

20th February, 1941.

PRESENT: —

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

THE COLONIAL SECRETARY (HON. MR. N. L. SMITH, C.M.G.) (President).

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

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

THE FINANCIAL SECRETARY (HON. MR. H. R. BUTTERS).

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

HON. MR. A. B. PURVES (Director of Public Works).

HON. MR. C. G. PERDUE (Commissioner of Police, *Acting*).

HON. MR. W. J. CARRIE (Chairman of the Urban Council).

HON. MR. J. J. PATERSON.

HON. MR. S. H. DODWELL

HON. MR. LO MAN-KAM.

HON. MR. LEO D'ALMADA E CASTRO, JNR.

HON. MR. A. L. SHIELDS.

HON. MR. W. N. T. TAM.

HON. MR. T. E. PEARCE.

HON. MR. LI TSE-FONG.

MR. C. B. BURGESS (Deputy Clerk of Councils).

ABSENT: —

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT (LIEUT-GENERAL E. F. NORTON, C.B., D.S.O., M.C.).

ANNOUNCEMENT.

THE PRESIDENT. —Gentlemen, I regret to announce that His Excellency the Officer Administering the Government when walking in the country yesterday evening sustained a slight injury which prevents him from presiding to-day. I am sure that I may express, on behalf of this Council, our deep sympathy and our hopes for a very early recovery.

In accordance with Article XXI of the Royal Instructions I have been appointed to preside at this meeting.

HON. MR. J. J. PATERSON. —Sir, speaking on behalf of the community, may I say how sorry we all are that this accident should have happened to His Excellency and wish him a very speedy recovery. (Applause).

MINUTES.

The Minutes of the previous meeting of the Council were confirmed.

NEW MEMBER.

The Hon. Mr. Li Tse-fong made affirmation and assumed his seat as a member of the Council.

TRIBUTES TO DR. LI SHU-FAN.

THE PRESIDENT. —Since this Council last met we have lost the services of one of our Chinese representatives, Dr. Li Shu-fan, who has since January, 1937, been a valued member. In all matters concerning the Colony's welfare, especially in the sphere of Public Health, Dr. Li has given his services without stint and I should not like his retirement from this Council to pass without expressing the gratitude of the Government and of the community for his valuable services.

HON. MR. LO MAN-KAM. —Sir, on behalf of my Chinese colleagues, as well as on my own behalf, I desire to associate ourselves with your tribute to Dr. Li Shu-fan.

As far as I know, Dr. Li's severance with this Council is a unique event in its history in that his is the first case in which a Chinese Member of this Council has been unable to accept a reappointment for a second term of office for reasons of health.

On his return from his trip to Europe and America at the beginning of this year, he was warned by his medical advisors not to subject himself to the strain of excessive work, and his colleagues and friends know that it was only a compelling sense of public duty which induced him to persevere in his duties as a representative of the Chinese until

the termination of his term of office. Those who have been privileged to work with him could not but be struck with his courtesy and spirit of co-operation, and I would like to tender to him an expression of gratitude for his kindness and assistance to me throughout the whole period of our collaboration.

Although we shall miss his presence in this Council, I am glad that Dr. Li's services, which his medical knowledge and wide experience render so valuable, will continue to be available to the Colony. In the name of the Chinese community I extend to him our best wishes for his future. (Applause).

PAPERS.

THE ATTORNEY GENERAL, by command of H.E. the Officer Administering the Government, laid on the table the following papers: —

Powers delegated by the Officer Administering the Government under regulation 50 (5) of the Defence Regulations, 1940, to Mr. F. C. Barry relating to rice, dated 28th December, 1940.

Order made by the Officer Administering the Government under regulation 55 of the Defence Regulation, 1940, dated 9th January, 1941.

The Defence (Companies Temporary Transfer of Registered Office) Regulations, 1941, made by the Officer Administering the Government under the Emergency Powers (Colonial Defence) Order in Council, 1939, and the Emergency Powers (Colonial Defence) (Amendment) Order in Council, 1940, dated 8th January, 1941.

The Examinations of Masters and Mates Amendment Regulations, 1941, made by the Officer Administering the Government under the Emergency Powers (Defence) Acts, 1939 and 1940, as applied to the Colony by the Emergency Powers (Colonial Defence) Orders in Council, 1939 and 1940, dated 4th January, 1941.

Places appointed by the Officer Administering the Government under section 8 of the Immigration Control Ordinance, 1940, Ordinance No. 32 of 1940, as authorized entry points along the frontier, dated 8th January, 1941.

Premises appointed by the Officer Administering the Government under section 4 of the Immigration Control Ordinance, 1940, Ordinance No. 32 of 1940, as depots for the admission and examination of passengers and seamen, dated 10th January, 1941.

Order made by the Financial Secretary under regulation 4A of the regulations in the Schedule to the Miscellaneous Licences Ordinance, 1933, Ordinance No. 25 of 1933, prescribing the premium of one per cent. for Hong Kong five cent coins, dated 10th January, 1941.

Roll of Nurses registered for 1941 under the Nurses Registration Ordinance, 1931, Ordinance No. 1 of 1931, dated 17th January, 1941.

Roll of Maternity Homes licensed for 1941 under the Nursing and Maternity Homes Registration Ordinance, 1936, Ordinance No. 48 of 1936, dated 17th January, 1941.

Amendment made by the Governor in Council under section 9 (1) of the Police Force Ordinance, 1932, Ordinance No. 37 of 1932, to the Police Pensions Regulations, dated 21st January, 1941.

Amendment made by the Governor in Council under section 3 of the Essential Commodities Reserves Ordinance, 1939, Ordinance No. 38 of 1939, to the Schedule to the said Ordinance, dated 24th January, 1941.

Amendments made by the Governor in Council under the Post Office Ordinance, 1926, Ordinance No. 7 of 1926, to Class A rates of postage, dated 24th January, 1941.

Amendments made by the Commissioner of Police under regulations 187 and 188 of the regulations made under section 3 of the Vehicles and Traffic Regulation Ordinance, 1912, Ordinance No. 40 of 1912, to the rules for controlled car parka, dated 22nd January, 1941.

Instructions made by the Governor in Council under section 10 (6) of the Merchant Shipping Ordinance, 1899, Ordinance No. 10 of 1899, to Government surveyors as to the survey of passenger accommodation, dated 23rd January, 1941.

The Preservatives in Food Regulations made by the Governor in Council under section 3 of the Adulterated Food and Drugs Ordinance, 1935, Ordinance No. 8 of 1935, dated 29th January, 1941.

Order made by the Officer Administering the Government under regulation 37 of the Defence Regulations, 1940, forbidding anchorage to all vessels within an established cable ground, dated 30th January, 1941.

Order made by the Officer Administering the Government under regulation 37 of the Defence Regulations, 1940, prohibiting anchorage to all vessels within a certain area in the Waters of the Colony, dated 30th January, 1941.

Amendment made by the Officer Administering the Government under the Emergency Powers (Colonial Defence) Order in Council, 1939, and the Emergency Powers (Colonial Defence) (Amendment) Order in Council, 1940, to the Defence Regulations, 1940, dated 4th February, 1941.

Amendment made by the Governor in Council under section 3 of the Essential Commodities Reserves Ordinance, 1939, Ordinance No. 38 of 1939, to the Schedule to the said Ordinance, dated 5th February, 1941.

Regulations made by the Governor in Council under section 6 of the Dutiable Commodities Ordinance, 1931, Ordinance No. 36 of 1931, relating to the grant of licences and permits in respect of table waters, dated 6th February, 1941.

The Evidence Ordinance, 1889, Amendment Regulations, 1941, made by the Officer Administering the Government under the Emergency Powers (Defence) Acts, 1939 and 1940, as applied to the Colony by the Emergency Powers (Colonial Defence) Orders in Council, 1939 and 1940, dated 5th February, 1941.

Order made by the Controller of Trade under regulation 50 of the Defence Regulations, 1940, with the consent of the Officer Administering the Government, prohibiting the export, except by licence, of cement, dated 7th February, 1941.

Order made by the Stores Controller under regulation 50 of the Defence Regulations, 1940, with the consent of the Officer Administering the Government, fixing the maximum prices of cement, dated 7th February, 1941.

FINANCE COMMITTEE'S REPORT.

THE FINANCIAL SECRETARY, by command of H.E. the Officer Administering the Government, laid on the table the Report of the Finance Committee (No. 11), dated 30th January, 1941, and moved that it be adopted.

THE ATTORNEY GENERAL seconded, and this was agreed to.

DRAFT ESTIMATES, 1941-42.

THE PRESIDENT. —Gentlemen, —As Colonial Secretary I rise to move “That the Estimates of Expenditure for 1941-42 as now presented be approved.”

On 16th January, 1941, by a Resolution of this Council the draft estimates of expenditure for 1941-42 were referred to a Select Committee consisting of myself, the Financial Secretary and all unofficial members of this Council. We now present our report in the form of the amended print bearing to-day's date.

As foreshadowed in the speech of the Honourable Financial Secretary on 16th January the provision for the construction of a new Lighthouse Tender has been excised. It has also been decided not to proceed during the coming financial year with the building of the proposed new block of offices and quarters at the Central Police Station, though a token vote of \$50,000 remains in the draft estimates to cover any expenditure that may have been incurred in the preparatory work of drawing up plans, etc. Similarly the Select Committee felt that the times are not sufficiently propitious and the plans not sufficiently matured to permit the building of the proposed new Infectious Diseases Hospital at the Kowloon Medical Centre. The Budget Committee realises that this hospital is recommended in the Technical Hospitalization Committee's report, 1938-1939, as the first major item in a long-term programme but it feels that, apart from difficulties of providing the necessary building materials, this is not the time or place to embark immediately on this hospital. The sum of \$100,000 has however been provided which is larger than the usual "token vote" in case it may be possible in the coming year to make a start. The provision of funds for the equipment of this hospital has been omitted as it is felt that, apart from the uncertainty which surrounds the hospital itself, there are at least hopes of considerable emergency stores being available during the coming financial year. Under Charitable Services provision has been made for a grant of \$10,000 to the British Fund for the Relief of Distress in China and under Miscellaneous Services, in response to pressing representations from the University Authorities, the annual grant to the University of Hong Kong has been increased by the sum of \$100,000. The Select Committee also brought under review the matter of the institution, at a cost of over four lakhs, of a system of nightsoil removal by labour directly employed by the Sanitary Department. As it is impossible, in present circumstances, to proceed with the complete scheme as recommended by the Health Authorities considerable doubt was expressed as to whether the benefits to be gained by the substitution of coolies employed by Government for the existing free-lance coolies would be commensurate with the expenditure involved: it was decided, however, that the provision for the emoluments of the 2,000 coolies should be allowed to stand in the draft estimates on the understanding that no actual expenditure will be incurred without the specific approval of the Finance Committee after further consideration of the whole matter. There was insufficient time, when this item came for consideration, to reach a final decision on this important question and the Finance Committee desires an early opportunity of a full discussion with the Health Authorities, upon which will depend the question of authorizing actual expenditure.

The following are the items which have been added: —

Head 5, Charitable Services.

Sub-head 23, Grant to British Fund for the Relief of
Distress in China \$ 10,000

Head 17, Miscellaneous Services.

Sub-head 24, University of Hong Kong (Increased
from \$355,000 to \$455,000) 100,000
\$110,000

The following are the items which have been omitted or reduced: —

Head 11A, Harbour Department.

Sub-head 1, Personal Emoluments. Crew for New
Lighthouse Tender \$ 3,471
Sub-head 21, New Lighthouse Tender 600,000

Head 16, Medical Department.

Sub-head 68, Equipment for new Infectious Diseases Hospital 103,590

Head 30, Public Works Extraordinary.

Sub-head 5, Central Police Station—New Block
(Reduced from \$800,000 to \$50,000) 750,000

Sub-head 26, Infectious Diseases Hospital (Reduced
from \$500,000 to \$100,000) 400,000

Total saving \$1,857,061

Turning to the other side of the picture, the new or additional duties on table waters, hydrocarbon oils and liquor, which were imposed with effect from 16th January, have necessitated a revision of the estimate of revenue: revenue from Duties will, it is now estimated, amount to \$15,690,000 instead of \$13,740,000.

The estimated deficit of \$7,553,776 shown in the draft estimates as presented on 16th January is thus reduced to \$3,866,715.

Lastly, I would remind Honourable Members that every item of Special Expenditure in all departments and every item of Public

Works Extraordinary requires the independent sanction of Government apart from the general provision offered by the Appropriation Bill. Should revenue fall short of expectations or should expenditure at present unforeseen be incurred that sanction will be withheld.

Besides thanking, on behalf of the Government and, I think I may say the whole Colony, the Unofficial members for the time and labour which they gave to the preparation of the estimates in their revised form, I should like to express my particular gratitude to the Financial Secretary and to his assistant, Mr. Todd. I am very conscious of my own shortcomings in this respect but I feel sure that Honourable Members will appreciate that during the past few months it has been physically impossible to devote the time and attention that are normally expected of a Colonial Secretary in framing the financial policy for the coming year.

HON. MR. J. J. PATERSON. —Mr. President, —It is usual for the Unofficial opening to the debate to deal with those matters on which we are all agreed and in which no other Member has any very special interest. This procedure this year leaves me little to say.

We have written His Excellency about the conduct of some of Government's affairs which we sadly feel to be bad. This will, we hope, be dealt with at another time; we do wonder how it is that, alone of all the Services and unlike the business world, no member of our local Heavenborn is ever dismissed for inefficiency. Perhaps the answer is that none is ever inefficient.

The Budget is a good Budget and on behalf of all the Unofficials I would like to thank our Financial Secretary for the very great care he has taken of this Colony's finances.

We have suggested the postponement of various works which we believe can very well keep until later and these have been agreed to, I think the result lies on the table. There is one item, however, which still remains open, the collection of night soil by Government at a cost of \$384,000 for coolies only. We firmly believe supervision can be given to the existing arrangement until we can see more clearly what the future holds for us.

The necessity for Evacuation is at last apparent; I feel that some part of all three parties to it behaved badly, the Colonial Government which failed completely to make proper arrangements ahead of the event, some of the evacuees who continue to complain, I think unduly, of hardships which when viewed in the bomb-light of Coventry are little enough, and the Home Government when it failed to enforce laws laid down and allowed non co-operation to succeed. A Trinity of Incomprehensibility which reminds me of St. Athanasius, his creed. (Applause).

HON. MR. S. H. DODWELL. —Mr. President, —Amendments to the Budget recommended by the Select Committee and agreed to by His Excellency have considerably reduced the deficit originally foreshadowed by my Honourable friend the Financial Secretary.

Everyone must regret the need for the pruning that has taken place, and must also admit that we lag behind lamentably in the matter of Social Services. The leeway must be made up as soon as possible, but surely it is nothing less than lunacy to spend large sums on elaborate hospitals and police stations on the surface of the ground while at the same time we are building a network of air raid shelter tunnels under it.

I am very glad indeed that the Government have agreed to include an extra \$100,000 for the University, of which the revenue has been so badly reduced by the fall in the value of the Chinese National Dollar that it can hardly carry an in a manner befitting the Colony. Our prestige is at stake, and it seems to me we should either run the University efficiently, or not at all.

My Honourable Friend the Financial Secretary considers it inevitable that we increase our War Taxation and favours an Income Tax rather than an increase in the present War Revenue Ordinance rates. Except as regards the Balm Tax, I am not affected by our local taxation, my Company being registered at Home. My views therefore are perhaps suspect. In comparison with Home taxation the Colony is of course ridiculously lightly taxed. At the same time, I am not in favour of increasing taxation on the low level incomes. Married men with salaries around say \$10,000 per annum are, I know, finding it increasingly difficult to make ends meet in view of the excessive rise in the cost of living. Cost of living statistics show a very substantial rise and those young married men with evacuated families and two households to maintain, should receive greater consideration in the allowances for wives and children, provided they pay their evacuation maintenance expenses themselves. I am also strongly in favour of exempting charitable contributions from taxation. This is done at Home and if it isn't done here our charities will surely suffer.

I am convinced that a change from the present compromise taxation to a straight income tax would lead to the same strenuous opposition that it encountered last year. Rather I think we should endeavour to iron out some of the inequities of the present Bill. There must surely be a great advantage in knowing what revenue it produced on the basis of 1939. On that of 1940, even at the same rate, it should produce more, whereas to force an income tax on an unwilling Chinese population might easily lead to our getting less revenue and cost us more to collect.

During the deliberations of the Select Committee, the conduct of certain Government departments came in for much adverse criticism. My Honourable friend the Senior Member has already dealt with this

matter, but I should be lacking in my duty were I not also to stress the extreme seriousness of the many adverse reports and complaints which far too many members of the public have brought to the notice of us Unofficials. Unfortunately, few, if any of the serious charges made can be supported by evidence because those concerned are unwilling to come forward for that purpose, but grievances are so numerous that in the interests of those few departments themselves, as well as that of the public, an enquiry should be held.

Last year in the remarks I made during the budget debate, I expressed my conviction that the Government was suffering from three deadly disabilities: firstly, their inability to dispense with the services of an unsatisfactory servant; secondly, promotion by seniority rather than ability, and thirdly the higher pay obtaining in this Colony as compared with most others, which reduces to a minimum the healthy transfer of staff from one Colony to another, and breeds for too many parochial-minded Government Servants.

In the Report of the last War Revenue Committee the members, composed of the leading business men of the Colony under the Chairmanship of my Honourable friend the Attorney General, were unanimous in recommending that: —

“Before fresh taxation is composed to meet this need, a Commission (preferably a Royal Commission) be set up to investigate the whole organization of civil government in this Colony with a view to ascertaining whether it is possible to effect economies which would permit of a substantial increase in the programme of social services without undue increase of taxation.”

We realise that the present situation renders it impossible for this recommendation to be carried out, but if the same Committee is reconstituted this year, I hope they will repeat this recommendation in their 1941 report, lest 1940's be pigeon-holed and forgotten.

There is pressing need for a thorough overhaul of a system which has raised the total of personal emoluments to such a fabulous sum that the Colony's taxable capacity in normal times is not equal to also providing what should be provided for our social services.

The paucity and mediocrity of the executive material available this year to fill the special war time departments has, I think, confirmed my last year's criticism up to the hilt. I venture to think that the executive heads of the Government staffed these departments not with men they considered to be suitable for the jobs, but with senior men they had either to find jobs for or pension off long before their pensionable age. Although they probably won't admit it, they know in their heart of hearts that this is the case. The Prime Minister has made it clear that he wants to rid himself of much of the verbiage and red tape in which the service abounds. Let us pray that, at the end of this war, he will go further, and see that it is placed on a more businesslike and workable footing. (Applause).

HON. MR. LO MAN-KAM. —Mr. President, —I have very little to say on the Budget now before this Council, which represents the result of the deliberations of the Select Committee to which the Draft Estimates were referred.

It is a matter for regret that certain desirable items have had to be deleted from the Draft Estimates. But, in view of the Budgetary position and the uncertainty of the immediate economic position, the Unofficials have deemed such exclusions wise in the circumstances.

I personally regret that, owing to the general financial situation, the long-promised rebuilding of Queens College has once more to be deterred.

My colleagues and I recently made representations, to Government as to the imperative necessity of budgetting for a substantial amount in the then coming Estimates, to be allocated entirely to anti-Tuberculosis measures and equipment. We felt strongly that much of the already heavy, though necessary, expenditure on the medical side would not be of much avail if the problem of Tuberculosis, entailing such widespread illness, distress and mortality, were to be left untouched. Government has replied to the effect that it has been decided to defer a decision on this matter until the return the Colony of Sir Geoffry Northcote. I hope that before long something will be done in this regard.

I must say I am glad Government has budgetted \$150,000 for the establishment of an experimental agricultural station in the New Territories, and I hope that the result of the experiment to be made in regard to the disposal of night-soil in the New Territories, for which \$60,000 has been budgetted, will prove satisfactory.

I observe that the actual revenue for 1938 exceeded the estimated revenue by nearly 6½ million: that the actual revenue for 1939 exceeded the estimated revenue by over 5¼ million: and that the revised estimate of revenue for 15 months in respect of 1940/41 exceeded the original estimate by over 16 million. I can only hope that the current estimated revenue may happily prove to err in the same direction for the current year, so that funds may be available for so many important projects and social services.

In the Budget Debate held on the 9th November, 1939, I renewed, for the third successive year, a plea that Government might be kind enough to make a substantial grant for providing charitable and medical relief to the Chinese on account of the Sino-Japanese conflict. I am indeed happy that the Select Committee, with the unanimous approval of the Unofficial Members, has agreed to put in, under Head 5 Charitable Services, a donation of \$10,000 to the British Fund for the Relief of Distress in China, Hong Kong and South China Branch.

I feel sure, Sir, that this gesture will be very much appreciated by the Chinese, and my colleagues and I tender our sincere thanks to His Excellency.

Sir, in the extremely able and lucid speech of my Hon. friend the Financial Secretary, in introducing the Budget, there were certain observations on the War Revenue Ordinance with which I must deal. But, before doing so, may I say how much impressed I have been by the way in which he has carried out his onerous duties as Financial Secretary during the difficult and turbulent times through which the Colony has passed since the departure of his distinguished predecessor? I venture to say that the frankness and candour with which he has always treated the Unofficial Members of this Council, and the courage, ability and devotion to the financial interests of the Colony, which characterise all his official actions, have won their united confidence, admiration and respect.

Now, to return to the Honourable the Financial Secretary's observations. The Honourable the Financial Secretary, in his Budget speech on the 16th January, 1941, quoted some remarks he had made when he introduced the War Revenue Bill in this Council in March of the preceding year. These remarks I can only describe as damning the Ordinance with faint praise. He proceeded to say that Government felt "in View of the change in the financial position and the situation disclosed by the actual receipts from the four War Taxes that the principles on which the taxation was based should be reconsidered."

Now, what are the facts? After one of the bitterest controversies which the Colony has ever known, the Bill was introduced to this Council on the 14th March, 1940 with the unanimous general approval of this Council. The statements published from time to time in the Press as having been made by the War Revenue Department that the levying of the taxes was proceeding smoothly would appear to point to the gratifying fact that the hope expressed by the War Revenue Committee, and re-echoed in this Council, that there should be no attempt at evasion in view of the purpose for which the proceeds of the taxes were to be used, has been fulfilled.

Although the yield under this Ordinance was originally estimated to be six million, the revised estimated yield is nearly ten million (which, incidentally, is the amount of the estimated yield for the full Income Tax Bill), and this in spite of the fact that it is universally accepted that the yield of a tax of this kind can never be brought to full fruition during the first few years.

Personally, I should have thought that such an unexpected and gratifying result of a measure which had received such striking unanimity of support in this Council would have merited an acknowledgment from Government more gracious and fitting than the structures which the Honourable the Financial Secretary felt bound once more to pass on it.

The Honourable the Financial Secretary observed that far be it from him "to seek to resuscitate a controversy which is dead and buried". I am entirely with him in this attitude. But may I remind Honourable Members of certain facts and circumstances in regard to the introduction of the War Revenue Ordinance?

On the 4th December, 1939 Mr. Caine addressed a letter to each member of the Committee, in which he stated: —

"I enclose some 'suggestions' for a draft report of the Income Tax committee. I am not circulating them as an official Committee document because they represent what I *hops* the Committee will be prepared to agree to rather than what has so far been agreed. In view, however, of my approaching departure I thought it might be helpful to put my own ideas on paper."

Let me, then, quote from certain relevant paragraphs of his report: —

"3.We examined a great many suggestions....We rejected, either unanimously or by substantial majorities, by far the greater number of these proposals because they either did not fulfil the conditions laid down by our terms of reference or would yield revenue too small to justify their imposition.

"4.The best alternative means of imposing taxation of approximately the same incidence as the proposed Income Tax appeared to be a combination of taxes assessed on property, on salaries and analogous incomes and on business profits made in the Colony on bases and at rates calculated to impose very broadly the same degree of sacrifice on the several classes of persons affected. Such a combination of taxes would constitute a partial income tax, covering much the greater part of the income which would be liable to a full income tax but freed of many complications owing to its being partial in scope and only approximately adjusted to individual ability to pay. In particular much of the enquiry into personal circumstances which is apprehended from the administration of income tax should be avoided.

"6. It is, if anything, more difficult to assess the probable annual yield of these taxes than that of an income tax, but the estimate of Mr. S. Caine, then Financial Secretary, was as follows:

Corporation Profits Tax	
Business " " \$ 3,000,000
Salaries Tax \$ 1,000,000
Property Tax <u>\$ 2,000,000</u>
	\$ 6,000,000

In comparing this with the estimate of \$10,000,000 from a full income tax it should be remembered that (I am still quoting from the report):

- (a) Income subject to United Kingdom Income Tax is almost entirely exempted under the new Bill. Several important companies are thus outside its scope altogether.
- (b) Profits tax will be applied only to profits made in Hong Kong, whereas income tax would have applied to all profits of resident persons, including companies registered here, wherever made.
- (c) Other income from abroad will not be taxed at all under the new Bill.

It was, however, repeatedly emphasized by the official representatives on the Committee that Government was not seeking to raise any particular sum of money but to *impose a reasonable burden of taxation and we consider that the rates of tax proposed do impose such a reasonable burden.*

"8. We therefore recommend that Government should proceed with measures on the lines of the attached Bill. If the revenue obtained is inadequate consideration should be given to the adoption of some or all of the items referred to at the beginning of paragraph 4;"

That is the end of the long quotations.

In a note prepared by Mr. Caine on "Principal differences between the 'War Revenue Bill' and the 'Income Tax Bill'" he states: —

"1. *General.*

An Income Tax seeks to tax every source of each individual's income and to make allowances for his family responsibilities and other individual circumstances. Although much may be collected at the source it is ultimately an individual tax and may entail much enquiry into personal affairs.

The new Bill proposes to take each of the main classes of income separately and tax them at rates adjusted only approximately to capacity to pay. At some sacrifice of the refinements of an income tax it thus avoids many problems which arise in the administration of those refinements and removes some of the features of income tax which are objectionable to the public."

Such, Sir, were the views of Mr. Caine. He had made it plain that he was in favour of a straight income tax measure. But he himself was the author of the Ordinance now in force, and he put

it forth as a compromise measure without any trace of reluctance, and certainly without any misgivings as to there being any inequity in its incidence.

The Honourable the Financial Secretary said: "Although the War Revenue expenditure either in the current year or in 1941/42".

Pausing here I should like to point out that the position he now takes up in fundamentally opposite to that taken up by Government hitherto. As I pointed out in this Council on the 14th March, 1940, His Excellency Sir Geoffry Northcote, in his speech in this Council on 16th November 1939, made it quite clear that Government did not determine to raise a war budget revenue in any pro-determined sum: in other words, the Government's attitude was that as regards war expenditure, that expenditure was to be limited to the sum obtainable by the War Revenue Ordinance, and not that the Colony had to find a specified amount.

The Financial Secretary points out that according to the revised estimate, salary tax will bring in \$1,000,000 as was anticipated: property tax \$2,300,000 as against \$2,000,000 as was anticipated: whilst corporation and business tax should bring in \$6,400,000 as against \$3,000,000 anticipated. But he adds, as regards the latter item: "This figure includes not less than \$5,500,000 in respect of corporation profits and only \$900,000 in respect of business profits, which is disappointingly small"

Sir, this is the whole case for suggesting that the principles on which taxation is based should be reconsidered. I can see no ground for surprise that the business profits tax should yield something just under one million, as against the unexpectedly larger yield of corporation profits. Mr. Caine never attempted anything more than a guess of the combined yield of the corporation and business profits tax, for the simple reason that there were no accurate data available. Nor can I see how the yield of the taxes as above indicated can afford any evidence that the incidence is not spread fairly over the community. It may well be that, in order to produce more revenue, some alterations will have to be made in the Ordinance. As I do not wish to anticipate in any way the findings of the Committee which His Excellency has reconstituted I abstain from further comment.

I regret that I now come to a point of serious criticism against the administration of the War Revenue Ordinance. In the Report of Mr. Caine, to which I have just referred, he made it quite plain that "Partnerships will be assessed as a whole and no enquiry whatever will be necessary into the division of profits between partners". The Honourable the Financial Secretary himself, in introducing this Bill in March 1940, said:

"The third and fourth taxes are respectively a corporation profits tax.....and a business profits tax on profits made in the Colonywhich is levied on the business and not on individual persons so that no enquiry as to the ownership of the business and the division of the profits is involved. There is, in the circumstances, no deduction in respect of personal and family allowances....."

In spite of the history of this matter, and of the official declarations to which I have referred, I am sorry to have to state openly in this Council that examiners have sought to get Chinese firms to disclose the names of the partners constituting the firms. I should have thought it impossible that any Government official would proceed counter to one of the fundamental bases of the taxation, and I look to the Honourable the Financial Secretary, as the Commissioner under the War Revenue Ordinance, to see to it that his subordinate officers do carry out completely the spirit of the framers of the legislation, in accordance with the solemn declarations of Government.

The Honourable the Financial Secretary has intimated that Government proposes to increase the Death Duties. I appreciate that Honourable Members will have an opportunity of discussing this question when the necessary amending Bill is before this Council. But in the meantime I wish to make a few general observations.

The Report of the Taxation Committee Published as Sessional Paper No. 2, 1939 contained the following observation on the question of Death Duties: —

"Any further revenue under this head should be obtained by an Increase in the rates of Estate Duty rather than by the introduction of other methods of taxing property on death, e.g. Legacy or Succession Duties; but we consider the present rates, which were fairly recently increased to a maximum of 20%, high enough in the circumstances of Hong Kong, where the much higher rates prevailing in, e.g., the United Kingdom, would add greatly to the incentive to evasion."

That report was dated 5th April, 1939, and I am not aware of circumstances which have arisen between then and now which render that deliberate expression of view no longer sound.

As to how far evasion of death duties exists I do not feel competent to speak. But of this I am quite certain. If evasion could be prevented by zeal and vigilance, it would have been effectively stopped by now, because I can imagine no one possessing greater zeal, and exercising greater vigilance, than the present holder of the office of Superintendent of Inland Revenue and Estate Duty Commissioner, for whom, if he will allow me to say so, I hold a high regard. Indeed, I go further and say that it is the deliberate view of the legal profession as a whole that the zeal and vigilance exhibited by this conscientious

officer have been so excessive in many cases as to occasion unjustifiable delay, inconvenience and expense to *bona fide* applicants for legal representation.

The powers conferred on the Estate Duty Commissioner for investigating every estate are necessarily wide. But I suggest that in wielding such great powers regard should be had to the presence or absence of grounds for suspicion of evasion of duty, and that under normal circumstances the Estate Duty Commissioner should not attempt to re-open and resuscitate matters adjudicated upon a long time ago.

It should be well known to Government that family Inheritance has always constituted a very important part of Chinese family life, and I do submit that excessive rates of levy, undue delay in obtaining legal representation, and harsh administration of the Estate Duty Ordinance, all constitute great incentive to evasion.

Sir, the Unofficial Members of this Council, as well as the Chinese Members of Councils, have had occasion to make various representations to Government on certain aspects of Government Administration during the past year. Pending their final outcome I feel it my duty to make a few general observations.

To begin with I wish to say a few words on the question of Food Control.

The task of a Food Controller is obviously one of very great difficulty, and due allowance must be made for the fact that many things would have to be done in a hurry. I submit that the indispensable qualification of any Food Controller must be some commercial knowledge and experience, and, however well qualified in the theory of economics and conscientious in the discharge of his duties, the present Food Controller has had no commercial experience. The record of his administration has not inspired confidence that in an emergency all will be well as regards the question of food supply, and I record in this Council my grave doubt as to his ability in turning over certain reserve food stocks—though the quantities purchased are infinitesimal to the quantities originally proposed—without very serious losses arising.

We know that the Food Controller has now delegated his powers in regard to rice to a business man more conversant with the subject.

I come now to the question of Firewood.

I understand that Government has at long last taken, or is taking, definite steps for the importation of firewood into the Colony. The Chinese Members of Councils had urged Government to take such a step even before His Excellency Sir Geoffry Northcote left the Colony on leave. On August 3rd, 1940, a memorandum on this question was sent in to Government, wherein it was urged that Government should

requisition steamers for the purpose of importing firewood into Hong Kong. I feel that the Chinese community has every reason to be dissatisfied with Government's inactivity, over such a lengthy period, in relieving the acute shortage of firewood, which has caused so much hardship to the community, especially the poor.

Another matter, Sir, which has given rise to grave dissatisfaction, is the administration of the Immigration Ordinance. When I spoke in this Council on the Second Reading of the Bill I thought that the effect of this measure on the Colony depended very largely on how it would be administered by the Immigration Officer, and I then stated that my colleagues and I intended to maintain a close interest in the operation of this measure, and that we should have no hesitation in making to Government any representations which we might consider it our duty so to do.

I know that the Immigration Officer has not spared himself in the discharge of his very difficult duties. But I do say that whatever may be the explanation, the Chinese community cannot be expected to acquiesce in the continued administration of a measure which compels people to wait for long hours outside the Immigration Office, herded together like cattle, in order to get a permit or to get back a deposit.

Apart from the question of administrative machinery there have been numerous complaints of sheer rudeness and offensive conduct on the part of the officers of this Department. Civil Servants should be civil servants' may be a familiar witticism, but I suggest that it embodies a wholesome admonition to which Civil Servants in Hong Kong should pay serious heed. A most unfavourable impression has already been created on visitors to the Colony. And I do seriously appeal to officers of the Immigration Department to remember that they are being paid by local taxpayers to perform their duties and not to show off their own importance.

Sir, I do say deliberately that either the administration of the Immigration measure is radically improved—and I submit that it can, and should; be improved—or that measure should be dropped altogether.

Sir, His Excellency assumed the administration of this Colony during a period which is one of the most critical periods of the British Empire. It is not surprising that the difficulty of the situation should have its repercussions on the Colony. The Chinese community gratefully appreciates His Excellency's concern and labour for the well-being and security of the Colony, as exemplified by his initiative in providing the population with air raid shelters, in the construction of which he has taken such a keen personal interest. Since his arrival in the Colony the Chinese Members of Councils have had to make numerous representations to him, and on their behalf, and also on my own, I desire to tender to His Excellency an expression of our deep gratitude for the sympathetic manner in which he has invariably received those

representations, and his ever-ready desire to give effect to them as far as possible.

May I, Sir, also tender our thanks to you, as the Colonial Secretary for the invariable courtesy which you have shown to the Unofficial Members. My colleagues and I desire to pay warm tribute to you for the conspicuous ability which you have shown as His Excellency's chief adviser; which in such a well known characteristic of our esteemed Colonial Secretary.

My colleagues on this Council desire me to state that they wish to associate themselves with the tributes I have paid, and the views I have expressed. In due course the Honourable Mr. Tam will speak on the question of removal of night-soil and the prevailing lawlessness and insecurity of the Colony, and the Honourable Mr. Li will speak on primary education, and I desire to express my concurrence with their views on these subjects.

Fully realising the true character of the struggle now being waged by Britain and her Empire, the Chinese in the Colony have willingly and, indeed, enthusiastically co-operated with Government in all measures which Government has deemed it necessary to carry out in furthering Britain's war effort, whether by responding to the calls made for service in the Volunteer Corps, Police Reserve, A.R.P., Fire Auxiliary Service, St. John, etc., etc., or in other directions. In view of their deeds I trust, Sir, that it is not necessary for me to pledge to you once more the willing continuance of that co-operation. (Applause).

HON. MR. LEO D'ALMADA E CASTRO, JNR. —Mr. President, —From the point of view of a Kowloon resident there is much in this Budget that is gratifying. There is generous provision for resurfacing our roads, work which is long overdue; a new public mortuary and disinfecting station is budgetted for; the promise of a police station for Kowloon Tong raises a hope that that district and the Prince Edward Road area will enjoy some measure of police protection in the near future; and an agricultural station in the New Territories shows that here again Government is at last paying some heed to those who have constantly advocated the development of our resources for food production.

It is regrettable that the Unofficials in Select Committee have thought it expedient in the light of the present situation and of the Colony's finances to curtail to some extent the proposed public works expenditure both on the mainland and in Hong Kong, but the majority will agree that in so doing the Committee has followed the dictates of commonsense and prudence.

This is all I have to say on the Budget.

Our annual Budget debate, however, has long been regarded as the proper occasion for the ventilation of grievances and complaints, and of these I have a few.

I do not know what Government feels about its last twelve months' administration in this Colony. In my opinion, apart from revenue, there is little room for complacency, much less for congratulation.

I will mention only three matters as to which Government has laid itself open to criticism.

First, a very late start was made to provide air raid shelters.

Next, a most lamentable lack of tact was displayed in the handling of evacuation. Government has already been severely censured for this by the public, and I mention it here only because it should be included in any debate which involves the review of the past year's policy and activities.

Some months ago, it was deemed advisable to establish a department for the control of immigration. Here again, it appears to have been thought necessary to lay emphasis on race distinction, for, if I remember rightly, in advertising for Immigration officers Government made it clear that these posts were open only to British subjects of pure European descent. Now, Sir, this might possibly have been excusable if these were positions of comparative importance or of a specialise nature, but this is not so. Immigration officers have been recruited from every walk of life, and the fact that they are paid only \$400 a month is another indication that the job is not one calling for any alleged superiority of blood or intelligence. More than once have I advocated that Government should draw no invidious and totally unnecessary distinctions in engaging its employees. But I suppose the policy is so ingrained that only where it is impracticable to pursue it will Government reluctantly adopt another.

If this constant discrimination were productive of something of value, if for example, it made for a high standard of efficiency, there might be something to be said for it. This however, is far from true, as Government knows from complaints in regard to administration brought to its attention by Unofficials and through other sources. My Honourable Friend, Mr. M. K. Lo, has already dealt with the inefficiency and incivility to be met with in the Immigration Department. Complaints with regard to it are heard on all sides. Government's excuse so far as inefficiency is concerned will doubtless be the plea that this is a newly created department with a heavy volume of work to cope with. Whether this is a valid excuse can only be ascertained on inquiry; and it is no answer to the charge of incivility. Complaints of a more serious nature have been made against this and other departments and I do not think I am exaggerating when I say that if more is not heard, it is because the people of Hong Kong are

so enured to the many failings of Government that they have come to regard them almost as part and parcel of the system, to be borne with resignation.

There is perhaps one other reason why one does not bear more. The Press is the usual vent for public feeling, but newspapers being subject to our very strict laws of libel, to the misfortune of the public in such a case as this, are not unnaturally careful, sometimes over careful, as to what they publish. Sir, were these laws relaxed, and were there any assurance that the airing of complaints and charges which were not mere groundless and wicked rumours would result in something being done, the correspondence columns of our dailies would be full of the most interesting disclosures and revelations. As things are, one cannot expect this, but to-day there are few people in Hong Kong who either do not know or have not heard reports of matters which have already reached even Government's remote ears, and which cry for investigation. Stories are circulating regarding the maladministration in departments whose importance is vital at the present time; it is the common belief that bribery and graft are rife; and the head of a department has been credited with the practice of nepotism in its ugliest form.

Such a state of affairs one has grown accustomed to associate with some Latin or Balkan States, with what justification I care not. That it should be permitted to exist in the Government of a British Colony is surely matter calling for the most searching inquiry. I suggest, Sir, that Government emulate the dictators in one regard, and take measures to purge its ranks. (Applause).

HON. MR. A. L. SHIELDS. —Mr. President, —In the Budget now before us we have the estimated revenue of \$56,786,000.00 the highest on record, but, nevertheless, the estimated deficit is \$3,856,715.00, a matter of grave concern for this Council and the Public.

There are, however, some rays of hope in this gloomy picture, first that the recent and very necessary War Expenditure may be reduced and finally disappear, second that actual Revenue for the past three years has greatly exceeded the forecast and also the very heavy expense for emergency food reserves has been written off and should not prove to be a total loss.

I wish to thank His Excellency for agreeing to omit or reduce several items of expenditure in the draft Estimates as suggested by the Unofficial Members of this Council sitting in Select Committee.

I refer particularly to the proposed new Block at Police Headquarters at \$800,000.00 which can probably be built for considerably less when the cost of building materials comes down to normal. This question of cost of building also applies to the proposed Infectious Diseases Hospital at \$1,000,000.00 of which it was proposed to provide

\$500,000.00 in 1941/2 leaving a liability of \$1,400,000.00 on an uncompleted building for the following year with a contract placed at present high prices.

Government estimates of cost are apt to be largely exceeded owing to "unforeseen circumstances" and to changes found necessary as work proceeds. The postponement of the Hospital contract may perhaps enable unanimity to be reached on what is really required, a subject about which, rumour has it, there is some difference of opinion.

If the Hospital is an urgent necessity can it not be built quickly in isolated blocks on the lines of the huts in St. John's Place? These appear to a layman to be much more suitable as children with say mumps or measles would not be under the same roof with cholera or small-pox patients.

There are I feel sure several items under Public Works Extraordinary on which further economies can be effected and I hope the Hon. D.P.W. will do his best.

I understand that at least one of my colleagues will speak on the subject of nightsoil removal being undertaken by a Government Department at a cost of \$384,000.00 for coolies only, an item which once incurred will be recurrent.

This is a costly experiment at a time when War Expenditure is a heavy drain on our resources and one which I understand will meantime carry on the present system owing to the inability to provide improved receptacles. I sincerely hope the measure will be postponed until we can afford it.

I am not happy about the provision of \$4,700,000 for vessels to be presented to the Admiralty. This was authorised last year but no expenditure is anticipated for the financial period ending 31st March this year although the Imperial Government is in urgent need of destroyers or escort vessels for convoys.

The answer is, I understand, difficulty or delay in getting steel and special equipment which has to come from Home.

Can we not help the cause more quickly and more efficiently by building standard ships which are also urgently required?

We may be celebrating a victorious peace before these special vessels are in commission whereas freighters will be in demand long after the war is over.

Meantime, the liability for \$4,700,000 remains in our commitments and is a large enough sum to influence any inquiry into the necessity for increased taxation.

The Hon. Financial Secretary's remarks, when introducing the Budget, raising the bogey of Income Tax came as a shock after the agreements reached last year.

War Taxation Revenue exceeded the estimated figures and the Finance Committee voted all supplementary expenditure for Defence. The Budget since its introduction has come within night of being balanced.

If further War expenditure is required this Colony will not grudge it, but let it be raised within the framework of the existing Tax Scheme by revising the rates of tax.

The War Taxation Committee has been reconstituted under the pretext of an unbalanced Budget and we can only await the result of its deliberations but I believe any proposal to introduce Income Tax for ordinary revenue purposes will meet with even more opposition than did the suggested Income Tax to find money to assist in the prosecution of the War.

The items of expenditure which have been cut in the Estimates now before us might well have been pushed through if we had Income Tax, by the simple expedient of increasing the rate. In spite of the wish of the Secretary of State for the Colonies that development, social services, etc. should not be curtailed in war time we have to face hard facts.

We must keep a tight rein on expenditure by Government Departments on their pet schemes which may endanger the solvency of the Colony at a time when we need some dollars in the till and some untapped sources of taxation to meet further calls for defence and I hope offence.

The lack of support for the last Government Loan should be a warning. The Public is deeply concerned over the high cost of Government, Pensions, etc. and about the carefree way in which Government spends its money. (Applause).

HON. MR. W. N. THOMAS TAM. —Mr. President, —The Hon. Financial Secretary, in his speech introducing the Draft Estimates for the coming fiscal year, stressed the advisability of steering a middle course between ultra-conservatism and radical change. With this "golden mean of practicality" it is difficult to disagree; but while the Hon. Financial Secretary has adopted this praiseworthy policy in deciding what matters his Budget should cover, he would follow no such middle course when it comes to estimating Revenue and Expenditure.

In his estimates of our income, ultra-conservatism is observable; while, as regards expenditure, he exhibits the quintessence of pessimism.

Extreme caution bids him not to be content with including under expenditure for one year, items which are meant to provide for a longer period but to go further and put away a few hidden reserves.

I do not propose to go into great detail here, as the points in justification of my statement have already been raised by my colleagues and myself who were on the Select Committee to which the Draft Estimates were referred. I venture to give two examples.

The Hon. Financial Secretary, in his Revised Estimates for the period extending from the 1st January, 1940, to the 31st March, 1941, a period of fifteen months, gives the figure for Ordinary Revenue, that is, apart from War Taxation, as \$57,300,000. Using this figure as a basis for calculation and presuming the continuance of the existing state of prosperity, a factor on which the Hon. Financial Secretary himself relies, the proportion for twelve months would be \$45,840,000. This amount, although three lakha larger, would seem at first glance to approximate and to bear out the estimate of \$45,536,000, which has been given as the prospective Ordinary Revenue for the twelve months commencing from the 1st April, 1941, and ending on the 31st March, 1942; but it must be remembered that the former figure of \$45,840,000 does not take into full account the increase in petrol, spirit and other duties which have operated for only a portion of the fifteen months and more particularly the increase in postage rates introduced as recently as the first day of this month.

My submission, therefore, is that if these increases in taxation had operated for the whole of the fifteen months, the revenue for that period would have been immeasurably higher; the difference between the figure obtained by using that revenue as a basis and the figure given by the Hon. Financial Secretary as a forecast would then be accentuated and the conservative nature of his estimate would be clearly demonstrated.

In this connection, it may be noted that the Hon. Financial Secretary in his latest statement, gives a Revised Estimated Revenue of \$56,786,000, which includes War Taxation and new or additional duties; but as I have not maintained that these new duties should be included in the fifteen month period for the purpose of comparison, my remarks remain unaffected.

In summarising the financial position of the Colony, the Hon. Financial Secretary deplored the fact that when the second instalment of the 1934 Dollar Loan was floated last June, it was necessary for Government itself to take up \$5,790,000, namely, more than half of the total, and that cash was obtained only to the extent of \$5,640,000.

Far from being a cause for dissatisfaction, it appears to me to be a case for congratulations, that the finances of the Colony should be in that happy state whereby it could finance itself out of its surplus balances. The voicing of dissatisfaction, if any, must surely apply to

the local money market and more particularly to the local taxpayer, that he should be obsessed by such difficulties as to render his response to an attractive form of investment on favourable terms, so meagre.

So far as Government is concerned, no loss has been incurred. Government is only making use of its idle money; and the restoration of its cash position is gradually assured by yearly redemption of the bonds from funds which are allocated for that purpose out of current revenue.

Incidentally in this connection, provision has been made, under Head 22 of the Draft Estimates, as a charge on amount of Public Debt, for the payment of a sum of \$404,390 as interest on this particular loan. There is no doubt that, as Government is the holder of more than half of this loan, over two lakha of that interest will be payable to Government itself; but nowhere is mention made of this attractive sum on the income side, a perfect example of what I have referred to as hidden reserves.

In the ordinary course of events, little criticism would be levelled at a Budget drawn on these lines, as it is sound policy for the guardian of the public purse to be prudent; but while prudence which leads to the showing of a deficit is understandable, it is time to call a halt and to ask for a return to a sense of proportion when that prudence becomes excessive. Its use is certainly not justified in painting a picture so gloomy that a call for further sacrifices will be unchallenged by a community, already burdened by greatly increased costs of living and bearing, albeit cheerfully, added taxation as a war responsibility.

If a gloomy outlook is intended to stimulate fresh efforts to support the war, then a direct exhortation to the public to exert itself further would probably have greater efficacy. Although as individuals, some of us might do more, we certainly cannot do too much, so far as Hong Kong as a whole is concerned, we have no need to be ashamed of the effort we have made. \$10,000,000 per annum by way of War Taxation for a tiny colony, with a dearth of agricultural produce, few major industries, a total absence of precious metals and next to no mineral wealth, is no mean effort.

We have been criticised for the unfair incidence in our form of taxation. There are few of us who do not admit that there are faults as there are in every system. Nevertheless, while others are still in the process of deliberation and searching for an ideal, Hong Kong has for over a year been fulfilling its obligations.

It is regrettable that reference has been made to this subject and to the comparative merits of an Income Tax. No good can come out of resuscitating a controversy long dead and buried. I do not intend to dwell on the subject, as I am confident that the War Taxation Committee which His Excellency has reconstituted will make every endeavour to remove imperfections and to evolve an satisfactory a system an possible.

Coming to the working of the newly established Immigration Department, I would like to support the request which my Senior Chinese colleagues has made regarding a general speeding up in the issuance of immigration certificates. A simplification in the rules of procedure appears to be the solution.

At present, before an applicant can be issued with a certificate, he has to fulfill four requirements. Firstly, he has to obtain an application form; secondly, he must have photographs which are in accordance with specifications; thirdly, he must send in his application form properly completed and fourthly, he must apply for the certificate. In order to comply with these requirements, an ordinary person, in addition to his visit to an authorised photographer would, in all probability, be compelled to line up in a queue, in fair weather or foul, in sun or rain, for three consecutive occasions before he could obtain his certificate and then only presuming that no hitch had occurred.

I have learned that modifications have now been introduced so that a certificate may be obtained in as short a period as twenty-four hours. This is certainly welcome news, if true; but there are still other aspects of the problem to which attention should be given at an early date; I refer to the examination of ships on arrival, the return of deposits made by persons entering without certificates, the method of collecting and the fixing of the amount of these deposits and the necessity of paying deposits in Hong Kong currency.

I believe the general public is fair minded enough to realise the difficulties which must be encountered in setting up a new department of the size of the Immigration Department with the wide ramifications involved, in the short time assigned and perhaps with an insufficiency of staff and office space. The public would not mind the delay and would be prepared to co-operate by suffering reasonable inconvenience, provided it is satisfied that the department is doing its best and is itself sympathetic towards the hardships of the public; but the complaint is that far from being helpful, the officials of that department have shown nothing but incivility and the result in the creation of considerable resentment on the part of the public, which is now clamouring for satisfaction.

In fairness to the head of the department, I must qualify what I have said by stressing that whenever I have been deputed by my colleagues to see him, I have found him not only most affable and considerate but ready to meet any suggestions which we might have submitted.

I will now pass to the necessity of maintaining a low price for the three commodities which the Chinese community considers essential for life, namely, rice, firewood and peanut oil. I know from information which has been furnished to me as a member of the Finance Committee that considerable steps have been taken as regards the

first two; but it is my earnest hope that more will be done in the near future; while as regards peanut-oil, may I suggest that it should also receive consideration?

Perhaps the most controversial of the items which are now appearing for the first time in the Budget is the provision for a scheme, known as departmental collection, whereby Government will employ coolies, some 2,000 in number, for the removal of nightsoil, the cost of the project to be met by an increase of one per cent. in the rates. My Chinese colleagues and I learn with deep satisfaction that it has been decided by Government that this scheme should stand over until further consideration has been given to the matter and that Government will refrain from expenditure without the consent of the Finance Committee. This decision is, in our opinion, a wise one.

We venture to suggest that, before committing itself, Government should examine carefully and find out exactly what are the improvements and advantages attached to departmental collection. All of us realise that the present system is far from satisfactory. We would welcome a change for the better; but how in the proposed system a better one? Surely not became some 2,000 coolies, hitherto free-lance, would thereby become Government servants. Judging by the many representations which have been made, the coolies themselves do not appear to show share the same enthusiasm.

We presume there must be reasons for the proposed change but from the point of view of public health how can it be said to be progress when the same old method and the same old set of coolies are employed? In fact, so far as the average tenant is concerned, he would prefer to deal with the coolie working for himself, who in all likelihood would be a far humbler individual than the same coolie working in the role of a Government servant. At least now, when a tenant has a complaint to make, he goes to a neutral party; but with departmental collection, he will be faced with the task of laying a complaint before the head of a Government department against one of his subordinate officers, two totally different propositions.

It appears to me that there is some confusion of thought as regards the issues involved. While improved transport or improved buckets would represent an improvement in the method of collection and will be beneficial, the change in the status of the coolie is unimportant and is not a condition precedent to the setting up of adequate supervision.

As an alternative and a more satisfactory solution, my colleagues and I submit that the Urban Council should licence the existing coolies or a number of foremen to provide coolies; that the Council should take a deposit from them and see that they carry out their duties properly; any delinquency to be punishable by fine, the payment of which will be guaranteed by the deposits suggested, with the

cancellation of licences in cases of grave or repeated offence. We would most respectfully urge Government to try this alternative solution before embarking on a scheme of departmental collection.

Further, I have been informed that the present coolies, through their guilds, have petitioned Government expressing their readiness to introduce improvements in transport and in receptacles and to meet any requirements which Government may stipulate. It therefore does not appear that Government should have any reason to be apprehensive of a lack of progress.

Finally, even if it could be shown, which many of us doubt, that it would be to the best interest of the Colony that departmental collection should be adopted, it nevertheless still remains for Government to be satisfied that the use of public money is necessary, particularly where further taxation is involved.

The people who have recourse to the present system have never refused to pay. Take the poorer classes, whom it is intended to benefit. In their case there will be no relief; as we know, most of them are merely sub-tenants and it will only mean that the principal tenant, who makes a business out of sub-letting will be spared a legitimate expense and will derive a bigger profit thereby; while on the other hand, tenants of property with a water carriage system will be penalised by higher rates. Can this be said to be an encouragement to the general introduction of water closets, or is it not rather an inducement to cling to the old antiquated and much discredited system?

Government has attempted to justify the use of public money by claiming that it is through the use of public money that drains have been laid. There is an obvious fallacy in this argument. Firstly, the drains are there whether water closets use them or not, they serve to carry away storm and sullage water, and secondly, drains alone do not make a water closet system; whereas Government, in cases where the owners of property have not thought fit to install water closets, will be assuming the whole cost of a system which takes the place of but is far less satisfactory than a water carriage system.

I now come to a matter which affects the good name of the Colony and with which my fellow Chinese members have asked me specially to deal. Many a resident, alarmed by the serious prevalence of crime and vice, has repeatedly approached us to press Government for more energetic action. We on our part have made repeated representations to Government, sometimes as the result of specific requests from members of our community but more often than not, on our own initiative. The position is now getting from bad to worse. We know that the Hon. Commissioner of Police is doing all he can; but we feel that something more must be done.

The suppression of gambling, particularly of "Tse Fa" lotteries, which are fast becoming an open scandal, the eradication of open soliciting in the streets, the placing of a check on the activities of girl escort bureaux, the prevention of robbery and larceny, especially petty thieving and snatching in the streets form the list which we have been asked to bring to the attention of Government.

The stories of the existence of lands where one may sleep with one's front door open and not be robbed; where one may leave a parcel in a tramcar and have it returned the next day, seem to us fantastic and fill us with wonder and envy. It is sad to think that we in Hong Kong must sleep behind iron grilles and bolted shutters and yet not be free from depredation. No one is respected, be he magistrate or policeman, be he taipan or ordinary shopkeeper. Nothing is free from filching. It may be only a plank from a staircase, a hook for fastening a window or a short length of wiring, the saleable value of which is infinitesimal though the replacement cost be high. As for motor cars, fountain pens and ear rings, these are stolen, or picked from the pocket, or snatched in broad daylight.

If all crime were the result of poverty, the search for a cure, difficult though it may be is not impossible; but if a gambler steals to get stake money and a dope fiend to satiate his desire, the matter becomes far more complex.

We realise the immensity of the problem confronting us. Apart from the question of arrest, which is a police matter, no permanent solution can be found without taking into account the provision of adequate prison accommodation, the creation of decent employment, a reduction in the cost of living and the introduction of general education. The higher the ethical standard of the people as a whole the less there is of crime; and it is by going to fundamentals that it can be hoped to efface all the sores with which this Colony is beset.

The leavening of the masses takes time; but there is no need to remind Government of the urgency of the problem. Next to the prevention of invasion from without is the prevention of lawlessness and disorder from within.

We therefore trust that Government will undertake its just responsibilities and will make more serious and more strenuous efforts to stamp out crime. We owe it to the innocent and the law-abiding to remove from them a constant fear of and a growing concern for lawlessness and insecurity. (Applause).

HON. MR. T. E. PEARCE. —Sir, —The few remarks I have to make merely re-echo those of my colleagues.

When addressing this Council on last year's Budget, I strongly advocated postponement of a number of big projects until more normal conditions prevailed and the outlook was less obscure. I therefore wholeheartedly endorse the remarks of the Hon. Mr. S. H. Dodwell

and the Hon. Mr. A. L. Shields in their expressions of satisfaction that a number of such items have been shelved for the time being, and the expenditure involved deleted from this year's Budget. I am certain the Unofficial Members of this Council will give generous support to these postponed schemes, and any others which will be for the benefit of the Colony when normality returns and the Colony can afford the expenditure.

With regard to the Special War Budget, whilst it has been extremely satisfactory to find the sum raised last year approximates 9¾ Millions, against the original estimate of 6 Millions, I share the disappointment expressed by the Financial Secretary that the Business Profits Tax did not bring in to that total more than 9 lakhs. I believe this source can bear more of the burden, and feel the percentage and limits for taxation can be amended.

I express the hope the Committee which is to review the whole question of Taxation will not otherwise change the present scale or disturb the organisation which has dealt with and collected the Tax up to date.

I wish, Sir, to associate myself with the remarks made by my Colleagues in regard to the lack of administrative ability and slackness displayed by several Heads of important Government departments.

I express the hope that independent Committees of enquiry will soon be instituted to make close scrutiny into the running of these departments, and that these enquiries will be the means of correcting the grievances we are complaining of, though I have doubts whether there can be permanent satisfaction, until the present system in the Service, which seems to discourage initiative and ability, comes to an end. (Applause).

HON. MR. LI TSE-FONG. — Mr. President, — The Honourable the Financial Secretary in his speech on the 16th January, 1941, reviewing the financial position of the Colony stressed the point that although the revised estimate anticipates a surplus of \$17,213,670 at the end of the present financial year, this surplus is largely a nominal one. The Financial Secretary explained that out of this surplus of over \$17,000,000, a sum of \$5,790,000 was invested in the 1934-Dollar-Loan, "while by the end of next year a total of over 4 million dollars will have been advanced in anticipation of a future loan." Granting that this statement is correct, it does not alter the fact that the estimated surplus of this Colony's assets over its liabilities, at the end of March, 1941, will be well over \$17,000,000 although it may not consist entirely of cash. According to the financial statement published by Government on the 5th February 1941, the Colony's actual surplus at the end of October, 1940, was more than \$21,000,000, of which a sum of over \$18,000,000 was classified as cash and advances. This represents of very high ratio in relation to the amount of revenue from ordinary sources.

If this Colony were a corporation I would certainly congratulate those in charge of its affairs on its very strong financial position. But as a Government it is open to criticism. It may be criticised that either it has failed to carry out and develop fully its social functions or it has taken more revenue than was necessary from the people by way of taxation. I submit, Sir, that this practice of keeping a surplus was a method adopted by governments during the Middle Ages and has long been considered as bad financial policy. It is well established in practical financial administration that surplus financing encourages extravagance and that there is no necessity whatever for a state to keep a surplus.

I mention this not because I wish to suggest that the estimated deficit for the next financial year should be met by drawing on this surplus as I hope that there will be no necessity to do so. But I believe that this policy of accumulating surplus is fundamentally wrong. I admit that the existence of a large surplus gives a certain degree of convenience to the administration because it has at its disposal what one may call a special fund from which it can draw for the purpose of financing public works. However, I venture to say that this practice of drawing upon the surplus to finance public works does not conduce to good financial organization and careful budgeting. With a surplus to fall back there is a possible temptation on the part of the administration in presenting its annual budget to the legislature, to withhold complete statement of its needs for fear that its estimates may be cut down. Another, possible abuse in the use of the surplus is that the administration may be spending public money first, before coming to the legislative body for approval.

It may be said in favour of this policy that the object of maintaining a surplus is to have a reserve in case of emergency. If that was the intention, I think the present moment is the proper time to make use of such surplus. A portion of it may be set aside for the cost of the proposed building of two ships to be presented to the Admiralty and War Department and the remainder can be used for carrying on defensive works in the Colony. If Government were to agree to this course, there would be no deficit in next year's budget and no necessity to curtail its social services. Indeed all social services can be further expanded with revenue coming in from ordinary sources.

It is evident from the operation of the War Revenue Ordinance that the taxable ability of the community is extremely good as well as extremely flexible. I submit, Sir, that this ability and flexibility of our taxation system constitute the real reserve of our financial power which has stood the test of time remarkably well.

I will now pass on to make some general remarks on the estimates for the next financial year. The figures in the estimates have been carefully considered and closely scrutinised by the Select Committee of this Council and I will confine my remarks to the general policy in connection with them.

Before I offer my views I wish to state that I am in general agreement with the remarks made by my Senior Chinese Colleague in regard to the War Revenue Ordinance, and Death Duties and his criticism on the working of the Food Control Department and the Immigration Department.

Among the proposals for increased taxation for the purpose of raising further revenue, the Financial Secretary has suggested three alternatives which are briefly as follows: —

- (1) To increase the existing rates under the present War Revenue Ordinance.
- (2) To amend the present War Revenue Ordinance.
- (3) To impose a “proper” Income Tax.

I do not intend to deal with these suggestions to-day but I wish to state that, as far as revenue is concerned, the operation of the War Revenue Ordinance appears to be highly satisfactory.

I gather from the Financial Secretary that he is quite satisfied with the yield of the Property-tax, the Salaries Tax and the Corporation Tax. Indeed Corporation Tax alone is expected to bring in no less than \$5,500,000 against an estimated return of \$6,000,000 from the four taxes imposed by the War Revenue Ordinance. As far as I can see the Financial Secretary's main disappointment is in connection with the smallness in the return of the Profits Tax, which is expected to produce a revenue of \$900,000 only. It should, however, be remembered that the War Revenue Ordinance has only been in operation for less than a year and that a tax of this nature generally takes some time before it can be effective.

It is quite true that businesses include all non-corporation firms and professional men who do not pay Salaries Tax but it must not be overlooked that the majority of these non-corporation firms consists mainly of small shopkeepers whose capital, as a rule, is small. If there were obvious evasion and unfair incidence, I venture to think that the remedy is to amend the War Revenue Ordinance.

His Excellency has already reconstituted the War Revenue Committee in order that the Committee may re-examine and advise Government on the existing measures of war taxation in the light of the Colony's present financial position and the actual receipts from the four taxes Imposed by the War Revenue Ordinance. It is the task of this Committee to find some practical solution and to give Government advice as to the best means of raising revenue to meet War expenditure under prevailing conditions. I will therefore abstain from making further comments.

With regard to the provisions for the daily collection of nightsoil to be undertaken by Government I understand that such provisions would not be carried out if there were no sign of any improvement in the Colony's finance. I do not think that it is quite correct to say that the Urban Council, of which I am a member, has definitely suggested to Government to put an increase of one per cent. on rates in order to meet expenditures on this undertaking. As a matter of fact when this matter was brought up for consideration, the question of finance had not been discussed. I consider that it is not fair to place the entire burden on property owners without regard to the fact that some of the tenements have water flush systems. I wish to point out that this responsibility of daily collection of nightsoil, if undertaken by Government, is a service rendered to a particular class of the community and that class should pay for it.

My Chinese colleague the Honourable Mr. Tam has spoken very fully on this subject. While I agree that the scheme sponsored by the Urban Council is an improvement, I feel that unless Government is in a position to carry out that scheme in full, the alternative method mentioned by Mr. Tam in dealing with the existing system appears to be a practical one.

In the matter of education I welcome the provision for a new subsidy code for vernacular schools which makes generous provisions for subsidies to schools on the basis of approved expenditures on salaries of teachers and rent of school buildings. As a member of the Board of Education I firmly believe that in the educational system of this Colony it is Chinese primary education which urgently needs development. At the present time the development of Chinese primary education is left almost entirely in the hands of private enterprises and I do not think that a satisfactory system can be achieved without Government taking a leading part in its development. I wish therefore to urge Government that as soon as the financial position permits, it should proceed with the programme for the development of Chinese primary education. This programme has been carefully considered by the Board of Education and submitted to Government by the Director of Education with the full and unanimous support of its members. I venture to think that this programme is not an extravagant one and does not call for heavy expenditure which will be spread over for a number of years.

I consider that, of all expenditures on social services, expenditure on Chinese primary education should receive first consideration. If we were able to prevent, by providing proper education, a large number of young people from falling into the criminal class, it would relieve this Colony from other heavy burdens such as increased police force.

With regard to the recently established Immigration Department I wish to make the following observations. I believe that the imposition of restriction on free immigration was a new departure of the well-established policy of the Colony to keep this place open to the Chinese. I must say restriction of this kind is quite a common practice in other parts of the world, but with this Colony's close

relationship with China, such a step can only be considered as an emergency measure forced upon us by prevailing circumstances. I realise that many of the social evils prevailing in the Colony are closely connected with this difficult problem of excessive population and I have, therefore, no hesitation in agreeing that some sort of restriction on the overgrowing population is, at the present time, desirable. I presume that it was on economic grounds that Government had been advised to introduce this measure.

When this measure of immigration control was brought before this Council for consideration last November, the Government assured us that "the Immigration Department is to be administered in the interest of passengers and all shipping generally and not to cause any obstruction or inconvenience that can be possibly avoided." In spite of this assurance there have been many complaints against the administration of this department. From the general public these complaints have been mainly directed against the difficulty in obtaining the necessary forms, the unusual delay in issuing certificates and the insistence that photographs must be taken by "approved" firms. From the shipping concerns they have been connected with the undue delay in the examination of passengers' papers and the absence of posting immigration officers on board ships to facilitate such examination. The Chinese member on the Executive Council as well as my two Chinese colleagues on this Council and I have found it necessary to address a joint communication to the Honourable the Colonial Secretary in regard to some of these complaints, and in our opinion there are urgent needs for reform in the method of conducting this department. I may add that the attitude of those in charge of this department towards the general public is not at all helpful.

On the question of Food Control, I wish to urge Government to pay its closest attention to the recent rise in the cost of living in the Colony, particularly rice and firewood. These are the two daily necessities of the Chinese community. The rise in the prices of these two commodities is a serious matter for the Chinese, particularly the middle and poor classes, and I consider that Government should take vigorous measures to combat this evil. With regard to rice, I know that measures had been taken and are being taken by Government to check the abnormal rise in the price of this commodity at the end of 1940. While I recognise that such measures have, to a certain extent, met with some success, I feel that Government should now review the whole situation carefully with the object to secure an effective control over the rice stock in the Colony both in regard to quality as well as quantity. There has been a report that some of the stock are of such a poor quality that they are not fit for human consumption.

The position of firewood in the domestic life of the Chinese community is second in importance to that of rice. The situation has gone from bad to worse during the last few months. This might have been caused by seasonal demands such as the Chinese New Year but

I have no doubt that it has been aggravated by the activities of unscrupulous profiteers. It has been proved that the coat of firewood imported into Hong Kong including freight and all landing charges is far below the prevailing market price demanded by exorbitant dealers. I understand that Government are now taking measures to relieve the present situation and I trust that such measures will meet with success.

Before I resume my seat I wish to say how regrettable it is that we have found it necessary to cut down a good deal of Public Works Extraordinary, not so much as a desire to balance the budget but as an effort to conserve, although in a very small way, the much needed foreign currency and tonnage for the successful prosecution of the War. I realise that the tendency to-day is for Government to play a more pronounced part in the social and economic life of the community and to shoulder increased responsibilities and additional duties. I hope that with the return of peace it would be possible for this Colony to go forward with such increased responsibilities and additional duties. (Applause).

THE FINANCIAL SECRETARY. —Mr. President, —May I preface my reply by thanking the senior Unofficial Members, European and Chinese, for their generous remarks regarding myself and express my gratitude to all Members of Finance Committee for their cooperation while I have been Financial Secretary. I would add parenthetically for the information of the Honourable Mr. M. K. Lo that the point he raised in connection with the War Revenue Ordinance regarding Chinese partnerships has already been taken up by me with the Commissioner of War Taxation.

Sir, I shall confine myself to the financial aspects of certain criticism which has to-day been made by the Honourable Unofficial Members. That criticism has been directed mainly, not to the details of the estimates of expenditure as now presented, but to the picture of the revenue position and to the proposals to improve it. I have never viewed the expenditure programme as ideal, but I submit it is necessary. It omits many items highly desirable. No one who has not attended meetings of the Estimates Committee which deals with departmental schemes, can realize how many are these omissions and how great the sacrifices made. I think there is general agreement as to the details now included.

It is the problem of how to finance the expenditure for next year which finds us divided, not Unofficials from Officials, but even Honourable Unofficial Members among themselves. In spite of what I stated in connection with the general reserve balance, or so-called surplus balances, at the last meeting of this Council, the Honourable Mr. Li Tse Fong proposes that we should have recourse to this balance to finance war expenditure next year, and he adds the interesting theoretical argument that a balance is a medieval survival which a modern state has no need to keep. It may be possible in a totalitarian economy to

dispense with a balance as it is possible to dispense with normal backing for currency, but this Colony does not possess a self-contained economy and is largely an entrepot for China and its prosperity depends to a large extent, I submit, on the soundness and orthodoxy of its finances and the confidence they inspire both locally and in China. I stated at the last meeting that our real balance was about 7 million dollars. I exaggerated. The reserve balance of this Colony, as I have informed Honourable Members on a previous occasion, is impressed with a trust in so far as the compulsory contributions of Government officers to the Widows' and Orpheus' Pensions Scheme have been paid to revenue and no fund has been established to meet the outgoings which Government has undertaken to pay. So far income in this connection has exceeded expenditure, but the position is not satisfactory though it cannot be said without actuarial investigation how many million dollars should be earmarked for this fund, but I am afraid the position is that the reserves with which the Honourable Mr. Li Tse Fong wishes to meet next year's extraordinary commitments do not morally exist, though they can to a certain extent be made available in an emergency. I agree with him that balances may properly be used to meet an emergency, but only a financial emergency and there is none such at present, and I decline to treat next year's budget, though including large defence expenditure, as an emergency and not mainly a normal budget. But if we have no balance to draw on to meet unforeseen expenditure how are we to carry on? The experience of the recent loan is a warning that we cannot borrow at least at a reasonable rate of interest. Incidentally the Honourable Mr. Tam has misinterpreted my remarks in that connection. I deplored nothing. I stated that Government took up so much. In fact it decided on that amount before the issue, as the prospectus indicates, and was not left with that amount in its hands, but the fact remains that there was little public response.

In my experience this Colony never enjoys a prolonged period of financial normality with a steady and reasonably predictable income. It is either enjoying a boom or suffering from a depression. At present I submit it is having a boom, and in spite of the high cost of living a great number of people in this Colony are enjoying unprecedented prosperity. Even the large local expenditure on defence has served to pump consumers' purchasing power into the pockets of many and stimulated trade. If at any time this Colony is able to meet its expenditure, even swollen by our defence requirements, it is now, and that expenditure should be met so far as possible, and I submit that means entirely, from current revenue.

The revenue calculations for next year are based on the continuation of the present prosperity of the Colony and in the present world situation I submit that represents a certain degree of optimism. Several Members have reminded us that of recent years actual revenue has exceeded the estimate and, therefore, should continue to do so, and that we should be satisfied with thinking that all will be well and that everything from the revenue point of view will automatically turn

out satisfactorily. One Member has gone so far as to accuse me of conservatism, caution and pessimism. If by pessimism he means endeavouring to foresee and obviate difficulties I confess I am pessimistic and nothing that I have heard in the speeches of Honourable Members to-day has relieved my pessimism. It is said that I have sought to build up hidden reserves and have written off expenditure incurred on food reserves. I only wish I had more hidden reserves to confess to. The expenditure on food reserves has not been written off, though it is not possible to estimate how much of it will be recovered, and we are at present dealing with the expenditure for next year. If these reserves have to be maintained throughout the year there is bound to be a loss in turnover and replacement whatever eventual sum may find its way to revenue. And to charge the cost to expenditure instead of opening a suspense account is the proper way to maintain control in the hands of the legislature.

It has been alleged that by these devices and on the pretext of an unbalanced budget I have raised the bogey of Income Tax. I do not propose to discuss that matter, which can well be left to the reconstituted War Revenue Committee, but it is my duty to point out as the Honourable Mr. Dodwell has stated that this Colony is ridiculously lightly taxed in comparison with Home, and in my opinion it must have balances, and adequate balances, not only to meet an emergency but to even out the fat and the lean years if any planned development is to be undertaken. In this connection I would state that Sir Geoffry Northcote, shortly before he departed on leave, instructed me to prepare a programme for this Colony in connection with the Colonial Development and Welfare Scheme, which I have failed to do. I have spent considerable time on the problems and the more I investigated the greater they appeared and the necessity for elaborate planning embracing harbour development, town planning and slum clearance, agriculture and fisheries, health and education became increasingly apparent. All that we have been able to do has been to include, with the approval of all Members of this Council, provision for the Fisheries Research Station and the Experimental Agricultural Station in the New Territories in next year's estimates to be met from Colonial funds. That is only a small proportion of what is required. It may be said that such development is not practical politics at the present time. That may be so but the budget was framed as I have stated already to make due provision for defence and social services. There is no oppressive taxation in Hong Kong at this time, and I submit that none of the new taxation proposed is oppressive and that this Colony ought to be able to provide from its current revenue all the expenditure included in these estimates and even additional expenditure if necessary. I appeal to Honourable Members not to spend the meagre reserves inherited from the past nor to seek an overdraft on the future, but to endeavour to meet current expenditure from current revenue, bearing in mind that the purpose of that expenditure is largely defence and social services, or, if I may otherwise express it, the preservation and promotion of our civilization. (Applause).

THE PRESIDENT. —Gentlemen, I have listened with great interest to the speeches of Honourable Unofficial Members both on the subject of the 1941-42 Budget and on other subjects which are of general concern to the community and which are very properly raised in this annual debate. The Financial Secretary has replied to the financial points raised by Honourable Members and it remains for me, in closing the debate, to refer to the more important of the other questions which have been touched upon.

There are three major administrative questions that have come in for considerable criticism, not only in to-day's debate but in the discussions which preceded this meeting and, to some extent, in the correspondence columns of the local press, namely Immigration, Food Control and Firewood Control. I am authorized by His Excellency the Acting Governor to state that he has yesterday, with the consent of the Executive Council, decided to appoint a strong Commission, the composition of which will be announced without delay, to enquire into various allegations which have recently been made against the Immigration Officer and his staff. With this in view it would be improper for me to discuss the matter in this Council, but I should like to assure Honourable Members that in the last few days Mr. Forrest has been provided not only with additional accommodation but also with another capable administrative assistant. I will not say more except to state that the foundations of the department were in the opinion of the Government, laid on the best lines advised by an expert from Malaya; and also that the urgency of starting the Immigration Department was constantly pressed upon Mr. Forrest in spite of his requests for more time for preparation.

As regards Food Control, also, to-day's debate comes at a somewhat inopportune moment as the whole organization of this important defence department has been in the last week under very active scrutiny. An announcement on this subject will be made at an early date.

The price of firewood and the conservation of adequate reserves for defence purposes has for long been the concern of this Government, which sent, a month or so ago, a special representative to enquire into this vital necessity in Manila, Borneo and Malaya. The first shipment of Government purchased firewood from Sandakan may shortly be expected and it is hoped that this and subsequent consignments will go some distance towards a solution of this difficult problem.

The Honourable Mr. Tam has remarked on the present lawlessness in the Colony and this is only too apparent from accounts that come from various sources. Such a state of affairs is hardly unexpected at a time when Hong Kong is as overcrowded as ever and when so great a part of that surplus population comprises the paupers, and so the potential criminals, of the neighbouring parts of South China. Banishment plus a rigorous enforcement of the Immigration Ordinance are the most Obvious remedies; but I think it is also to be noted that

in existing circumstances of military precautions the calls on the Police Force are so great that some diminution in their normal duties of preventing crime is hardly unexpected.

The Honourable Mr. Paterson and the Honourable Mr. Dodwell have both remarked on the ill effects, especially noticeable in times of crisis, of the apparently inviolable position enjoyed by Government servants and the difficulties which lie in the way of discarding the inefficient. Unfortunately, perhaps, fortunately for the officers concerned, perhaps, neither the Government nor this Council has an entirely free hand in this matter, as was explained in the 1939 Budget debate (1939 Hansard, p. 225), as the rules under which all Government servants above a certain rank are governed in all matters of discipline, salary, increments and the like are universal throughout the Colonial Empire.

Another point raised by the Honourable Mr. Dodwell has also been the subject of earlier discussion in this Council, namely his attempted comparison between the sums spent on personal emoluments and the sums spent on social services. This, I think it will be agreed, is a cross-division, as doctors and schoolmasters and market inspectors must draw salaries just as much as those officers whose duties are merely administrative. A study of the final column on page 15 of the Estimates now presented, which shows the percentage which each Government department bears to the total expenditure for the year, would, I suggest, give a clearer view of any disparity such as Mr. Dodwell criticizes.

The point which the Honourable Mr. Shields makes about the provision of vessels for the Admiralty will be further examined. It is quite true that at the time when this offer was made it was, I think, generally thought that the War was a remote incident to which the Colony should contribute in this remote way, and there was little expectation of the vast local preparations which have been forced upon us since the events in Europe of last summer. At the same time the offer was a firm one and, even if no actual expenditure has yet been incurred, it may be felt that the question of dishonouring that promise should not be considered so long as our local revenue comes in at its present rate. I cannot, however, say more on this subject at the moment except to promise a full and early examination.

No one, Gentlemen, can say that to-day's debate indicates a subservient or an uncritical attitude such as has occasionally been charged against the Unofficial Members of this Council. I venture to say that the healthy and helpful criticisms such as we have heard to-day are welcomed by the Government and are evidence of the appreciation of those Members of their important duty as representatives of the public. Whether on matters of detail in our Finance Committee discussions or on broad questions of policy as in to-day's debate I have personally always found those representatives constructive in their criticisms and jealous guardians of the public good. (Applause).

The motion was carried unanimously.

APPROPRIATION FOR 1941-42 BILL, 1941.

THE FINANCIAL SECRETARY moved the first reading of a Bill intituled “An Ordinance to apply a sum not exceeding Fifty-two million four hundred and eighty-three thousand two hundred and ninety-four Dollars to the Public Service of the financial year beginning on the 1st April, 1941, and ending on the 31st March, 1942, and also to apply an additional sum not exceeding Eight hundred and thirty-two thousand Dollars to the Waterworks Renewals and Improvements Fund for the service of that Fund in the said financial year.”

THE ATTORNEY GENERAL seconded, and the Bill was read a first time.

MOTIONS.

THE FINANCIAL SECRETARY. — Sir, — I rise to move “That this Council approves the carrying out of the works set out in the Schedule below at an estimated cost of \$4,416,407.84 and of the expenditure in the financial years 1940-41 and 1941-42 of the sums set out in column 3 and 4 of the Schedule, the cost to be met from a future loan and meanwhile to be charged its advances from the surplus balances of the Colony pending the raising of a loan.”

THE ATTORNEY GENERAL seconded, and the motion was carried.

SCHEDULE.

Appendix V (C).

LOAN WORKS.

Additional Works to be charged to a proposed New Loan.

Works.	Revised Estimated Cost.	Revised Estimated Expenditure 1940-41.	Estimated Expenditure 1941-42.
	\$ c.	\$ c.	\$ c.
Head 1. —New Markets: — (a) Central Market	*50,000.00	11,771.33	—
Head 1. —Total	\$ 50,000.00	\$ 11,771.33	—

Works.	Revised Estimated Cost.		Revised Estimated Expenditure 1940-41.		Estimated Expenditure 1941-42.	
	\$	c.	\$	c.	\$	c.
Head 2. —Water						
Works: —						
(a) Supplies to Albany and Peak Road	218,398.31		—		—	
(b) Cross Harbour Pipes	833,009.53		25,000.00		—	
(c) Rapid Gravity Filters, Eastern	490,000.00		350,000.00		128,348.76	
(d) Kowloon Chai Service Reservoir and Pipelines	490,000.00		299,480.27		—	
(e) Distribution	220,000.00		86,164.50		26,358.80	
(f) Shing Mun Valley Scheme Catchwaters	1,070,000.00		420,000.00		63,781.43	
(g) Rapid Gravity Filters, Shing Mun Valley Scheme	150,000.00		43,807.58		—	
(h) Tai Lam Chung Valley Scheme	150,000.00		88,042.36		20,000.00	
(i) New Meters	250,000.00		100,000.00		56,315.62	
(j) Waste Detection	225,000.00		80,000.00		90,743.23	
(k) Miscellaneous Works	110,000.00		39,000.00		22,451.98	
(l) New Workshop, Hong Kong	100,000.00		15,000.00		85,000.00	
Head 2. —Total	\$4,306,407.84		\$1,546,494.71		\$ 492,999.82	
Head 3. —miscellaneous						
Works: —						
(a) Extension of Aerodrome; Preliminary investigation	60,000.00		58,879.68		—	
Head 3. —Total	\$60,000.00		\$58,879.68		—	
Grand Total	\$4,416,407.84		\$1,617,145.72		\$ 492,999.82	

* Part Cost: —total cost is estimated at \$910,126.10 of which \$860,126.10 has been charged to the 1934 Loan, Appendix V (b).

THE FINANCIAL SECRETARY. — Sir, I rise to move the following resolution: —

Resolved pursuant to section 4 of the Dutiable Commodities Ordinance, 1931, as follows—

That the Duties on Hydrocarbon Oils set forth in the Resolution of the Legislative Council published as Government Notification No. 841 in the Gazette of 26th July, 1940, as varied by Government Notification No. 1216 published in the Gazette of 7th November, 1940, be revoked with effect from nine o'clock a.m. on Thursday, the sixteenth day of January, 1941, and that thereafter duty shall be payable on hydrocarbon oils at the following rates per gallon—

- | | |
|--|----------|
| (1) on light oils | 80 cents |
| (2) on heavy oils to be used as fuel for any heavy oil
road vehicle | 40 cents |
| (3) on other hydrocarbon oils | 10 cents |

The duty on light oils, that is on petrol, was increased, by His Excellency's order, to 80 cents per gallon on the 7th November, 1940. The object of the increase in petrol duty is, by reducing consumption, to conserve foreign exchange and save tankage. It is not intended as a revenue producing measure.

I am authorized by His Excellency to state for the information of Honourable Members and as a warning to the public that if this measure fails in its primary object, namely, to reduce consumption particularly in respect of private cars, the rationing of petrol may have to be introduced.

The increase in the duty on heavy oils to be used as fuel for heavy oil road vehicles from 30 to 40 cents per gallon and the imposition of a duty of 10 cents per gallon on other hydrocarbon oils hitherto untaxed, with effect in both cases from the 16th January, 1941, are, as indicated in my speech to this Council on that day, revenue producing measures.

THE ATTORNEY GENERAL seconded, and the motion was carried.

THE FINANCIAL SECRETARY. — Sir, I rise to move the following resolution: —

Resolved pursuant to sections 3 and 4 of the Dutiable Commodities Ordinance, 1931, with effect from nine o'clock a.m. on Thursday, the sixteenth day of January, 1941, as follows—

[s. 3.] APPLICATION OF ORDINANCE TO TABLE WATERS.

All the provisions of the Dutiable Commodities Ordinance, 1931, except Parts II, III and IV thereof, shall apply to table waters.

For the purposes of this resolution, "table waters" includes any aerated waters and any beverages sold or kept for sale in bottles, other than syrups or other liquids intended to be consumed only in a diluted form.

[s. 4.] DUTY ON TABLE WATERS.

Duty shall be payable on table waters at twenty-four cents per gallon.

For the purposes of this resolution, twelve reputed pints or six reputed quarts shall be deemed to be one gallon.

This resolution gives effect to the imposition of a duty on table waters which was announced in this Council on the 16th January, 1941, and which was put into immediate effect by His Excellency's order.

THE ATTORNEY GENERAL seconded, and the motion was carried.

THE FINANCIAL SECRETARY. — Sir, I rise to move the following resolution: —

Resolved pursuant to section 4 of the Dutiable Commodities Ordinance, 1931, as follows—

That the Duties on Liquors set forth in the resolution of the Legislative Council published as Government Notification No. 841 in the Gazette of 26th July, 1940, as amended by the resolution of the Legislative Council published as Government Notification No. 963 in the Gazette of 30th August, 1940, be revoked with effect from nine o'clock a.m. on Thursday, the sixteenth day of January, 1941, and that thereafter duty shall be payable on liquors at the following rates per gallon—

PART I.

On—	Hong Kong origin.	Empire origin.	Other origin.
	\$	\$	\$
Liqueurs, champagne and other sparkling wines	—	18.00	26.00
Brandy	—	16.00	24.00
Gin, whisky and other spirituous liquors ..	16.00	16.00	24.00
Port, sherry and madeira	—	10.00	15.00
Other still wines	—	8.00	12.00
Cider and perry	—	1.00	1.50
Concentrated beer in whatever form, whether ale basis, or malt and hope concentrate, or otherwise	0.90	1.20	1.60
and in addition, for every degree by which the original gravity exceeds 1045 degrees	0.02	0.03	0.04
Other beer, except cider and perry, not exceeding 1055 degrees, original gravity	0.80	1.20	1.60
and in addition, for every degree by which the original gravity exceeds 1055 degrees	0.02	0.03	0.04
Intoxicating liquors in this Part above the strength of 22 degrees under proof, for every degree above such strength, in addition to the duties specified above	0.20	0.20	0.30

PART II.

On—	Hong Kong origin.	Empire origin.	Other origin.
	\$	\$	\$
Chinese type liquor	2.00	2.00	3.00
and in addition, for every one per cent. by which the alcoholic strength by weight exceeds 25 per cent.	0.08	0.08	0.12
Sake	2.00	2.00	3.00
and in addition, for every one per cent. by which the alcoholic strength by weight exceeds 25 per cent.	0.08	0.08	0.12

PART III.

On—	Hong Kong origin.	Empire origin.	Other origin.
	\$	\$	\$
Liquors other than intoxicating liquors but excluding spirits of wine or arrack	2.00	2.00	3.00
and in addition, for every one per cent. by which the alcoholic strength by weight exceeds 25 per cent.	0.08	0.08	0.12
Spirits of wine or arrack	2.00	2.00	3.00
and in addition, for every one per cent. by which the alcoholic strength by weight exceeds 25 per cent.	0.08	0.08	0.12

Provided that the Superintendent may assess the duty on intoxicating liquors, not specified in Part. I or II, at the rate prescribed for liquor which in his opinion most nearly approximates to the liquor on which duty is to be assessed:

Provided also that the Superintendent may in his discretion assess the duty on any quantity of liquor of less than two gallons, imported at any time in one consignment, at \$20 per gallon.

This resolution gives effect to the increases in liquor duties which were announced in this Council on the 16th January, 1941, and which were put into immediate effect by His Excellency's order.

THE ATTORNEY GENERAL seconded, and the motion was carried.

MEDICAL REGISTRATION AMENDMENT BILL, 1941.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Medical Registration Ordinance, 1935." He said: This Bill has been recommended by the Medical Board, and is explained in the Memorandum of Objects and Reasons.

THE FINANCIAL 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. Section 11 of the Principal Ordinance (No. 41 of 1935) lists four classes of technically qualified medical or surgical practitioners who are entitled to be registered in Part I of the register kept under section 4 of that Ordinance provided that they prove to the satisfaction of the Medical Board that they are of good character.
2. Clause 2 of this Bill will add to that proviso the further requirement that they possess an adequate knowledge of the English language, both spoken and written.
3. Such a requirement appears particularly necessary in view of the fact that some of them have obtained their degrees, diplomas or licenses in medicine and surgery in medical schools abroad where no knowledge of the English language is necessary.
4. Moreover an amendment of this nature is recommended by the Medical Board who have found in a number of disciplinary inquiries recently held by them that the practitioner concerned had no knowledge whatsoever of the English language and pleaded this fact in extenuation for the breach of regulations and for the disregard of warning notices sent by the Medical Department.
5. Sub-section (1) of section 13 of the principal Ordinance provides that if any registered, practitioner is convicted of any offence or after due inquiry is considered by the Medical Board to have been guilty of infamous conduct in any professional respect, the Medical Board may either censure the said registered practitioner or direct that his name be struck off the register.

6. The Medical Board have pointed out that in recent inquiries the fact that the Board was restricted to either awarding the drastic punishment of striking off or the lenient punishment of censure had been a matter for comment; and the Board is of opinion that they would have been in a much better position to deal with some of these cases if there had been a middle course open to them.

7. The Board recommends that they shall be given power to suspend a registered practitioner convicted of an offence or guilty of infamous conduct in a professional respect and also to order costs to be paid by parties attending the inquiries and that provision be made for such orders to be enforced in the Supreme Court in the same manner as judgments or orders of the Court to the like effect.

8. Clause 3 of the Bill will give effect to these recommendations by substituting a more comprehensive sub-section for section 13 (1) and by adding two new sub-sections after section 13 (6). In that part of section 13 (1) which is re-enacted by the substituted sub-section the word "judged" replaces the word "considered" as the former word is used in section 29 of the Medical Act, 1858, (21 and 22 Viet. c. 90) in relation to analogous inquiries by the General Council of Medical Education and Registration of the United Kingdom.

HONG KONG CORPS OF AIR RAID WARDENS

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Hong Kong Corps of Air Raid Wardens Ordinance, 1940." He said: This Bill is fully explained in the Memorandum of Objects and Reasons.

THE FINANCIAL 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. Clause 2 of this Bill revises the definitions of "others," "subordinate officers" and "members" in the principal Ordinance so as to change the title of "Deputy Chief Wardens" to "Deputy Chief Air Raid Wardens," to promote the District Wardens and Deputy District Wardens to the class of "officer," to limit the class of "subordinate officer" to Group Wardens and Senior Wardens, and to add Warden Telephonists to the "members" classification.

2. Since the amendment made in section 1 (2) (d) of the Emergency Powers (Defence) Act, 1939, by the Amending Act of 1940, it appears no longer possible to effect such detailed changes by Defence Regulations.

3. Clause 3 of this Bill repeals sub-section (1) of section 10 of the principal Ordinance, which deals with the recovery before a magistrate of the value of equipment negligently lost or wilfully or unlawfully converted by a member of the Corps, and re-enacts it with the insertion in the middle of the words "he shall pay to the Director of Air Raid Precautions on demand such sum in respect of the value thereof as may be demanded and failing such payment."

4. This will enable the Director to demand and settle small claims, *e.g.*, for the value of a negligently lost Warden's badge, without having in every case to resort to a magistrate.

5. Clause 4 of this Bill adds inefficiency, and conduct prejudicial to the interests of the Corps to the list of offences in section 18 (3) of the principal Ordinance in respect of which the Director of Air Raid Precautions is empowered to take disciplinary action.

PLACES OF PUBLIC ENTERTAINMENT REGULATION AMENDMENT BILL, 1941.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Places of Public Entertainment Regulation Ordinance, 1919."

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

ENTERTAINMENTS TAX AMENDMENT BILL, 1941.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to amend the Entertainments Tax Ordinance, 1930."

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

On the motion of the Attorney General, seconded by the Financial Secretary, Council then went into Committee to consider the following Bills clause by clause: —

PLACES OF PUBLIC ENTERTAINMENT REGULATION AMENDMENT BILL, 1941.

ENTERTAINMENTS TAX AMENDMENT BILL, 1941.

Upon Council resuming.

THE ATTORNEY GENERAL reported that the Places of Public Entertainment Regulation Amendment Bill, 1941, had passed through Committee without amendment, and moved the third reading.

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

THE ATTORNEY GENERAL reported that the Entertainments Tax Amendment Bill, 1941, had passed through Committee without amendment, and moved the third reading.

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

ADJOURNMENT.

THE PRESIDENT. —Council stands adjourned *sine dis*.