hire, but does not include any bicycle or motor tricycle.' "

The previous reference to mechanical power was redundant as it has never been intended that motor bicycles or motor tricycles should be licensed to carry passengers.

6. Such amendment allows the Governor in Council to amend the regulations under the Ordinance so as to make provision for the licensing of passenger pedal-tricycles in accordance with the policy mentioned in paragraph 4 of these Objects and Reasons.

7. It is intended that the British Military Administration Proclamation mentioned in paragraph 3 of these Objects and Reasons should be repealed and such of it as is still applicable incorporated in the regulations made under the Ordinance.

8. In view of the fact that the licensing of tricycles may be a temporary measure only, Clause 3 gives the Governor power to order that the Ordinance, if passed, shall cease to have effect not earlier than 31st December, 1946, the date on which the licences now intended to be issued in respect of tricycles will expire.

BUDGET FOR 1946-1947.

The FINANCIAL SECRETARY moved the Second reading of a Bill intituled "An Ordinance to apply a sum not exceeding One hundred and sixty million seven hundred and fifty-one thousand six hundred and sixty-five. dollars to the Public Service of the financial year ending 31st March, 1947."

The COLONIAL SECRETARY seconded.

The HON. Mr. LEO D'ALMADA E CASTRO: I am grateful to Your Excellency for permission to speak first and I also wish to thank the three Unofficial Members senior to me for kindly agreeing to my doing so.

I have no comments on the enormous expenses necessary for rehabilitating the Colony, a feature of this, and I fear, many budgets to come. How the funds are to be raised to meet the expenses is another matter.

We have heard mention of income tax, a measure to which none could take exception were conditions in this Colony different. As things are, however, let me add my objection to those of the Honourable Members who speak after me. To the reasons other members will advance I add this—a human one. Your taxpayer disgorges the less unwillingly if he is satisfied that every one in his class is also made to do so, and is not likely to be able to evade the obligation. Income tax in a place like Hong Kong is very easily dodged, and I am certain that the people who will evade it, wholly or in part, will outnumber those who will pay it. Postwar morality is not of a high order, and in Hong Kong it is particularly low.

Can we not have alternative forms of taxation or higher taxes instead, which would hit the classes at which an income tax is aimed? Can we not, for instance, have higher taxes on gin, whiskey, and brandy, on cigarettes and tobacco other than the cheapest brands, on private cars and lorries? Can we not raise the petrol tax for all vehicles save buses and taxis? Is there any objection to a surcharge on restaurant meals that cost more than a certain sum? Surely the betting tax could be largely increased? Should not the professional man be made to pay a substantial fee for his licence to practise? And if he must have a licence, is there any reason why a similar licence should not be required for business firms, shops, restaurants and the like? I urge Government to consider these suggestions. For myself, I would infinitely prefer to be taxed much more heavily in the above items, while knowing that everyone else who eats expensive meals, drinks, smokes and owns a car is being made to pay. With an income tax I would always

bear a grievance born of my conviction that more than half the people who should be paying it were not doing so.

There are a few items in the Estimates on which I feel I must remark. The first is that for Repatriation Office, on page 47. I take it that this is the office that has had charge of sending people by the hundreds to the United Kingdom, Australia and elsewhere since the reoccupation. We have not been told how the heavy cost of this is to be borne. Is the Hong Kong taxpayer to pay for this "repatriation," which I regard as a misnomer, in that all these people were sent away for a holiday or rest and have been, or will be, brought back to Hong Kong, while many of them have their homes here and were really temporarily expatriated for a change which might or might not have been needed? I cannot believe this Colony will not be called upon to foot this bill, except for the small amount provided in the Estimates.

Tucked away on page 161 are certain items of miscellaneous expenditure. One is "Grant to Hong Kong University," and it appears from the memorandum on the estimates that the larger part of this is to pay full salaries to the University staff for the whole period of their internment. Is there any legal obligation on Government to make this payment and like payments which, I am told, have been made to Government servants who were interned? And are the latter payments a liability which this Colony will at some time or other be called upon to meet?

If there be no legal obligation to make these payments will Government state how they are justified? It would be interesting to know, too, why full salaries are to be paid only to those who were interned, while others who were not are to receive only three months' salary as an *ex gratia* payment. What is the reason for the distinction? I am afraid I can see none, except in the case where the individual, by reason of his not having been interned, was able to find employment.

Finally there is the item "Foreign office claims in respect of relief payments," which the Hon. the Financial Secretary tells us is relief paid to refugees in Macao.

Is it intended to claim repayments from the recipients of this relief who through no fault of their own had perforce to go to Macao? I hope not, for to do so while at the same time handing out magnificent bonuses to Government servants for doing nothing during the war years would be highly inequitable. I raise the question now because I understand that some steps have already been taken in the matter. Certain Volunteer ex-prisoners of war, I am told, have had part of their pay withheld on the ground that it may have to go to meet the expense of maintaining their families and dependents in Macao. I cannot imagine anything more unjust

than to exact such payments from family breadwinners who fought in the defence of this Colony when Government is so very liberal in the treatment of its own employees.

Sir, may we have a full statement on these matters, a statement which, I earnestly hope, will show that Government is implementing all the fine promises made during and since the war that discrimination is a thing of the past.

The HON. Mr. D. F. LANDALE: Your Excellency, I would like to preface my few remarks with a word of congratulations to the Financial Secretary and his department for having built a very formidable edifice without either bricks or straw and with only a very meagre quantity of cement. I should like also to express the hope that when the actual figures of expenditure come to be compared with his estimates there will not be too many discrepancies.

It is perhaps only natural that after well nigh four years of occupation the Colony should be faced with a budget the size of which is out of all proportion to what it was accustomed to before the war and also, it is hoped, to what it will be stabilised at in a few years. I am constrained therefore to leave the items of expenditure without making very much comment.

I would, however, like to refer to one item, although the amount is not very considerable. It is in connection with the Quarters Commandant's Office. It is not at all clear to a number of us what this Office's functions are. I should like to enquire whether it is the Quarters Commandant who is responsible for seeing that Government's powers of requisition are carried out in accordance with the Defence Regulations and as amended by Proclamation No. 30 dated April 1st, 1946, and also whether he has any control over Service requisitions?

There is a very wide spread feeling in the Colony that Government's powers of requisition are not being carried out in the spirit, as well as the letter, of the proclamation, to which I have referred, especially in regard to Article 2, Sub-section C, which lays down the principles on which Government's emergency powers should be exercised and limits their purpose in the following words: "To facilitate the re-adjustment of industry and commerce to the requirements of the community in time of peace."

I submit, Your Excellency, that the method of administering the Government's powers of requisition are not being carried out with this in view.

Civilians are returning to this Colony and are finding that they are deprived of a number of their weapons of peace, weapons which

in many cases were owned and acquired by them, be they clubs, institutes, hostels, flats, offices, cars, etc. They are the ones who still have to improvise and I submit that it is time they were accorded that degree of priority which is more compatible with the present changed conditions.

I will not take up this Council's time by giving specific instances to illustrate the point I have tried to make, but I could do so, otherwise I would not have made these remarks.

I can assure you I fully appreciate the difficulties the Services are up against and can only hope that in their turn Government and Services appreciate the difficulties the commercial community is labouring under to restore the Colony's former prominent commercial position.

I have no further comments to make with regard to the various items of expenditure other than to express the hope that Government will do all in its power to curtail expenditure to such a degree as will not retard the rehabilitation of the Colony. In this respect I am very gratified to see Your Excellency has set up a Committee under the Chairmanship of the Secretary for Chinese Affairs for this specific purpose. I can but hope that the gentlemen you have nominated to this committee will be able to find the necessary time to carry out their onerous and important duties. It may well happen that after this committee has been in session for a time my unofficial colleagues will suggest that Your Excellency applies for outside help. This admittedly would be an added expense, but the results may be more rapid.

I would now say a word about the Colony's revenue. The Financial Secretary, in moving the first reading of the Appropriation Bill, made reference to the fact that some form of income tax was under consideration. There is no doubt in my mind that ways and means must be found of increasing the revenue of the Colony. There is also no doubt in my mind that income tax as applied in the United Kingdom is the most equitable form of taxation. There is however, a very grave doubt in my mind whether it is possible to apply the United Kingdom form of income tax with the same degree of equity in a place like Hong Kong.

This matter was very exhaustively enquired into by a special committee, of which I was a member, in 1940. Their findings bore out my doubts and the War Revenue Ordinance took the place of an income tax. I hope, therefore, Sir, that before any final decision is reached on this subject. this Council will be given ample opportunity of considering the matter of how best the Colony's revenue can be increased.

The HON. Mr. CHAU TSUN-NIN:

Before I proceed with my comments I would like to congratulate the Hon. Financial Secretary on his able performance of a decidedly difficult task. The community owes him a debt of gratitude for having brought out a budget that is much less drastic than some people had feared. Though it cannot be said to be one that has aroused our enthusiasm, it is not one that should cause general despondency. In short, it is a practical and business-like budget.

The first point I wish to deal with is the proposal to substitute a normal form of general income tax for the taxes now levied under the War Revenue Ordinance. I am afraid that this method of taxation, though almost universal in Western countries, is hardly applicable here, and will certainly find little public support, especially among the Chinese who constitute the majority of the taxpayers.

The reason for this dislike is that it would involve inquisitorial enquiries into people's private affairs. This, I admit, is not a very cogent argument. But a much stranger reason against the imposition of this form of taxation is that it is easy to evade and would require the employment of a large staff to deal with collection and checking; and I very much fear that the result will be far from justifying the energy and expenditure involved.

I have no hesitation in expressing the firm conviction that conditions in this Colony are now even less favourable to the successful imposition of a general tax on income than they were towards the end of 1939. May I remind you, Sir, that in November of that year the proposal to introduce this tax was very fully debated in this Council and the Government felt obliged to discard it.

For this reason, Sir, I would urge the abandonment of this proposal.

Some people are also opposed to the salaries tax, as it is felt that while professional men and people in responsible positions in reputable firms, whose records can always be checked, would have to pay the tax, numerous others—and they form by far the majority—could easily evade payment, because there is no possible means of checking up on their salaries or emoluments. It seems to be a case of getting the honest to pay and allowing the dishonest to get off.

I would advocate an increased levy on business profits tax on a sliding scale, according to the amount of profit made; and I think that, if properly and efficiently administered, it should bring in a substantial amount to the Treasury.

There are other directions in which revenue can be increased; for instance, luxuries and amusements could, in my view, well afford to bear a heavier burden.

Consideration might also usefully be given to the following: —

- (a) A sale Tax, either general or on certain selected articles.
- (b) A tax on the increment values disclosed on the sale of leasehold properties when compared with their 1941 values.
- (c) A tax on hotel and restaurant bills.
- (d) A tax on mortgage interest.

There is, also, heavy blackmarketing going on in theatre tickets, and if people can afford to pay more to the racketeers, there is no reason why a heavier tax should not be imposed, so that the money which people will in any case be paying, may flow into the public coffers for the Colony's benefit.

Turning to the expenditure side of the Budget, I wish to make a few remarks in regard to the Police Department.

Heavy as the appropriation is for meeting the commitments of this department, I think that there are few who do not agree with me that more encouragement should be given our police force in the way of better emoluments and rewards for meritorious services, if we are to expect them to discharge their duties whole-heartedly and efficiently under present abnormal conditions with crime so rampant.

Their task is an unenviable one, often involving the risk of loss of limbs and even life, and the salaries they are receiving will not compensate them for the danger to which they are exposed in the discharge of their duties. I therefore advocate a revision of emoluments for the Police, commensurate with the risks they incur, and the responsibilities they are expected to shoulder; and I would also urge that a better scale of awards should be laid down for injury sustained in the performance of duty, as well as for capture of armed robbers and other services of outstanding merit.

More liberal compensation should also be given to the dependants of those who have lost their lives in the execution of their duties. After all, if the community expect the Police to do their job well, they should be prepared to pay them well.

My next point is in regard to the Medical Department.

I am glad that my Honourable friend, Dr. Selwyn-Clarke, is once more at the helm of the Medical Department. All old timers know what Dr. Selwyn-Clarke has done for the Colony, and particularly in the dark days for those in and out of internment. His good work, often done at great risk to himself, will always be remembered.

The Colony is at present suffering from an acute shortage of free medical service and hospital accommodation and many people are unable to get the treatment or accommodation they need. I refer in particular to the poor who have to be turned away daily from the free out-patients department of the Government hospitals and I hope that the Hon. Dr. Selwyn-Clarke will find means of extending these free medical services so that a larger number of the poor people may benefit. It seems to me to be just a case of putting more doctors on the job and allocating more medicine for these Unfortunate people, many of whom are without the means of consulting a private physician.

In conclusion I would like to make one general observation.

In making the necessary financial provision for the rehabilitation of this Colony, I feel that we must try, by every means possible, to avoid the burden falling too heavily on those who have suffered financially or otherwise from the disasters of the last few years. While as a general principle, discrimination is to be avoided, it behoves us to devise methods by which relief and encouragement can be extended to those who after grievous losses are struggling to re-establish their businesses and their homes, often in competition with those whose losses have been negligible or have possibly profited by the years of war and the peculiar conditions resulting from the war.

The HON. Mr. LO MAN-KAM: Your Excellency, High cost of living, abnormally high labour costs, dislocation of trade, depreciation in the value of currency in terms of commodities, wholesale destruction of property and a serious lag between revenue and expenditure:---these Sir, are the bitter aftermath of a ruthless enemy's occupation. And so neither Your Excellency's review of the general financial situation in the Council on 16th May, 1946, nor the Hon. the Financial Secretary's speech in introducing the budget on 26th July, 1946, occasioned any untoward surprise to the Council. We had realised, in the words of the Financial Secretary, that there was so much to be done in the way of repairs and re-equipment and that the sums required would be very substantial indeed. And if the estimated deficit of nearly 115¹/₂ million dollars, as announced by the Financial Secretary, somewhat exceeded even our dreaded expectations, we can at least console ourselves that it was not greater than it might have been.

Sir, an estimated expenditure of over 160³/₄ million dollars for any financial year is easily a record for the Colony. I venture to think that the budget debate itself will constitute another record in this Council. I do not think that there has ever been an occasion on which the Unofficial Members of this Council have been in accord with Government to a greater extent than they are to-day regarding

the financial position of the Colony as a whole, including the major items of expenditure and the means by which the equivalent revenue could be found.

It is but common sense that "rehabilitation cannot be a gradual process. To be effective it must be carried out with the greatest possible speed so our repair programme must be the maximum which can be efficiently supervised by the staff available." There will, therefore, as I venture to predict, be very little in the way of criticisms from the Unofficial Members.

After all, this is as is to be expected. In the halcyon days of normality there was plenty of room for differences of opinion both as to the necessity for, and as to the conflicting priorities of, any particular expenditure, even if there was nothing controversial as regards any items of revenue. To-day we are confronted with a situation in which we must apply what money can be made available to rehabilitation and to repair of the ravages of the enemy occupation.

Moreover, in the past, in reviewing in retrospect the administration, of the previous year various aspects, even the minutia, of that administration, would strike different persons in different ways. But the financial year 1st April, 1941 to 31st March, 1942 was brought to an abrupt end on 25th December, 1941. And although many things, and even harsh things, could be said about various matters during that period, no useful purpose can now be served by our dwelling on that dismal prelude to the four years of darkness. I shall therefore content myself with a few general observations.

INCOME TAX: The Hon. the Financial Secretary has indicated that it is the Government's intention to examine the question as to whether it is desirable to replace the taxes now levied under the War Revenue Ordinance by a normal form of income tax. This subject was so exhaustively debated in this Council in 1939 and 1940 that I cannot feel justified in taking up more of this Council's time by repeating my views to-day. I hope, however, that before a final decision is reached Your Excellency will give due consideration to the debates, which are fully reported in the Hansard for the two years. I may add that there is no difference of opinion that a tax in the nature of an income tax should be levied: the only question is as to the form in which tax should be levied. The arguments in favour of the simplified form of the War Revenue Ordinance and against the form of an elaborate income tax legislation, apply with undiminished force to-day.

LOCAL EMPLOYMENT: The Hon. the Financial Secretary, in the course of his able speech, made a statement which has given universal satisfaction to the Chinese community and which I venture to quote: "The Government is however fully alive to the

necessity for reducing expenditure on personal emoluments to a normal figure at the earliest possible date and to the desirability of employing as many locally recruited officers as possible."

In the civil service debate which I had the honour to introduce in this Council on the 13th March, 1936, I ventured to cite various quotations as showing that the declared policy of Government ever since 1931, if not earlier, was to give a greater scope to locally employed personnel. In particular I quoted the statement of the then Acting Colonial Secretary in the budget debate in 1935:—"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."

H.E. Sir Andrew Caldecott, in winding up the 1936 debate to which I have referred, said: "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 spite of these solemn declarations by Government there was not very much to be seen in the result of the implementation of that policy until it fell to the lot of the military Administration to give to the local people a real chance in filling some of the important posts of the administration. Without any undue complacency I can confidently claim that the bold experiment of the Military Administration has been amply justified by results.

I need hardly point out that the essence of the policy which has such an attractive appeal to the public is the recognition that local men can fill with distinction even the higher posts of the Administration. The corollary of this implication is that men occupying a given post should receive the same remuneration irrespective of race, the saving to the public being the absence of Home leave in England in case of a local occupant of the post. In connection with this subject I venture to put one question to Government and to express one hope. The question is this: Will Government specifically give details of "European" posts in, for example, the Education, Medical, Police and Public Works Departments to which it is likely that Chinese and other local-born officers have been, or will be, appointed in 1946-47, bearing in mind that the estimates of expenditure of these four important departments of the Government service form a large percentage of the total estimates of the Colony?

The hope I venture to express is that Government may consider the advisability of granting scholarships for the Hong Kong

University, and, through the University, for post-graduate studies in the United Kingdom, for those who are desirous of filling posts in the local administration which require specialised or special qualifications.

GENERAL: I am not a pessimist and it is no pessimism to recognise, as was pointed out by the Hon. the Financial Secretary, that in order to attain a quick rehabilitation we will at first have to expend some 200 percent more than we receive. It is obvious that the strictest economy must be exercised and every possible retrenchment effected. It was therefore a matter of gratification to me to read the recent announcement of the appointment by Government of a committee to investigate the staffing of Government departments and the possible adjustment of the rates of temporary allowances payable to certain grades of Government employees whose present salaries and allowances are found to be inadequate to meet the cost of living appropriate to those grades.

I think it would be wrong to accept with complacency the prospect of nearly 115½ million dollars deficit for the current year and a comparable deficit for the next one or two years. Knowing the total effort of the British people in winning World War II and the staggering financial responsibility they had and have to bear, it would ill become this Council to make any pressing or embarrassing appeal for help from the British Government. But if this Colony does possess any value as a part of the British Empire, apart from its being a port in which its residents carry on their lawful avocations for their individual benefits, it may well be that the British Government will think it right to afford to this Colony a measure of financial assistance which, though trivial in relation to Great Britain's annual expenditure, will be of the greatest assistance to the Colony.

If so, I feel I can confidently say that it will be accepted with deep appreciation and gratitude. If there is no uncertainty as to the Colony's future, and with the possible financial assistance to which I have referred, I share the optimism of the Hon. the Financial Secretary in his prediction that a period of prosperity will and almost certainly follow.

In conclusion I should like to pay my humble tribute to the Hon. the Financial Secretary for the able manner in which he has dealt with the very complicated finances of the Colony during a period of unprecedented difficulty.

The HON. Mr. R. D. GILLESPIE: Your Excellency, I should like to endorse what has been already said by my unofficial colleagues, and particularly the Hon. Mr. Landale's request that this Council be given ample opportunity of considering the question of how best to increase the Colony's revenue before any final decision is taken.

While I entirely agree, of course, that ways and means must be found to increase the Colony's Revenue, I share the doubts already expressed by Hon. Unofficial Members that income tax: is an equitable form of taxation for Hong Kong. I should like to suggest that the special committee referred to by the Hon. Mr. Landale be reappointed to enquire particularly into the workings of the War Revenue Ordinance and to make recommendations, to which Government should give due weight, as to the most suitable forms of taxation for this Colony.

There is one item in the Estimates on which I should like to comment, namely that of \$5,000 for new civil airport preliminary expenses, the Hon. the Colonial Secretary stated some months ago that Government is aware, and endorses the view, that it is of the first importance that the Colony should be provided as soon as possible with the most up-to-date and efficient air transport facilities. But if \$5,000 is all that Government proposes to spend on this work up to the end of March, 1947, it would appear that, in fact, the importance of the matter is not fully appreciated. Unless Government takes this subject seriously and presses on with the work, Hong Kong will lose the opportunity, which it now has, of becoming a really important link in the net-work of world airways.

The HON. Dr. S. N. CHAU: Your Excellency, the Senior Unofficial Members having already touched upon most of the salient points in the draft estimates; there remains practically nothing of importance for me to comment on.

I would, however, like to congratulate the Hon. Financial Secretary on his masterly handling of an exceptionally difficult task. As he rightly says in his introduction to the memorandum on the estimates, there is no standard of comparison upon which he could frame his present estimates, and the result has had to be obtained largely by conjecture. However, in spite of the extreme difficulties with which he has had to contend, the budget he has presented is not as harsh or burdensome as might have been feared. For this achievement the Colony owes him a debt of gratitude.

Though the Hon. Mr. Landale has already elaborated on most of the items enumerated in the draft estimates, I would like to crave Your Excellency's permission and the indulgence of my Hon. colleagues to touch upon some of the more important heads which do not appear to have received sufficient attention.

The first point on which I wish to draw attention is the Education Department. The amount allotted to this Department does not appear to me to be adequate. Though I would not like to see an increase in the expenditure, I regard the Education Department as one of the most important Government departments, and hold the view that if the high standard it has set is to be attained, a more liberal grant is necessary.

The number of schools in Hong Kong to-day is considerably smaller than that before the war, while the number of children attending schools must have appreciably increased.

As the future would depend upon the education our children receive to-day, we cannot and must not stint them in the provision of an education that would fit them for right citizenship. I would therefore much like to see the allocation of a more liberal grant to the Education Department, even at the sacrifice of some less urgent or important services.

While on the subject of Education I note that little or no almost no provision has been made for primary vernacular education which seems to me of u most importance to the Chinese community. As the majority of the population of this Colony is Chinese who also constitute the greater portion of tax-payers, I think it but fair and reasonable that there should be better facilities for providing their children with an education in their native tongue.

Students of English are well cared for, and rightly so; but I think that a firm foundation in the knowledge of one's mother tongue is of equal importance. I would therefore strongly urge that Government remedy this deficiency without further delay. The additional expenditure to be incurred should not be too heavy, as the cost, of equipping a vernacular school is very much less than that of an English school.

The present budget is austere for its lack of the provision of amenities to the public. There is for instance, a crying need for better reading facilities, for the public, especially for young people whose thirst for knowledge is evident by the large numbers so often seen squatting on the side-walks eagerly devouring all kinds of books, not all of which can be said to be suitable for their consumption.

Every up-to-date town and city in every part of the world has its own public libraries; but to-day this Colony seems to be singularly deficient in this necessary provision. The cost of the establishment of a few libraries should not be prohibitive and the money thus used would be money well spent. I would commend this to the early and sympathetic consideration of the Government.

There is another amenity which is really an absolute and urgent necessity. I refer to the sadly inadequate supply of hospitals to meet the need of the public. It was only just a few days ago that I had great difficulty in finding accommodation for a patient in one of the too few hospitals in the Colony. It must be remembered that not all of us when taken ill can afford the luxury of a private hospital, and the few poor men's hospitals are so congested that there is always a long waiting-list for admission.

Apart from the question of distance, the hospitals now catering to the needs of the public are sadly insufficient for the growing population and additional hospitals are therefore an urgent necessity calling for the early and serious consideration of the Government.

I now turn to the heading No. 19 on page 30 of the Estimates, I find myself in complete agreement with my senior Chinese colleague, the Hon. Mr. T. N. Chau. I need hardly say that our police force is of exceptional importance to-day and its efficiency and integrity are essential factors for the maintenance of law and order. As we are aware, the police to-day have an unusually arduous duty to perform, one highly fraught with danger; and unless the personnel is efficiently maintained and well remunerated we cannot expect to obtain the best result. With crimes of violence on the increase and the danger to them intensified by armed robbers who unhesitatingly kill at sight, our police have an unenviable task to perform; but the pay they are receiving is sadly inadequate. For this reason I would advocate an increase in emoluments and payment of adequate compensation for loss of life or bodily injuries sustained in the performance of duty.

The Hon. Mr. d'Almada has made some pertinent comments on the manner in which Government have made payments to internees. I would like to support him in his remarks.

Though none can object to the payments made to the internees this matter of making payments without consulting this Council is one much to be deprecated and strongly discouraged. This Council has every right to demand an explanation as to why it has not been consulted, or why its advice and consent have not been sought.

As representatives of the public we have a duty to discharge in this matter. As I have said, no one would question the justice of paying the people concerned; the objection lies in the manner in which payments were made and in the complete disregard of established practice. I sincerely trust that there will be no recurrence of this method of handling public finances.

The Government's effort in removing racial discrimination by opening the Peak district to the public regardless of race or creed has received universal approval. I would be happier if all forms of racial discrimination, both official and unofficial, were eliminated. It is sad to think that while we hear on all sides comments on the trials and sufferings which the people of all nationalities went through during the dark days when all loyally worked together for the return of peace and liberty, we find there still exist in our midst racial and other forms of discrimination on the return of British rule, a rule founded on justice and equality. It would indeed be a happy day for the Colony when complete equality were enjoyed by every section of the cosmopolitan community, irrespective

of race or creed and when Government posts were open to all and remunerated according to personal merits. It is only by fair treatment that mutual trust and co-operation could be achieved and the Colony could really hope to rise from the ashes of destruction of the past four years and resume its eminence as the jewel of the British Empire in the Far East.

With these few remarks I have much pleasure in supporting the motion now before this Council.

The HON. Dr. P. S. SELWYN-CLARKE: Eight years ago the Technical Committee for the Reorganization and Improvement of Official Hospital and Clinical Facilities reported to Government a deficiency of over 3,300 hospital beds. The committee submitted a programme of expenditure of rather over ten million dollars which provided for some 2,500 additional hospital beds and for certain outpatient and welfare facilities. These proposals received the general approval of Government and the Secretary of State for the Colonies. Unfortunately, the Second World War intervened.

At the time of the liberation just over a year ago, there were little more than 500 hospital beds available for the general public, of which 200 each were in the Tung Wah and Kwong Wah Hospitals. Every effort was made to restore as rapidly as possible the services of which the community had been deprived during the 44 months of Japanese occupation.

Here, I should like to recall to Honourable Members the courage and devotion to duty of those Chinese doctors and nurses who remained at their posts and rendered invaluable service to the community at the risk of their lives and were responsible for saving the majority of the hospitals from the fate suffered by the University, King's and Queen's Colleges and other educational establishments.

In less than a year after the liberation, my colleagues and their hard-working staffs have succeeded in increase the hospital accommodation from 500 to over 2,300 beds. During the same short period clinical facilities have been provided on the Island, the Kowloon Peninsula and the New Territories as far from home as Tai O, with the generous assistance in the early days of the Navy, Army and Air Force.

While progress has been by no means unsatisfactory, my colleagues and I share, the views of my Honourable Friend Mr. T. N. Chau and our distinguished medical colleague, Hon. Dr. S. N. Chau, that a very great deal more remains to be done before we can approach the standard of medical service which it is our ambition to

provide for all sections of the community, especially for the underprivileged whose needs have been so ably championed by the Honourable Unofficial Members of Council.

I should like to assure my Honourable friends that His Excellency the Governor and his advisers are giving very earnest consideration to the improvement of medical and health services in this Colony.

In the not distant future, it is hoped, that the Lords Commissioners of the Admiralty will approve the necessary outlay on renovating the War Memorial Hospital on the Peak. This will release for the general public two floors at the Queen Mary Hospital which are occupied at present by the Royal Navy, —a service which has rendered incalculable assistance to the civil medical department.

His Excellency has sanctioned the reconditioning of Felix Villas, which should provide nearly 100 much needed beds for curable cases of pulmonary tuberculosis. Approval has also been accorded for the provision of temporary hutments in the grounds of the Kwong Wah Hospital, which will ease the pressure to some extent on hospital beds in Kowloon.

With such a colossal rehabilitation programme, it is obviously out of the question, at the moment to press for the implementation of the recommendations of the Technical Committee to which I referred in my opening remarks. At the same time, Honourable Members may rest assured that everything humanly possible will be done, to improve medical services in Hong Kong.

May I end my remarks with an appeal to all Honourable Unofficial Members of this Council, who are specially interested in seeing such facilities restored, to assist my colleagues and myself in persuading doctors and nurses to come forward and join the Medical Department which has suffered severe losses in the past few years and has a considerable number of vacancies. Perhaps the Honourable Unofficial Medical Member of this Council would help, too, by inducing colleagues who, like himself, possess special skill in certain, branches of medicine and surgery, to Offer their services as honorary consultants, as is the practice in Great Britain and elsewhere.

It goes without saying that the finest equipped hospital, clinic or welfare center is valueless unless there are trained nurses and skilled doctors to staff it.

The FINANCIAL SECRETARY: I shall now endeavour to deal with some of the points raised by Honourable Members. I will start with the question of payment of salaries to officers who were interned. The Honourable Mr. d'Almada enquired whether Government was under any legal obligation to make these payments

and whether the Colony will be called upon to meet them. I do not propose to express any opinion on how far the doctrine of frustration applies in a case of this kind, but clearly there is a very strong moral obligation. No one would seriously suggest that if a member of the Armed Forces is taken prisoner by the enemy he should not be paid during his period of captivity and surely the position is the same in the case of a civil officer who remains at his post and is interned when the area is overrun by the enemy. Any expenditure on salaries during the period of internment is naturally a charge against the funds of this Government.

While I was glad to note that the Honourable Dr. S. N. Chau agreed with the justice of such payments I was sorry to hear that he objected to the manner in which the payments were made and what he referred to as "complete disregard of established practice."

I should like to assure the Honourable Member that there was really no disregard of established practice. This Honourable Council was not reconstituted until May of this year, some seven months after the persons concerned had returned to their home on their release from internment, Most of them had incurred expenditure during their period of internment for the support of their families and quite obviously a decision in regard to their arrears of salary had to be taken soon after their release.

The Secretary of State made this decision, not only in respect of Hong Kong, but in respect of all the British territory in the Far East which had been overrun by the enemy. I hope that have satisfied the Honourable Member that there was no intention to sidetrack the legislature. The position merely was that there was temporarily no Legislative Council to consult and I think I can safely say that nothing of this sort can happen again while the Colony remains under any normal form of Government.

The question of the different treatment accorded to officers who were interned and those who were not interned has also been raised. As I explained some weeks ago in reply to a question in this Honourable Council, His Majesty's Government is prepared to give further consideration to this question.

A Committee on which unofficials are represented has been appointed to make recommendations and it is still sitting. When their report is received it will be forwarded to the Secretary of State who will of course, also have to pay due regard to the representations made on the subject by the Governments of Singapore and the Malayan Union. Quite obviously on a matter of this kind there must be a uniform policy throughout the British Dependencies in the Far East.

The Honourable Mr. d'Almada touched on the question of relief payments made in Macao. The circumstances in regard to individual payments vary enormously and the matter is still the subject of correspondence with His Majesty's Government. I regret therefore that I am not yet in a position to make any statement in regard to policy concerning repayments but the Honourable Member will probably agree that in cases where the amount received was not unreasonably in excess of what it would have cost to keep the family elsewhere, it would not be unreasonable to effect some recovery.

The Honourable Mr. d'Almada also commented on the small provision of \$3,200 included under the Miscellaneous Head of the Estimates to cover the expenses of the Repatriation Office. The work of this Office had largely come to an end by the date on which Civil Government was re-established and of the former staff only one stenographer now remains, the necessary supervision being exercised by the Secretariat.

No provision has been included to cover the return passage expenses of persons repatriated under this scheme as the question of the incidence of the cost is still the subject of correspondence with His Majesty's Government. There is a separate vote to cover the cost of transport of Government servants from which the return passages of officials are being met.

The Honourable Dr. S. N. Chau spoke of the importance of education and he would like to see an increase in that vote. The fact that the increase in expenditure in comparison with 1941 amounts to nearly two million dollars will, I hope, convince him that we have not been niggardly this year in regard to the amount of money which is being provided for this important Department. He will also no doubt be interested to know that we have just obtained authority from the Secretary of State to pay Anglo-Chinese and Vernacular teachers in grant-aided schools on the same scale as teachers in similar posts in Government schools.

University trained teachers in grant-aided schools are already on the same scales as teachers with similar qualifications in Government schools.

The Honourable Member also referred to the lack of provision for primary vernacular education. I should like to assure him that Government fully realise the importance of this and the vernacular teaching staff to-day is considerably in excess of that employed in 1941. In fact there are more vernacular classes in the Government schools now than there have ever been. Moreover among the schemes for which we hope to obtain grants under the Colonial Development and Welfare Act we are including one for the establishment of ten Primary Vernacular Schools which will accommodate 250 pupils each.

Before I conclude I should perhaps say a word or two in explanation of a number of differences which Honourable Members will have observed between the figures finally shown in the draft estimates and those contained in the Appropriation Bill.

As Honourable Members are aware the first reading of the Appropriation Bill was taken before the printing of the estimates had been completed in order that the Legislature might be given some information in regard to the financial position. Printing delays were greater than was anticipated and it was therefore decided to make a number of adjustments under Other Charges which were found to be necessary as a result of a further review of current costs.

Provision to cover the newly approved rates of pay for the Police was also included and this has naturally resulted in an increase under personal emoluments. The original provision under the Treasury vote for the salaries of Cadet Officers and other unattached officers still on leave or who are on leave pending retirement was found to be inadequate in the light of later information received. Moreover various additional projects which were received after the first proof of the Estimates had been printed were incorporated under the Development Secretariat Head.

The necessary amendments to the Schedule of the Appropriation Bill will be made during the Committee stage together with any further amendments which may be recommended as a result of consideration in Select Committee.

H.E. The GOVERNOR: Honourable Members of Legislative Council: It has been a noticeable feature of this debate that Honourable Members of this Council, when faced with an expenditure sheet amounting to the immense total of \$167 million, of which nearly \$90 million represents recurrent expenditure, have directed relatively few comments and extremely few criticisms to the actual items of expenditure that have been laid before them.

Honourable Members have in general accepted the position that the whole of this huge and burdensome outlay is inescapable and have recognized that their principal concern at the present time is with the revenue side of our budget.

I shall follow the example of Honourable Members in this matter, and on the principle that the more important subject is better left to the end, I will deal first with some of the observations that have been made on the past, present and future activities of the Government as represented in the details of the Expenditure Estimates, and will conclude with some observations on the question of revenue and the method by which it can be augmented.

The Honourable Mr. Landale asked a question about the functions of the Quartering Commandant and enquired in particular

whether that officer was responsible for seeing that the Government's powers of requisition are carried out in accordance with the Defeace Regulations and whether he had any control over Service requisition. I will answer that question with reference to the functions of the newly appointed Quartering Authority, who is an experienced officer seconded from the Public Works Department, rather than those of the Quartering Commandant, whose department was a survival from the period of the Military Administration and is now, as the Hon. Member will have noted, in process of being closed down.

It is most certainly the responsibility of the Quartering Authority to keep a close watch upon the manner in which the limited accommodation at the disposal of the Government and the Services is utilised. He will have no actual control over requisitioned property; that is and must remain my responsibility; but it is his duty to devise, to accommodate and to enquire. I had already taken note, I may assure the Hon. Member, of the criticisms to which he has referred and special attention is being paid and will be paid to the closest possible observance of the principles which he has quoted.

The Hon. Mr. Gillespie asked in effect for an assurance that the interest taken by the Government in the project of the construction of a new civil airport was not reflected in or limited to the provision of a meagre \$5,000 in the Estimates. I gladly give that assurance. The attitude of Government, which was announced in answer to a question asked in this Council last July, remains unaltered. We are doing what we can, as rapidly as we can, and I can assure the Hon. Member that it is the earnest hope of Government that it will be able at the earliest possible moment to ask the Council to make a very considerable increase in the meagre outlay on which he has commented.

The Honourable Mr. T. N. Chau and the Honourable Dr. S. N. Chau have spoken of the Police Force in terms which I am sure have appealed to the sympathies of every member of this Council. I take this opportunity of adding my tribute to the quality of the work which is being carried out in circumstances of exceptional difficulty by the members of the Force under the wise and able direction of my Honourable friend the Commissioner of Police. It will be gratifying to him, I am sure, as it is to me, to know that this Council appreciates the meritorious services that are being rendered and will be prepared to view sympathetically any proposals that come before it for improving the conditions of service of the Force. In the matter of Police salaries and also as regards the payment of compensation for loss of life or injuries sustained in the course of Police duty much active consideration has been devoted to the needs of the Force since the restoration

of Civil Government and much in the way of actual improvement has been effected.

I welcome very warmly the appeal which was made by the Honourable Dr. S. N. Chau, for the provision of a public library, or rather, as I think he said, of public libraries in the plural.

So Much do I welcome the appeal that I want to add to it, we need not only a library or libraries, we need a. museum, we need an art gallery, we need a first rate Botanical Garden and there are yet other amenities that Hong Kong needs.

And most of all in my judgment we need the establishment here in Hong Kong of a representative, self-managing and progressive public body, a body which in such matters as this and in many other matters shall be in a position to establish the institutions which the citizens of Hong Kong require and to maintain them in accordance with their wishes.

I refer, need I say, to the prospective Municipality of Hong Kong.

And this brings me to another need, one that has been ably and feelingly expressed by the Hon. Mr. M. K. Lo—the need that is felt by us all for the further employment of locally recruited officers.

The Hon. Member has spoken of past assurances of Government on this point and has suggested that performance has not always lived up to assurances. He has, however, I am glad to note, recognised that recently, since the re-occupation, something has been done, at any rate by the Military Administration, to fulfil the intentions and wishes of the Government in this matter. For my part, I do not hesitate to add a specific assurance on the subject to those that have been given in the past. The policy of Government is to ensure that every opportunity shall be given to locally recruited persons not only to enter but to rise in the service of the public up to the highest posts and to fulfil the highest responsibilities of which they are capable or can be assisted to become capable, by any means at the disposal of Government. This is, I say, the policy of Government and I am positive that it is also going to be the policy of the future Municipal Council.

One word more, before I turn to the question of revenue. The Hon. Dr. S. N. Chau expressed approval of the Government's action in asking this Council to agree to the repeal of the Peak District Residents Ordinance; and he followed it up with something in the nature of a complaint on the subject of racial discrimination generally. I want the Honourable Member to understand that the Government and, I make bold to say, the entire community which is in his mind, has precisely the same objects and motives and

desires in this matter as he has himself—the desire that there shall be, and shall be recognised to be, fair treatment, to use the Hon. Member's words, for every section of the community.

Now I come to the question of Revenue—our markedly insufficient revenue. Let me give you again the figures.

Our total estimated recurrent expenditure for the eleven months which constitute the current financial period is nearly 90 million dollars while our total estimated revenue from present sources for the same period is over 51 million dollars, leaving an estimated deficit on the ordinary budget for the year of approximately 38½ million dollars.

The Hon. Financial Secretary has told the Council what this signifies. It signifies increased taxation; and I have been glad to note that Honourable Members in the course of this debate have recognised that fact. They have moreover in their speeches made a number of concrete proposals and have expressed with something approaching unanimity their opinions on what I regard as the most important revenue question before us to-day, namely, the question whether an Income Tax on the normal model shall be substituted for the existing War Revenue Ordinance.

The Government has been asked in the course of this debate to study the debates on the subject which took place in this Council before the introduction of the War Revenue Ordinance, debates in which the question of Income Tax was exhaustively discussed. The Government has also been asked to ensure that before the question of introducing Income Tax is finally decided this Council may be given ample opportunity of considering the whole question of the method whereby revenue may be increased.

Both these things shall most assuredly be done. What I cannot undertake to do—and the Council will hardly expect me to undertake it—is to regard the question as a closed question closed by the decision of 1939-1940. On the contrary it is a question which it is our duty now most carefully to re-examine.

For that purpose and for the purpose of considering every other possibility of increasing our revenue both by exploring new sources and by augmenting existing rates, I am setting up immediately a Taxation Committee on which I shall invite some of the Unofficial Members of this Council to sit. Both in that Committee and in the subsequent review of its recommendations by this Council there will be every opportunity for full weight to be given to every objection and every difficulty which may be held to militate against this or that method of raising revenue. But I shall set before that Committee and I now set before this Council, as the

paramount consideration on which the attention of each one of us should be fixed, the duty that we owe to use every effort to reduce so far as we may, both in extent and in duration of time, our dependence on H.M. Government for financial aid to meet the difference between our revenue and our recurrent expenditure.

Hon. Members—I am now about to put to the Council the question of the second reading of the Appropriation Bill, and after it has been read the Bill and the Draft Estimates for 1946-1947 will be referred to a Select Committee consisting of the Colonial Secretary, the Financial Secretary and all the Unofficial Members.

I commend the Bill and the Draft Estimates to the consideration of that Committee and I assure the Unofficial Members of Council, of whom it will for the most part be composed, that my official colleagues and I are gratefully conscious of the help and support which they are giving to the Government in these exceptionally difficult times. (Applause).

The motion was put to Council and unanimously passed.

The FINANCIAL SECRETARY: I beg to move that the Appropriation Bill together with the Draft Estimates of Revenue and Expenditure for 1946-1947 be referred for consideration in detail to a Select Committee consisting of the Hon. Colonial Secretary, the Hon. Financial Secretary and all the Unofficial Members of the Council.

The COLONIAL SECRETARY seconded.

SUMMER TIME BILL, 1946.

The ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to enable the Governor-in-Council to provide for the observance of Summer Time."

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

On the motion of the ATTORNEY GENERAL, seconded by the COLONIAL SECRETARY, Council then went into Committee to consider the Bill clause by clause.

Council then resumed.

The ATTORNEY GENERAL reported that the Summer Time Bill, 1946, 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.

**CODE OF CIVIL PROCEDURE (AMENDMENT)
BILL, 1946.**

The ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Code of Civil Procedure."

The COLONIAL SYCRETARY seconded, and the Bill was read a Second time.

On the motion of the ATTORNIIEY GENERAL, seconded by the COLONIAL SECRETARY, Council then went into Committee to consider the Bill clause by clause.

The ATTORNEY GENERAL reported that the Code of Civil Procedure (Amendment) Bill, 1946, 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.

ADJOURNMENT.

H.E. The GOVERNOR: That concludes the business before Council, gentlemen, and Council now stands adjourned until Thursday, 12th September, 1946.
