

27th March, 1947.

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PRESENT: —

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

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS, (MAJOR-GENERAL G. W. E. J. ERSKINE, C.B., D.S.O.)

THE COLONIAL SECRETARY (HON. MR. D. M. MACDOUGALL, C.M.G.)

THE ATTORNEY GENERAL (HON. MR. J. B. GRIFFIN, K. C.)

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. R. R. TODD, *Acting*).

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

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

HON. MR. T. M. HAZLERIGG, C.B.E., M.C.

HON. MR. T. MEGARRY.

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

HON. MR. D. F. LANDALE.

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

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

HON. MR. LEO D'ALMADA E CASTRO.

HON. MR. R. P. GILLESPIE.

HON. DR. CHAU SIK-NIN.

HON. MR. M. M. WATSON.

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

MINUTES.

The Minutes of the meeting held on 20th March, 1947, were confirmed.

PAPERS.

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

Administration Reports, 1946: —

Annual Report on Hong Kong.

Report of Committee on Hawking.

MOTIONS.

THE ATTORNEY GENERAL moved: —

That the Private Mortuaries By-laws made by the Urban Council under section 4(1)(xxiv) of the Public Health (Sanitation) Ordinance, 1935, Ordinance No. 15 of 1935, on 18th March, 1947, be approved.

THE COLONIAL SECRETARY seconded, and the motion was carried.

MARRIAGE (AMENDMENT) BILL, 1947.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Marriage Ordinance, 1875."

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

On the motion of the Attorney General, seconded by the Colonial Secretary, Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Marriage (Amendment) Bill, 1947, had passed through Committee without amendment and moved that it be read a Third time and passed into law.

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

FOREIGN MARRIAGE (AMENDMENT) BILL, 1947.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Foreign Marriage Ordinance, 1903."

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

On the motion of the Attorney General, seconded by the Colonial Secretary, Council then went into Committee to consider the Bill clause by clause.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Foreign Marriage (Amendment) Bill, 1947, had passed through Committee without amendment and moved that it be read a Third time and passed into law.

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

VEHICLE AND ROAD TRAFFIC BILL, 1947.

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to repeal the law relating to the use of vehicles and the control of traffic and to re-enact new provisions."

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

On the motion of the Attorney General, seconded by the Colonial Secretary, Council then went into Committee to consider the Bill clause by clause.

Enacting clause and title.

THE ATTORNEY GENERAL: The long title of this Bill as before Council is in such a form as to contain a contradiction in terms in that it refers to the re-enactment of new provisions. I therefore propose that the long title in its present form should be deleted and be replaced by a title as follows: —

“An Ordinance to regulate the use of vehicles and to provide for the control of road traffic.”

The amendment was agreed to.

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Vehicle and Road Traffic Bill, 1947, had passed through Committee with an amendment to the long title and moved that it be read a Third time and passed into law.

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

APPROPRIATION FOR 1947-1948 BILL, 1947.

THE FINANCIAL SECRETARY moved the Second reading of a Bill intituled "An Ordinance to apply a sum not exceeding one hundred and nine million four hundred and eighty eight thousand four hundred and thirty three dollars to the Public Service of the financial year ending 31st March, 1948."

THE COLONIAL SECRETARY seconded.

HON. MR. D. F. LANDALE: As I understand the figures for this year's Budget will be referred to a Select Committee, it would be a waste of this Council's time to refer to the comments I have to make on the individual items. There is, however, one to which

I would like to refer. It is in connection with the figure of \$1,500,000 in respect of relief for destitute persons referred to under Head 19. My Unofficial Colleagues and I will seek to reduce this figure to \$1,000,000.

I now have one or two points of general application which I would like to make.

While I fully appreciate all the difficulties the Financial Secretary has had to contend with in submitting this year's Budget, I do not consider that the accounts as presented give sufficient information on which to form a proper judgment of the Budget and I should like to suggest that in future, before Unofficial Members of this Council are asked to give their approval of the Budget, a full financial statement for the past year be submitted and also that estimates for the ensuing year should distinguish clearly between ordinary and extraordinary expenditure.

I should also like to suggest that in future the accounts of the Kowloon-Canton Railway be shown separately and not mixed up with the general finances of the Colony. This, I believe, is the general practice with other Colonial Railways.

In my remarks on last year's Budget I expressed the hope that when the actual figures of expenditure for the year 1946/47 came to be compared with the estimates there would not be too many discrepancies. When I made this remark I had in mind the possibility of the actual deficit being even greater than the estimated. The fact that the deficit has been considerably reduced and for the ensuing year a balanced Budget has been submitted surely indicates a very satisfactory financial position. Few, if any, other liberated territories have achieved a balanced Budget so soon after liberation. All this makes me wonder whether the surplus shown has not been underestimated. I admit of course that the balancing figure is the controversial item of \$16,000,000 to be derived from the Inland Revenue Tax which has yet to be passed by this Council. I do not propose to discuss this measure at this meeting but I should like to repeat what I said in my remarks on last year's Budget—"There is no doubt in my mind that Income Tax as applied in the United Kingdom is the most equitable form of taxation. There is, however, a very grave doubt in my mind whether it is possible to apply the United Kingdom form of income tax with the same degree of equity in a place like Hong Kong." To this I should now like to add that it should only be resorted to if the revenue of the Colony really needs it.

I submit, Your Excellency, that the revenue of the Colony does not yet need it.

I make this remark in the light of the very meagre facts that have been put at our disposal. We are told that the Imperial Government has a considerable outstanding account against this Colony in respect of expenses incurred by them on our behalf during the Japanese occupation, but we have not been informed as to the size or the

details of this outstanding; nor have we been informed whether all the expenses incurred during the occupation were discharged entirely from the Imperial Government Funds or were to some substantial extent derived from funds which had their origin in the Colony.

I have just expressed the opinion that our actual surplus for 1947/48 will be greater than the small surplus shown. I will only mention two items which have led me to this opinion. I notice under Head 26 "Public Debt" an item of \$6,000,000 has been provided for the services of the proposed new loan. The loan has not yet been issued and the amount and the rate of interest has not yet been made known, but \$6,000,000 strikes me as being a very liberal figure. Again, I notice that during the last two years a sum of approximately \$16,000,000 has been provided for the Kowloon-Canton Railway \$5,000,000 this year, and \$11,000,000 last. These two figures cannot represent recurrent expenditure and I should have thought includes a number of capital items which could be charged against the future loan.

The Financial Secretary in his remarks at the first reading of the Appropriation Bill for 1947-1948 referred to the fact that the revenue of the Colony during the year 1946/47 was considerably more buoyant than he expected. It is my belief that this buoyancy will continue during the coming year. My support, therefore, of this Appropriation Bill must not be taken as an acceptance of the methods proposed to raise the sum required—I intend to raise this matter in Select Committee.

HON. MR. CHAU TSUN-NIN: Once again, it is my privilege to congratulate the Hon. Financial Secretary on his able performance of an admittedly difficult task. Though, too, we are once more presented with a budget which by no means arouses our enthusiasm, it is, likewise, not one to cause despondency.

Indeed, my main criticisms will be directed to what I feel is his unduly pessimistic view of the future. It is true that over-optimism in matters of this nature is far worse than pessimism, and we are all glad to hear that during the past year not only has revenue been more buoyant but expenditure less than expected. Nevertheless, I do feel that in respect of certain vital items a rosier outlook would find itself more than justified at the end of the financial year that lies before us.

The first item on which I would like to make a few remarks is on the subject of Education, for which a sum of \$7,376,585 has been set aside. At first sight, this compares very favourably with the 1946/47 estimate of \$4,440,615. Compared with actual expenditure of \$6,206,585 for that period, however, it represents merely an increase of \$1,170,000.

I would submit, Sir, that this is a decided under-estimate of an item of major importance to this Colony. In the very near future, we are to have a Municipal Council, an important step forward in the history of Hong Kong. But for a Municipal Council to function effectively we need an enlightened, educated community. The demand

for education—particularly Vernacular Primary Education—and for more schools to provide that education, is greater today in Hong Kong than it has ever been.

Apart from provision for the opening of the Technical College Evening Department, however, I see no mention in the estimates of any financial provision for rebuilding. I see nothing about Queen's College, King's College, Belilios Girls' School or the Vernacular Middle School at Pokfulam. These have all played a very important role in the education of the community of Hong Kong and—I repeat—the need for them today is greater than ever before.

Many parents find it impossible to send their children to the expensive private schools and they have the right, I submit, Sir, to expect Government to come to their assistance. The figure of \$900,000 in subsidies to rural and urban vernacular schools, for instance, is quite inadequate to cope with present needs.

On the other hand, I should like to express my whole-hearted approval of the proposal to allocate \$1,320,000 to provide all children up to the age of 15 with milk and biscuits. This brings Hong Kong into line, in one very important aspect, with what is being done in other parts of the world.

If, in addition, we can bring education to a greater section of the community than would be possible with the present budgetted estimate, we shall, I feel, be making a vital contribution towards the future prosperity and well-being of this Colony.

Turning from the specific to the general, I would like to record my personal satisfaction that at least two of the four revenue-producing proposals I put forward last year have been adopted—namely, the tax on the increment value disclosed on the sale of leasehold properties compared with their 1941 values and the tax on hotel and restaurant bills.

I will defer my main criticisms on the subject of the Inland Revenue (Earnings & Profits) Bill to the debate which will undoubtedly ensue when it comes up for a second reading. I would like, however, to touch upon a few aspects of the subject today. It is with even firmer conviction than 12 months ago that I assert "that conditions in this Colony are now even less favourable to the successful imposition of a general tax on income than they were towards the end of 1939".

Frankly, Sir, I am at a loss in the first place to discover how the Hon. Financial Secretary arrives at his token figure of \$16,000,000 to cover revenue from this source. I am constrained to believe that he is once again being pessimistic. Even at the 1941 rate, revenue from this source would be substantially greater, owing to rehabilitation and cost-of-living allowances and generally higher wages and salaries all round.

On the other hand, if one were to accept the Hon. Financial Secretary's estimated revenue from this source as being approximately near the mark, then it seems to me, Sir, that the same amount of revenue, at the very least, would result from, say, another of the measures I proposed last year—namely, a Sales Tax. This is being imposed quite effectively in the case of toilet preparations, cosmetics, etc. and its wider application would call for no great difficulty and very little increase in staff. Luxuries and amusements could well afford to bear a heavier tax than they do.

While I should be among the last to wish Hong Kong to lose its almost traditional status as a duty-free port, it seems to me that a small import tariff—especially on non-essentials and luxuries—would not have any marked detrimental effects either on trade or on the standard of living of the community.

Income tax, I submit, should only be considered as a last resort, when all other measures have been tried. I need hardly say that other means of raising the same amount of revenue will certainly command a greater measure of support from the general community.

In conclusion, I would like to make a few remarks on the subject of de-requisitioning of property. It is now over a year and a half since a large proportion of useful property was requisitioned by Government and the Services. No indication has yet been given as to when this property is to be de-requisitioned. The sum of \$150,000 has been earmarked for the rent of requisitioned and other buildings during the coming financial year, but I see nothing in the Estimates about money being set aside for the erection of suitable premises to accommodate those now in requisitioned buildings.

I would strongly submit that provision should be made now for the erection of such premises, so that the requisitioned buildings can be released at as early a date as possible to meet the ever-pressing needs of a rapidly growing community. We are already practically at saturation point, and the population of Hong Kong is still growing at a fantastic rate. This is a problem which brooks of no delay.

HON. MR. LO MAN-KAM: Your Excellency, The high-light of the able and lucid statement which my Honourable friend the Financial Secretary made to this Council on the 13th March, 1947 was the large increase of the preceding year's revenue over the amount originally estimated, and the estimated surplus of Revenue over Recurrent Expenditure in the coming financial year.

In so far as the major items of Expenditure are concerned, the same factors which last year limited our freedom of choice of competing projects operate with undiminished force this year. First things first. Essential rehabilitation must go forward. Moreover, all the items of the Estimates will be carefully considered by a Select Committee. I have therefore very little to say in regard to specific items. I shall content myself with some general observations.

I feel sure every one in the Colony has noted with satisfaction the Financial Secretary's statement that Government has striven to reduce temporary staffs as far as possible, and further that an Efficiency Expert will soon be arriving to undertake the work of overhauling the whole machinery of Government with a view to increased efficiency and economy. As the Financial Secretary has pointed out, Personal Emoluments in the 1947/48 Estimates total over \$22,000,000.00, plus \$750,000.00 to cover emoluments of military officers on loan. To this must be added the high cost of living, rehabilitation and special allowances \$24,000,000.00: hotel accommodation for Government servants \$500,000.00: New Year bonus to Chinese employees \$120,000.00: rent allowances \$660,000.00: transport of Government servants \$800,000.00: pensions and widows and orphans pensions, etc. \$4,463,000.00: making a total of \$30,543,000.00.

The Colony's total expenditure for its Civil Service therefore comes to the staggering sum of \$53,293,000.00, which greatly exceeds the whole of the ordinary Budget for 1941, and is more than double its Budget for 1938. There can be no doubt that the whole problem of the over-all cost of the Civil Service is one of increasing gravity for the Colony. One method of effecting a reduction in this cost is of course to utilise more fully local talent, so as to eliminate the ever-increasing cost in transport on Home leave.

And this brings me to the perennial question of employment and promotion of locally recruited officers. After Your Excellency's specific assurance that "the policy of Government is to ensure that every opportunity shall be given to locally recruited persons, not only to enter but to rise in the service of the public up to the highest posts and to fulfil the highest responsibilities of which they are capable or can be assisted to become capable, by any means at the disposal of Government"—it might seem unwarranted, if not presumptuous, if I were to say anything more on this subject. And yet I feel bound to state in this Council that whilst this high policy has given universal satisfaction and is one to which Heads of certain Departments have striven to give effect, it does not appear to be operative in all departments. I know that grave dissatisfaction exists. I can only hope that all responsible senior officers will act in accordance with the spirit of Your Excellency's assurance and of Government's oft reiterated and avowed policy.

The Budget is framed on the basis of an Income Tax bringing in an estimated sum of \$16,000,000.00. Since the publication of the Inland Revenue Bill, the Chinese community has expressed very strong opposition to this measure. Written representations from representative bodies have been forwarded to Government. But as this Bill is not before this Council today I abstain from any further remarks on this matter at the present time.

During the transitory period between War and Peace it is inevitable that certain emergency powers, such as those conferred by the Defence Regulations 1940, should be continued in operation by appropriate

enactments even though the Civil Government of the Colony was resumed on 1st May, 1946. But I feel very strongly that Government should not resort to such emergency powers if action could be taken, without injury to public interests, through the ordinary constitutional machinery.

Now, at least two really revolutionary schemes were put through or continued by such emergency powers, one relating to the Fishing industry, and the other to the Marketing of Vegetables.

Certain regulations were made by the British Military Administration, being Regulation No. 5 under Proclamation No. 4 intitled "Marketing of Fish", under which no person could sell any fresh fish except under permit, or import, export or deal wholesale with dried or salted fish except under permit, and under which a market organisation for the sale of fish was established.

These provisions were continued by the Civil Government. The effect of these regulations was to change the whole basis of the Fishing industry in the Colony which had subsisted for a century, and to put out of business the whole trade and business of the wholesalers, who had carried on business in the Colony for the same period.

Then by an Order made by the Director of Supplies, Trade and Industry on the 3rd September, 1946, under Emergency Powers, a revolutionary system was established for the wholesale of vegetables.

I am not concerned with the merits or demerits of either scheme. But my point is that, in regard to both, Bills could have been presented to this Council in the ordinary way and representations from all sections affected could have been, and would have been brought before Government, and there could have been, and would have been a debate on the Second reading.

Sooner or later these Emergency Powers must lapse and Government, if it wanted to continue the schemes, would have to come to this Legislative Council for the necessary enactments. I therefore suggest to Government that such a step should be taken in the near future, and I urge, I repeat, that in matters of such grave importance affecting such large sections of the community, any future action should be taken by ordinary legislation, and not under Emergency Powers.

As regards the provision of \$151,000.00 for the Quartering Authority, I feel justified in saying that an expenditure of this sum would be more than amply justified if, as the result of the Quartering Commandant's work, the intense bitterness and dissatisfaction entertained by the public against the whole system of requisition can be reduced. I would be conveying quite an erroneous impression to this Council if my words were taken to indicate that the public is in any way satisfied with the present system of requisitioning: the contrary is true, although everyone is only too glad to acknowledge that the present holder of the office of Quartering Commandant has done his

best to deal with an impossible situation. My object in making these remarks is to acquaint Government with the general sense of dissatisfaction rather than to take up individual cases. But I may cite two particular cases in which my office happens to be concerned, which I have every reason to believe are typical of many cases, as indicating the kind of cases which give rise to such dissatisfaction.

A Chinese family, who had been in Hong Kong for more than a generation, occupied a large house in Robinson Road which the head of the family had built in 1925, and in which the whole family lived until the outbreak of the Pacific war. When the war started the ground floor was requisitioned by the Authorities for use as an A.R.P. station.

Immediately on the Japanese occupation, and, I should say, chiefly as a result of the use of the ground floor as an A.R.P. station, the Japanese Gendarmerie took over the whole of the premises, and the head and his family were driven out of the house without being able to take away even their personal belongings, and they had to leave for Macao, where the head died two years ago.

The house remained in Japanese occupation throughout the whole period until the Japanese surrender.

On the British re-occupation the house was requisitioned and this family, still in exile, has been trying to get back this house for the family's occupation ever since the British re-occupation. In spite of repeated applications the latest answer is that there is little likelihood of the premises being released prior to 31st December, 1947.

The other case relates to a house in Kowloon which, up to the outbreak of the Pacific war, was owned and occupied by a local dentist who had been carrying on his profession as a dentist in Hong Kong for many years.

This dentist, during the Japanese occupation, moved up to Canton and has been trying to return to the Colony to resume his practice as a dentist. In spite of repeated applications since at least August 1946 the premises are still under requisition.

At the beginning of March this year this dentist applied once more for the premises and as an alternative asked that suitable premises might be allotted to him for the use of himself and his family, so that he could resume his practice.

I submit that the continued requisition of premises belonging to old and permanent residents, and resulting in their inability to return to the Colony on account of lack of accommodation, cannot possibly be justified.

As regards the Government's declared policy that out of premises under the control of the Quartering Commandant a fair allocation would be made to satisfy Civilian, Government and Services requirements, I should like to ask whether, and if so what, allocations have been made to Chinese civilians.

The amount of estimated revenue from Land Sales is \$5,630,000. I venture to suggest that the question should be seriously considered as to whether revenue from land sales should go into general revenue for recurrent expenditure, or whether it should not be set aside by way of Capital Reserve Fund. If, as I hope, the actual excess of Receipts over Expenditure will be very much greater than anticipated I hope Government will consider this question of earmarking land revenue as a capital fund. I do not pretend that this is a new point. On the contrary, it has been raised at different times in this Council. For instance, on the 27th September, 1934, Sir William Shenton, on behalf of all the Unofficial Members, remarked: "Land booms followed by slumps are not new conditions in this Colony, but we have, from time to time, drawn Government's attention to the fact that treating the proceeds of land sales as recurrent revenue is not desirable, and must inevitably create difficulty".

Since the British re-occupation the continuous improvement in the operation of the Kowloon-Canton Railway service has been very satisfactory. Having regard to the intimate relations between Hong Kong and Canton—a theme which has so often been stressed in this Council—an efficient service between these two places is a matter of vital importance. But there is one aspect of the matter which, in my view, has not received sufficient attention from the highest level of Government. I refer to the indescribable turmoil and confusion on the arrival, at the terminus in Kowloon, of trains from Canton. I can speak from personal experience. On the arrival of a train a seething, struggling and fighting crowd surges through the barriers. The number of officers, Police and otherwise, to regulate the crowd is absolutely insufficient, and the number of medical officers and assistants cannot possibly cope with the crowd. During the many times I have been to the station to meet arrivals I would say that the percentage of passengers who either showed their inoculation papers, or got inoculated, must be absolutely trivial. This ineffectual attempt to hold up a crowd of this magnitude certainly succeeded in delaying the flow of passengers through the barriers by a very long time—on one occasion for over one hour, but what other real effect it achieved I do not know. When there is no actual epidemic, and when effective compulsory vaccination for the whole of the inhabitants cannot be carried out, I submit that a realistic view should be taken of the matter, and that the present irritating hold-up at the point of egress should be removed.

I was glad to observe from the Gazette of the 14th March, 1947 that Mr. K. Keen had been appointed Estate Duty Commissioner. Until his appointment, and for quite a period, the Land Officer—whose work is a full time job—was appointed to act concurrently as Estate Duty Commissioner. The delay which applicants for legal representation to estates of deceased persons have experienced has been intolerable. The duty of an Estate Duty Commissioner is of course to ensure that duty properly payable should be paid. But, speaking with some long experience and with a due sense of responsibility, I suggest that in dealing with estate matters, as indeed with

other matters of ordinary life, the application of a little common sense and the adoption of a reasonable attitude of give and take, are conducive to expedition and are to the best interests of the Revenue as well as of the public. For this reason I deplore the necessity for the recent transfer to another post of an Estate Duty Commissioner who had performed his duties so ably and to the satisfaction of the public, and in the interests of the Revenue. I urge as strongly as I can that Government will see to it that there will be no vacancy in this post even for a short time.

I should like to invite Government's attention to the fact that, as far as I know, the posts of Registrar of Trade Marks, and Official Receiver have not been filled. I believe the Supreme Court is grossly understaffed.

Sir, I respectfully invite Government to make a statement on the present position regarding the Moratorium. In so far as local action on any aspect of this question depends on the decision of the Secretary of State, is it now possible to give an indication as to when such a decision can be announced? As regards actions which can be taken without further sanction by the Secretary of State, and which was foreshadowed by Government in its latest statement to this Council, what has been done and when will the necessary legislation be introduced?

One of the disquieting features of the Financial Secretary's address was his reference to many important issues which remain to be settled as between H.M. Government and the local Government, and that "the Colony may be faced with claims for very considerable amounts indeed in respect of past events." I respectfully ask for an assurance that none of these claims will be settled by the local Government without assent of this Council. I deem it right to add that on many of the issues involved very strong views are entertained by the Chinese community, to which it will be the duty of their representatives to give expression.

Sir, amongst the documents laid on the table, I find this Annual Report of Hong Kong for the year 1946. Though I have not had time naturally to go into the contents of this report, I find I cannot resist the opportunity of saying how excellently well it seems to have been got up and I should like to take this opportunity of congratulating and paying my personal tribute to the officer concerned in this very excellent production.

Your Excellency, in addressing this Council on 5th September, 1946, stressed the duty which "we owe to use every effort to reduce so far as we may, both in extent and in duration of time, our dependence on H.M. Government for financial aid to meet the difference between our revenue and our recurrent expenditure". Whilst all members of this Council unhesitatingly recognised this high duty, and determined to discharge it to the best of their ability, I venture to doubt whether there was on that day a single member who could have

imagined that we could gratefully, but totally, dispense with this dependence on H.M. Government within such a short time after the British re-occupation.

The Estimates now before us reveal, indeed, a picture of the financial position of the Colony which may be fittingly regarded as a hopeful augury for the future, and on which the Government and the community should be congratulated.

During the Japanese occupation this Colony might, perhaps, have been likened to a ship, plundered of her equipment, rudderless and unmanned, drifting in the tempestuous sea of Japanese aggression to rocks of disaster. Rescued and towed to a port of law and order and dry-docked by the British Military Administration, she has been thoroughly overhauled and repaired and re-equipped by the Civil Administration of which Your Excellency is the Head.

It would be presumptuous on my part to refer to Your Excellency's work, but I venture to suggest that, on the eve of your departure, it must be a matter of real satisfaction to yourself, as it is a matter of appreciation and gratitude on the part of the Colony, that as the result of your indefatigable toil, and under your wise guidance, this ship over which you have been in charge during the last eleven months is once more ready to sail, with the barometer set "Fair", prepared to face all the hazards incidental to a maritime venture, and with assured confidence in a prosperous voyage of her bright destiny!

HON. MR. LEO D'ALMADA e CASTRO: The budget debate has always been used by Unofficials as a peg upon which to hang criticisms or from which gracefully to drape compliments. I have one compliment to pay this afternoon and that is to Government for having secured the appointment of a Salaries Commission to revise the pay of Government Civil Servants. It seems to me, Sir, that whereas in pre-war days your sterling-paid man could be regarded as fairly paid and in some cases as well paid, the same is not true today, and that whereas in pre-war days your local man was poorly paid today he is shockingly under paid. I hope that that Commission will make recommendations which will be adopted by Government, recommendations towards the improvement of the lot particularly of the local Civil Servants.

Passing from congratulations to criticisms and suggestions, the Honourable the Unofficial Member who spoke third made a plea for better passenger control at Kowloon Railway Station. I have a similar plea to make but this is in regard to traffic control generally. One knows that the Police are doing a very fine job of work in Hong Kong: one knows that they are coping as fully as circumstances permit with the problem of traffic, but it seems to me that although the demand for cars in Hong Kong has been by no means satisfied, traffic nowadays is of much greater volume than in pre-war days and that attention could well be paid to an aspect of traffic control which so far as I know has not yet had the attention of the traffic authorities. Any examination of our traffic problems and the standard

of driving in Hong Kong will make this clear, that speeding is not the prime offence, although in my opinion a specially low speed limit could be introduced insofar as public vehicles are concerned because in my belief they are the biggest offenders from the natural desire, perhaps the anxiety, to increase the number of fares they can carry. But on the whole the real problem lies I think in thoughtlessness on the part of drivers, in selfishness on the part of many so that you find traffic held up on occasion merely because a driver from thoughtlessness or selfishness places himself in the wrong traffic lane from the point of view of the turn which he is about to make into another road. You find, for example, that a man who wishes to turn right sticks to the left hand traffic lane whereas he should, if he were thoughtful, move over to the right hand traffic lane before doing so. Likewise, a man wishing to turn left does not move over to the left-hand lane before he makes his turn, the result being in each case that traffic wishing to move straight on is held up. I would commend to the attention of the authorities, therefore, a course of lectures—a very short number of lectures—to deal with subjects like this, and that it be made compulsory for paid drivers to attend these lectures. I cannot help feeling that the cost of such a measure would be negligible as compared with the results that it would yield.

Sir, both the second and third Unofficial Members who spoke before me mentioned the subject of de-requisitioning of houses. I would like to endorse their plea. I would like to urge in particular that some strenuous effort be made to induce the Services to part with the large number of flats and houses of which they are now in occupation, an occupation which in many cases is selfish for that, as seems to be the case in very many instances, you find one or two members of the Services only living in a flat or house which could comfortably accommodate a very much larger number of people.

Linked with this question of de-requisitioning is the subject of housing generally in Hong Kong and the legislation controlling housing. A Tenancy Committee appointed by Your Excellency made a report in accordance with its terms of reference several months ago. A Government spokesman in a press release, also several months ago, stated that a large number of the recommendations made by that Committee had been accepted by Government and presumably would be implemented in the form of a new ordinance. That, Sir, was several months ago, since when nothing so far as we know has been done either by way of amendment of the Proclamation which, in the first instance, was useful enough and achieved its object, or by way otherwise of improving the lot of the tenant in this Colony or allowing the honest landlord to get a bigger return on his investment than he is at present by statute permitted. I urge Government to proceed with all speed in the matter of new legislation along these lines, not only, as I say, because your honest landlord deserves a better return for his money, but also so that your dishonest landlord may have greater sanctions imposed upon him, and such amendment of the law as makes it easier than it is at present for charges to be brought against persons for extorting tea-money and the like in return for a

tenancy. I don't think any blame for the comparatively small number of prosecutions for offences under the Tenancy Proclamation can be laid at the door of the Authorities: it isn't a question of the lack of vigilance on the part of anyone; it is very largely due, in my opinion, to the fact that we have in Hong Kong a supine community, a community not interested in any form of civic duty, much less in co-operation such as must be expected of them if people of this class are to be successfully prosecuted.

My last remark, Sir, brings me to something which at first glance may seem to have no connection at all with it. In this very fine report which has just been presented to us, facing page 36 there is a charming picture of two women gathering sea-weed. I wonder whether in the 1947 report which no doubt we shall eventually get we shall find a somewhat less attractive picture of Mr. Pudney collecting income tax? It seems to me, Sir, that if such a measure is introduced in Hong Kong, and such a photograph could be taken of Mr. Pudney, the result would be much the same in regard to the amount collected as is shown in this photograph, that is to say, that the proportion of tax collected by Mr. Pudney in relation to the total tax collectable in the Colony would probably be in the same ratio as the amount of sea-weed shown in this picture in relation to the sea-weed to be found in the whole of the waters of this Colony.

Sir, as I said, there might seem at first no connection between what I have just mentioned, and my earlier remark on the lack of co-operation from the public of Hong Kong. There is in my submission some connection though, in that not only do you find in this Colony a lamentable lack of that co-operation. On the contrary, you find something very much the opposite, that is to say, the spirit prevalent which can only have effects such as I have predicted in the matter of the collection of income tax. Two examples of the conduct of the public in recent months lend colour to my belief: Some time late last year, it became known that a probe was being conducted into the affairs of the Imports and Exports Department. Little of that became known to the public, probably because the investigations continued for some time and are continuing, but enough reached the public for them to form the conclusion that here was a first-class scandal, that here was squeeze amounting to lakhs and lakhs of dollars, and so far as we know the only result of that probe carried out by officers most competent to perform that duty has been the prosecution of two or three, or at the most half a dozen, of the smaller fry in this gigantic swindle, whereas those at the head of it have not yet been, and so far as I know, cannot be brought to book. There I say is one more example of the mentality of the public which is a significant indicator of what is to happen to your income tax.

The other example I have in mind is a more recent one. Some time in November last year, may be early December, the Restaurant Meals Tax was imposed in this Colony, and we see from the Honourable the Financial Secretary's Estimates for the coming financial year that he thinks that the tax will yield three million dollars. It is interesting

to compare his estimate with that arrived at by the Taxation Committee which recommended the imposition of the tax. They, a body of responsible gentlemen, a body of gentlemen who doubtless went into facts and figures very closely before putting anything down on paper, but a body which possibly did not take into consideration the degree of evasion to be practised in this tax, estimated the yield at fifteen million dollars. The Honourable Financial Secretary tells us that he estimates three millions from that tax because there has been a degree of evasion. Sir, one would have thought that with a tax of so small a percentage on so small a part of one's expenditure there would be very little attempt at evasion indeed. We find that that is not so. It seems to me *a fortiori* therefore that if we are to have income tax, not only will the means of evasion be easier, but the temptation to evade will be so much greater. As my senior colleagues have already mentioned, the views of Unofficials upon income tax have already been made known to Government very briefly, and will be made known to Government and to the public at much greater length when this Bill comes up for debate. I feel it my duty, however, to make these few remarks upon it now because I have heard it expressed by persons who in my respectful submission should know better, that they do not think there will be the degree of evasion which I personally fear as an immediate consequence of the imposition of this tax. I think, Sir, that they have a very much greater faith in human nature than I and that that faith is not justified because it has been my experience that whenever the pocket is imperilled, the conscience is very easily appeased. I feel, therefore, that if such a tax were to be imposed, it will not fall equally on all those who should pay it. A very small proportion of tax-payers—the honest ones—will pay it to the full; a very large percentage will evade it in part, and an appreciable number will avoid payment entirely. I therefore urge. Sir, that if this measure is to become law, very great care be given to the scrutiny of the personnel to be employed in its administration, and that the greatest vigilance be exercised in the administration itself; and however able a staff be assembled for that purpose, I still have my misgivings about the success of collection. If in cases like that of the Imports and Exports Department, where money is paid in the form of squeeze, you cannot trap the people guilty of an offence, how can you hope to catch them where their breach of the law involves no overt act?

Sir, I have one last comment to make upon this proposed Bill. There is a widespread belief that it is going to be forced upon us by the Home Government. If that is so, coming as it does on the eve of what is known as a greater measure of self-government for this Colony, it suggests two things to me immediately: one, that this is one last grand autocratic fling before the Colony is allowed to govern itself, two, that this greater measure of self-government which is to be given to Hong Kong will not be sufficient to enable a repeal of this Act if it is unpopular, and its removal from the Statute Book. Either point, Sir, is a sad reflection on the avowed intention of His Majesty's Government to give the people of Hong Kong greater power in running their own Colony.

HON. MR. R. D. GILLESPIE: Your Excellency, being a Member of both the Taxation Committee and the Finance Committee I have already had an opportunity to express my views on most points, and I have very little to add at this stage.

I should like first to congratulate the Hon. the Financial Secretary on the results he has achieved; it is a relief to find the Colony in a far less desperate plight than one had dreamt of last September.

The estimate shown under the heading of Miscellaneous Services amounts to over \$30 million, or about 25% of the total expenditure, and I think that this might well be split up into sub-headings, so that the public may know what it covers.

Under "Stores Department" \$7,908,241 is shown. This is a large sum and here again, I think people are entitled to know how it is made up.

Last September when we were considering the Budget I spoke of the urgent need for a modern airport in Hong Kong, and I was assured that Government had the matter very much in mind. All I can say now is that I see no signs of progress, and I do hope Government are really awake to the urgency of the matter.

I should like to take this opportunity to remind Government that there are many people here who still have outstanding claims against Government for goods, motor-cars, etc., requisitioned on the outbreak of war in December, 1941. I hope Government will expedite settlement of these claims; they are, of course, quite distinct from reparation claims against Japan.

I have been pressing for the re-opening of the Trade Mark Bureau for the last eighteen months, so far without success. I hope that it will not be long before this important Bureau is re-established.

There are three other points I wish to mention: —

Honourable Members will no doubt have seen the letters which have been in the press recently about the Mental Home, and I wish to bring this matter officially before Government. The inmates of the Home are housed in a building which is completely out of date, in a gloomy locality near the old Government Civil Hospital site. There are no facilities for fresh air or exercise. All types of the mentally defective are herded together, including border-line cases, maniacs and congenital idiots. Paying patients have slightly better accommodation, but even there the accommodation will not permit of any privacy. No occupation is provided and apparently no curative measures are taken. There is no library. The only defence that has ever been made for this state of affairs is that the occupancy is presumed to be temporary, and that patients are transferred, Europeans to their own country and Chinese to an institution in Canton. This is not always so; I know that there have been cases of patients having been in the Home for many years. I hope it will be possible for Government to find the money out of the proposed new loan to build an up to date Mental Home, preferably somewhere in the New Territories, where these unfortunate people can be properly cared for. As it is now, the Home is a disgrace to Hong Kong.

Another matter to which I wish to draw attention is the quite inadequate Post Office facilities. During the busy hours one has almost to fight one's way to the Stamp Counter in the General Post Office. I would ask Government to explore the possibility of opening a Branch Post Office in the Central District and thus reduce congestion at the General Post Office. It has to be remembered that hundreds of firms have extensive business with the Post Office, and all these transactions at present go through one building. One realises that a site for a branch Post Office in the Central District will be hard to find and, if the difficulty proves insurmountable I suggest that the present General Post Office be re-designed and occupy two floors instead of one.

Finally, I wish to mention the unsatisfactory arrangements at the Government Inoculation and Vaccination Bureau in the Fire Brigade Building. For some reason, about which I am not quite clear, the Authorities refuse to recognise vaccination and inoculation certificates issued by private practitioners, and anyone wishing to travel, in order to obtain the required health certificates, must obtain them from the Government Bureau. The result is that there is sometimes a queue of coolies waiting for vaccination stretching right round the building. To stand in this queue is not only very unpleasant, but a waste of valuable time. I hope the Honourable the Director of Medical Services will take steps to improve this service without delay.

I wish to make it clear that I am not in any way criticising the staffs of the Mental Home, Post Office, or the Inoculation Bureau. They are doing their best under almost impossible conditions.

HON. DR. CHAU SIK-NIN: Sir, while I associate myself with most of what has already been said by the Senior Unofficial Members, I feel that there are some points to which special attention should be directed.

The first year after the liberation of the Colony naturally produced exceptional problems and imponderable factors and uncertainties. To add to the difficulties the efforts of the Military Administration overlapped the work of the Civil Authorities. In circumstances the Honourable Financial Secretary is to be congratulated on producing so satisfactory a result for the past year and submitting a Budget which on the face of it balances with an extraordinary nicety.

It is practically impossible, however, to make intelligent comments on the totals of the estimates of the revenue and expenditure as presented. They are not accompanied by sufficient information to show or explain the variations between the capital receipts and expenditure in 1946/47 and the estimates for 1947/48. In the absence of a proper balance sheet for the past financial year and estimates of capital expenditure for the coming year it is impossible to obtain a proper appreciation of the financial prospect. It is hoped that in future years it may be possible to submit a more complete financial statement and a balance sheet and a statement of the capital expenditure proposed for the coming year.

From the figures given, the most striking is the increase in the internal revenue from an estimated 7 million in 1946/47 to close on 30 million in 1947/48. An explanation for this increase is given as "new taxes and increased prices". An amount of 16 million is estimated to be required from the new Earnings and Profits Tax. It appears to me that the full possibilities of other internal revenue sources have not been explored, and I do not feel that so radical a change as the introduction of a fully-fledged Income Tax is justified in the Colony, so far as the revenue required for the coming year is concerned. It must be remembered that the pre-war War Revenue Ordinance was passed under the exigencies of war, and it was then understood that the imposition was to be only a temporary measure, to be removed as soon as the war came to an end. Now the war has been prosecuted to a successful end, and the public had hoped for comparative peace and an opportunity for rehabilitation. I earnestly hope that Government will devise some other means of raising revenue than by direct taxation in the form of the proposed Income Tax to which such strong objections have been raised by all sections of the community and for very cogent reasons. Many other indirect forms of taxation would be preferable to an Income Tax which hits the minority, leaving the majority unaffected. There are several forms which would be less expensive to operate and less liable to evasion, such as business registration tax, import tax, sales tax, and an increase in stamp tax.

After four years of neglect and disruption under the occupation of the enemy, every commercial concern here, large or small, requires all their resources to resuscitate and rehabilitate, and any Government impost which would prevent or retard these most urgent improvements would be detrimental to the interests of the Colony.

Regarding 'Assessed Taxes', it seems to me that proper owners have not received fair treatment from Government. Unlike other investors, they are prevented by stringent regulations from receiving more than a certain percentage of return on their investment, and while everything has appreciated in value the landlords must not receive more than what they got before the war. It seems to me therefore that the time has come for an annulment or a radical amendment of all legislation which has the effect of penalising only landlords by saddling them with responsibilities which should be borne by the public as a whole.

While it is my desire to safeguard and protect the interests of the tenants, I consider it no less my duty to see that fair treatment is accorded the landlords.

On page 5 of the Estimates, under the sub-head 'Internal Revenue' an increase of \$1,000,000 is estimated to derive from Stamp Duty by the introduction of a new tax on the value of property. It is suggested that 'although the yield from this new tax and from stamp duties generally has been satisfactory so far, it is unlikely that so many properties will change hands during the coming year, and the

estimate has therefore been framed on conservative lines'. I would like to take this opportunity of stressing the importance of the early removal of the moratorium which is a hindrance to the early rehabilitation of the Colony and to its economic revival and progress. For instance, there is at present no free dealing in stocks and shares or the registration of transfers without the proposed transaction having first been sanctioned by the Registrar of Companies.

A section of the accounts which is difficult to follow is that relating to the Rowloon-Canton Railway. It is suggested that accounts should be submitted in such a way as to show clearly the current expenditure as distinct from the capital expenditure and give a balance sheet showing the result of the working of the railway as distinct from other activities of the Government.

It is realised, of course, the difficulties in presenting accounts on this occasion, but at the same time it cannot be expected that the unofficial members at short notice can form a proper judgement of the whole finances of the Colony and to approve of the Budget without a full production of the accounts in a way which is expected of any modern governmental body.

I now turn to Expenditure which I find requires little comment. However, I note with pleasure that attention has been given to the need of expansion of Vernacular Education about which I spoke at some length in my speech on the budget for the past year. Any expenditure on this head will be money well spent. While touching on the subject of education, I regret to note that there is still a shortage of schools, and I think this deficiency should be remedied as early as possible. A happy innovation has been introduced in the Education Department. I refer to the distribution of milk and biscuits to school children in Government schools. The money so expended will conduce to better health of the children and their greater efficiency.

I do not hesitate to repeat what I said in this Council last year on the estimates for the year 1946/47 on the lack of amenities for the public. I particularly regret that there is still a shortage of hospital accommodation, and while appreciating the difficulties that undoubtedly confront the Medical Department, I feel that since this matter affects the general public an effort should be made to supply this deficiency. The Honourable Director of Medical Services has rendered yeomen service to the Colony, and it behoves this Council to give him the necessary support in his efforts to improve existing conditions.

I am glad that the system of collecting funds from the public for the maintenance of the District Watch Force has been abolished, and that the Force is now maintained by the Government. This is a step in the right direction, but it is to be hoped that the proposed reduction of the Force will be gradual and in consonance with its functions as investigators for the Secretariat for Chinese Affairs. The Force has performed useful service in the past, and should be retained for as long as its usefulness remains undiminished.

The Hon. Financial Secretary in his speech on the first reading of the Bill now before us said: "The final settlement of accounts for the military period and the incidence of the cost of demobilisation expenses and pensions in respect of the Volunteers are among the most important, but there are many others". He further said: "Many important issues remain to be settled and the Colony may be faced with claims for very considerable amounts indeed in respect of past events". I understand that this Colony will be called upon to pay for the demobilisation and pensions of Volunteers and for repatriation. I consider it unfair to saddle this Colony with those items of expenditure.

Let me first deal with the demobilisation and pensions of Volunteers. It is true that by an oversight, as I understand it to be, our Volunteers have not been incorporated into the fighting forces. But the fact remains that they did fight in the defence of the Colony with conspicuous gallantry, and made as great a sacrifice for King and Empire as members of the regular forces of the Crown. Why then should not the Imperial Government assume the responsibilities for the expenses of their demobilisation and their pensions?

I particularly dislike to have to pay for the repatriation of women and children sent out of the Colony shortly before the outbreak of the Pacific War. It was a subject that provoked much adverse criticism at the time, and today many feel that it is most inequitable to expect the majority to pay for a favoured few while 95 per cent. of the population received no protection whatsoever.

With these few remarks I beg to support the adoption of the Bill.

HON. MR. M. M. WATSON: Your Excellency, I have listened with great interest to the speech of the Honourable the Financial Secretary in introducing this Bill to the Council and if I may say so it reflected the great amount of work which has been put into the preparation of these Estimates.

The first thing of course which strikes one in the Estimates for last year is the very great discrepancy between the estimated revenue and the revenue that has in fact been collected. The difficulty of estimating the revenue last year was and is an obvious one, and the discrepancy I have referred to was also accentuated by the expenditure not being as heavy as anticipated, but this only accounts for a part of the difference. The real reason for the great difference between the expectations and the realities of last year is in my opinion due to the fact that so far as I am aware no British Colony, other than those in the Far East, has been put in a similar position in the history of the Empire. It is possible that during the Napoleonic Wars some British Colonies were occupied by the enemy for a longer or shorter time but, during the recent occupation of this Colony when we were speculating on the future we were unable to recollect any comparable case. For this reason I feel that the year that is leaving us should be regarded as abnormal and treated accordingly.

I do not mean by this to suggest that the Honourable Member has produced his estimates upon the false assumption that he will find, and probably be very embarrassed to find, his revenue twice as much as he expected. On the contrary I feel that he has taken an extremely conservative view of his ability to find the money which he will, as he at present sees the figure, require to balance the budget. I am authoritatively informed, for example, that at the present rate of collection the betting tax will produce at least twice the amount mentioned in the estimate. My point, Sir, in making this observation is that there is still possibly a great divergency of opinion regarding the financial course of the forth coming year and I am therefore pleased to see that the Honourable Member has taken the conservative view to which I have referred.

The item in the Estimates which has attracted the most public attention is undoubtedly the \$16,000,000 expected from the Inland Revenue Bill or what is perhaps better known as the income tax law. I suppose it might be said that this item dominates the whole picture. I have no doubt, however, that ample opportunity will be given to this Council to discuss this measure and I therefore pass to other matters in connection with the Bill before Council.

I think, Sir, that I have already indicated that I have no fundamental differences with the Honourable Member on this Bill, but there are a number of criticisms of the Estimates I should like to make concerning particular items.

As an unofficial member of the Council, following the precedents prior to the war, I feel that the unofficial members were expected to stop the Government from spending money. I, open to correction, feel at the present time that the Government is, if anything, skimping some essential services that should be rendered to the public. I must, however, qualify my remark by stating that any provision which will induce more persons to flock to this Colony is to be deprecated as the Colony is palpably too full now and more arrivals must in the end lower the standard of living.

One of the cases with which I feel I can deal is the position in the Legal Department. It is, of course, a matter for the head of that department whether he is or is not understaffed. I can only speak from the experience of the practising lawyer on the results of various matters that come before me and when it is requested that something should be done about them. These cases include matters of the greatest importance to the commercial community. They include, Sir, the establishment of the Trade Marks Office, a sideline of the Patent Office, the return of Companies to Hong Kong which became registered in England during the war, and a number of other legal requirements which are well known to the legal department. On these particular matters, Sir, I am able to speak from experience and I therefore hope that I shall be forgiven, and I hope listened to, in bringing these points to the attention of the Government.

In connection with the staffing of departments, I observe that provision has been made for a fully staffed Inland Revenue Department to deal with the proposed new taxation. It would be of interest to know if that department is expected to be fully prepared to function when it becomes necessary as I feel it would be a great mistake to put into operation such a complicated measure as the one proposed without an efficient staff to work it; if that were done the department would soon spend all its time endeavouring to catch up and correcting its mistakes, to the great delight of the evaders.

A point in the Estimates upon which I have heard some caustic comments is the item of \$30,317,828 for miscellaneous services; as this item is very nearly a third of the budget, this is not surprising. We have of course details in the papers which have been circulated but the matter might be less baldly put in the summary of the estimates which is published in the Gazette and subsequently in the Press.

I welcome the appointment of the Salaries Commission as the inadequacy of salaries, particularly among the lower paid Government Servants, has been universally recognised for some time. I see that it has been suggested in the Press that the lower paid ranks may suffer from not being represented on the Commission but I feel sure their cause will be much better brought out by the experienced gentlemen on the Commission than would probably be the case by one of their own number. It is a recognised practise amongst lawyers to hand cases in which they are personally interested to another lawyer and they, experienced in the effects of advocacy, do not do this because they prefer to have their case put less efficiently than they could do it themselves. There is only one suggestion I should like to make regarding the composition of the Commission, and that is, although I observe the Commission have technical accountant assistance, I think that the help of an outside chartered accountant with large experience in the Colony would be invaluable.

I have, in company with the other unofficial members of the Council, been through the estimates in detail and bringing the best consideration of them that I am able, I can find very little to disagree with, as the estimates have, either intentionally or otherwise, quite tightly at the moment been confined to obvious necessary expenditure. It is unfortunate that the budget is not able to deal with all our expected commitments as we are aware that there are many so far unformulated demands, but this is the inevitable consequence of the times we have been through. Such demands when formulated will no doubt be placed before this Council for discussion.

There are two matters of great general importance which affect the community and also the revenue to which I should like to refer. The first is the question of the Moratorium. I believe that Government have on several occasions been addressed or questioned on this point by Honourable Members but, so far as outward appearances at least go, nothing has happened. The Moratorium is, in my opinion,

greatly impeding the commercial activities of the Colony. In many cases and in divers matters only a temporary arrangement can be made to deal with a particular position as provision has to be made for the possibility of the effect of legislation raising the Moratorium. Large sums of money are being held in suspense on this account and it often happens that if one party insists on assuming that there will be no conditions to such raising of the Moratorium, matters come to a deadlock. This is after a year or so during which the Moratorium has been in existence and in my judgment for some months now the position has not changed and will not change in the future, except that the longer one is prevented from exercising their rights it is generally in practice more difficult to do so. A further point is that there is also a considerable loss of revenue I believe owing to transactions being unofficially put through that could now in many cases be effected in the usual manner and subject to the ordinary taxes. I respectfully suggest that this matter may be given the urgent attention of Government.

The second matter is one that this Council will have anticipated and to which my friend the Honourable Mr. M. K. Lo has already referred and that is the question of requisition. I will not trouble the Council with particular instances, the Honourable Member has already cited two cases, but I can assure Honourable Members that I have also encountered cases which appear to me to be an unreasonable use of this emergency power. The existence of these cases is leading to considerable bitterness of feeling which is not conducive to the continued good feeling between the Government and the community which to me has been a most striking feature of the Colony since the re-occupation.

Perhaps, as there is a vote in respect of the proposed Municipal Council, I should refer to this change in the constitution of the Colony and, as I understand, consequential changes in this Council. These changes are following the general trend of world affairs and, carried out with particular reference to ensuring the appointment of responsible persons, should tend to make this Colony more civic minded. An extremely desirable objective for the good government of this Colony.

I have referred a little earlier in my speech to the distinct impression I have had since the re-occupation that the relationship between Government and the community has been on a much improved basis. Doubtless some of this improved feeling is due to a general urge to pull together after the storm that struck the Colony, but this feeling would not continue to exist but for the confidence of the people in the head of the Government, which, Sir, if I may be permitted to say so, you have held during your term of office.

With these remarks, I beg to support the motion before Council.

THE ATTORNEY GENERAL: I wish briefly to intervene in this debate because in the course of it certain points have emerged which make me feel I can make a useful contribution to the debate which

has so far been heard. Honourable Members (I believe three) have referred to the position of under-staffing which is prevalent in the Legal Departments. They have, I must say, referred to it with a note of sympathy. I am able to say that this situation is having the urgent attention of Government, and in particular Government's attention is focussed on the question of the re-establishment of the Registry of Trade Marks with all possible speed. One of the reasons which has been anticipated by members for the delay in this reestablishment of the Registry of Trade Marks has been of course the question of staff. The problem, however, does not rest at that: it may not be generally known that upon the liberation of the Colony among other disasters facing the Government was the not inconsiderable disaster which was presented by the fact that the entire Register of Trade Marks had disappeared. Thus it is not a question only of re-opening an office and appointing an officer to it, but it is a question of introducing and passing legislation which will govern the question and the difficulties of reconstruction of the pre-war Register. This task was studied by a Committee which was set up under the authority of Your Excellency under the chairmanship of the Acting Attorney General, the Honourable Mr. M. M. Watson and Mr. Hugh Jones. They have now made a report and a Bill is in readiness which will be before Government shortly and probably before this Council equally shortly.

One other topic which has been referred to by Honourable Members who have spoken this afternoon is that of landlord and tenant. The Honourable Mr. D'Almada in particular, in his most exhilarating—I should not say exhilarating but depressing—speech, a nevertheless excellent speech which struck a note of woe like a modern Cassandra, was nowhere more gloomy than when he came to refer to the absence of legislation on the subject of landlord and tenant. It is understandable that the Honourable Member should be particularly concerned and interested because he himself as chairman of a Committee performed a very big task in considering this very difficult problem of tenancy and of the relation of landlord and tenant. I am happy, however, to be able to re-assure him that relief is in sight for the landlord, among others, because a Bill to deal with this subject in substitution of the existing legislation is before Government and will I trust very shortly be before this Council.

THE FINANCIAL SECRETARY: Some Honourable Members have expressed the hope that a more complete financial statement will be made available to them in future years. They have complained that they have been handicapped in the consideration of the Estimates by the lack of a comparative table showing Head by Head the actual revenue and expenditure during the past year as compared with the estimated figures for the coming year. I fully appreciate the inconvenience which this causes but I do hope that they will be indulgent for a little longer. It must not be forgotten that we have started again from nothing and that a proper system must be built up gradually as the difficulties with which we are faced are very real. It is usual to include in Colonial Estimates a comparative table

showing actual revenue or expenditure under the various Heads for the last year but one together with the estimated figures for the year just finishing and for the year to come. It is unfortunately not possible to restore this feature of the Estimates just now because we have in fact no last year but one, for of course the Colony was still under Japanese occupation during a portion of the year 1945/46. There is also the point that any detailed expenditure figures for 1946/47 would be more in the nature of guesses than reasonably accurate estimates, for, as I explained when introducing the First reading of the Appropriation Bill, a great deal of expenditure is taking place in London and detailed accounts are months in arrears. Claims are often presented of which this Government has no prior knowledge. As an example, since these Estimates were introduced a claim for a considerable sum has been presented in respect of the cost of maintenance of internees who were sent by this Government to India in the year 1940. We are constantly receiving surprises of this sort and I should therefore prefer to defer the publication of a comparative table until next year when we will at least know our actual figures for 1946/47, and as a result of the more normal conditions which we hope will by then be prevailing, we should be able to furnish with some accuracy detailed figures of estimated expenditure for 1947/48. Similarly, it will be possible next year to publish in the Estimates a statement of assets and liabilities as at the 31st March, 1947. The Civil Government has not been re-established for a sufficiently long period to make it possible for such a statement to be included this year.

The Honourable Mr. M. K. Lo suggested that revenue from land sales should, instead of being credited to general revenue, be utilised to build up a reserve fund. This is a suggestion which has from time to time been put forward, not only in Hong Kong, but in many other Colonies, and the proposal has its attractions. But the main argument against such a procedure is I think that the first charge on all forms of revenue collected during the year must necessarily be for the purpose of meeting expenditure. It is not really practicable to earmark revenue from one particular source to meet one particular type of expenditure or to build up a reserve because that particular source of revenue would probably tend to dry up just at the moment when the need for it became at its greatest. It seems to me that the whole of the revenue must, for the next few years at any rate, be made available to meet the general requirements of the Colony and to secure the balance of the budget. Indeed, if any of the revenue were earmarked for a special purpose, it would be necessary to replace it by means of increased taxation. I entirely agree of course as regards the desirability of building up a reserve fund, but I am rather afraid that this is still a few years ahead. The soundest way to build up such a fund will be to transfer to it a substantial portion of any surplus in good years.

The Honourable Member also referred to the confusion which marks the arrival at Kowloon Station of the Canton train, and the insuperable difficulties with which the staff charged with the examination

of inoculation certificates is faced. I understood him to say that he considers that we should take a realistic view and instead of trying to deal with the constant flow of persons arriving in the Colony, to rely on mass vaccination or inoculation of the population whenever an epidemic threatens. I am not qualified to express any views on this suggestion, but I have no doubt that my honourable friend the Director of Medical Services will give it careful examination.

The Honourable Mr. Gillespie raised a point of a rather similar kind when he asked whether steps could be taken to improve the service at the Inoculation and Vaccination Bureau. I am sure that my honourable friend the Director of Medical Services will also give careful consideration to this point as well as to the suggestion which has been made in regard to the Mental Home, but, as the Honourable Member himself admitted, the staff both of the Mental Home and of the Inoculation Bureau are doing their best under almost impossible conditions.

Several points on education have been raised. One Honourable Member expressed concern that nothing has been done in regard to the re-building of Queen's and King's Colleges. The position is that Government inclines to the view that it will be undesirable to reconstruct these schools on the old sites and the question of alternative sites is being examined. In the meantime, provision is being made for the continuance of secondary education in the building in Kennedy Road used before the war as a Japanese school. This is large enough to cater for all Government students who are likely to require secondary education this year. The Government-aided schools are taking more secondary pupils than before the war. Their secondary pupils now total 4,382, and those of the Government secondary schools 1,188 as compared with an all-in total of 7,400 before the war. The number, therefore, receiving secondary education at the present time is within 1,830 of the pre-war figure, in spite of all the difficulties with which we continue to be faced. Both the secondary and primary portions of Belilios School have re-opened in the Elly Kadoorie School in Hospital Road, and an application has been received from the Manager of the Hong Kong and Kowloon Schools for Workers' Children for permission to rebuild the back portion of the Belilios School, the front portion being a complete ruin. Government has agreed to this proposal for a period of five years, and no rent will be charged provided that the building continues to be used as a school. At the end of five years the arrangement will be subject to review. The rebuilding of the Vernacular Middle School at Pokfulam has been considered but it is regretted that this will not be possible during the coming year.

The suggestion has been put forward that the accounts of the Kowloon-Canton Railway should in future be shown separately and not mixed up with the general finances of the Colony. It is true that a very large system such as the Kenya-Uganda Railway is treated as a separate administration. On the other hand, some of the smaller colonial railway systems consisting of 20 or 30 miles of line are

included in the ordinary budget of the Colony and a comparatively large system such as the Palestine Railways has not yet been formed into a separate administration. I do not quite know what Honourable Members have in mind as regards the Kowloon-Canton Railway, but it is questionable whether it is large enough to justify its establishment as a completely separate administration. There is also the point that if the Railway becomes a separate administration the Government has not the same degree of control as under the present system. The Kowloon-Canton Railway issued an annual report and annual accounts before the war and this will be resumed as soon as possible. It is a self-accounting department, but if Honourable Members do not consider that it is already sufficiently divorced from the general finances of the Colony, Government will naturally be prepared to consider any detailed suggestions which they may wish to put forward.

The Honourable Mr. Landale has pointed out that the 1946/47 recurrent expenditure for the Railway was estimated at \$2,345,000 plus capital expenditure amounting to eight and three quarter million, while for 1947/48 recurrent expenditure was estimated at some five million dollars, making a total of sixteen million. He was enquiring how much of this was being charged to loan. In actual fact, owing to delays in delivery, of the sum of eight and three quarter million provided during the present year for capital expenditure, just under 3½ million will in all probability actually be spent. This will be charged to loan and further capital expenditure during the coming year to a total of eleven and a half million, which, of course, includes revotes from the present year, will be met from the same source. Thus capital expenditure over the two years will probably total just under fifteen million, but the actual figure will depend on the progress of deliveries.

The existing congestion at the General Post Office was another point raised, and the possibility of opening a Branch Office in the central district was suggested. These suggestions will be brought to the notice of the Post Master General who will no doubt investigate the possibility of effecting some improvement.

On the subject of pre-occupation claims, I think that I am correct in saying that a considerable number of claims for goods requisitioned prior to the Japanese attack have been met, and a start is about to be made on claims for the hire of motor cars which were taken over between the 8th and the 25th of December, 1941. There are, however, complications in that many requisitions both of goods and vehicles which were signed by the Civil Authorities were really being operated on behalf of Service Departments; in such cases, the settlement of the claim lies of course with the Service Ministry concerned and not with the Civil Government.

The Honourable Mr. Gillespie and the Honourable Mr. Watson also called attention to the large sums appropriated under Miscellaneous Services and the Stores Department vote. The details are set out in the Draft Estimates in the hands of Honourable Members, but I understand that the point which they wish to make is that this information should also be accessible to the general public. As Honourable

Members know, it is difficult at the present time to have printing done quickly, and the number of copies of the Draft Estimates printed so far are limited. There will no doubt be a number of amendments when the Estimates go through Select Committee but they will be printed off in their final form as rapidly as possible so that they will be available to both the press and the public.

The Honourable Mr. D'Almada made a number of useful suggestions in regard to traffic control in Hong Kong. These will be communicated to the Commissioner of Police who will no doubt give them careful consideration. The same Honourable Member also discussed the amount of evasion which is being experienced in the collection of the restaurant meals tax. It is an undoubted fact that large-scale evasion is taking place and this naturally has been causing the Government considerable concern. Some new regulations designed to check this evasion have now been evolved and it is hoped that they will shortly be issued. Their effect on restaurant receipts will be carefully watched.

In the course of this debate, Government was invited to make a further statement on the Moratorium. I am afraid that the position still remains substantially as indicated in the reply to a question by the Honourable Mr. M. K. Lo on the 12th December, 1946, though I think that I can say that some progress has been made towards a solution of the debtor-creditor relationship problem. Further representations have been made to the Secretary of State in regard to the possibility of a partial removal of the ban on the transfer of shares and on dealings in land, but a reply on these points is still awaited. The question of the loss of revenue as a result of the restrictions on dealings in shares is receiving separate consideration with a view to determining whether anything can be done in the matter in spite of the fact that the Moratorium has not yet been lifted.

Several points still remain to be dealt with but I understand that Your Excellency will be referring to them in winding up the debate.

HON. MR. LO MAN-KAM: I rather gathered from my Honourable Friend the Financial Secretary that he thought that I had suggested that a solution against the confusion at the Kowloon-Canton Railway terminus was that we should resort to a compulsory vaccination. I think, Your Excellency, I feel sure he will agree, that this was not my suggestion. I said that since you cannot have a compulsory vaccination of the whole Colony, it does not seem to me to be worth while to hold up everybody to try to insist on vaccinating a few. My suggestion was the removal of the attempt to inoculate a few and not that there should be compulsory inoculation.

THE FINANCIAL SECRETARY: Your Excellency, I think I used the words, or at any rate, I meant to use the term 'mass vaccination'. I did not intend it in the compulsory sense. I gather that what the Honourable Member is proposing is that we should not endeavour to continue the unequal struggle, and vaccinate the few, but that we should rely on a campaign, not necessarily compulsory, whenever an epidemic occurs.

HON. MR. LO MAN-KAM: The Financial Secretary got the first part right but not the second. I merely asked the removal of the inoculation of the few; I do not advocate any mass inoculation at all.

H. E. THE GOVERNOR: I think the Honourable Member has made his position clear.

Honourable Members of the Legislative Council: A wide range of subjects has been covered in the course of this debate, and before I say anything to supplement the replies that have been given by the Official Members to some of the comments, suggestions and criticisms which have been addressed to Government, I should like to compliment the Honourable Unofficial Members who have spoken on the manner in which, if I may use a military figure, they have reconnoitred their ground, assembled their munitions, and finally discharged their artillery; and yet perhaps this is not altogether an ideal metaphor because although I certainly cannot claim that the salvoes have been uniformly complimentary ones, it would be equally wrong to suggest that the general aim of Unofficial Members speeches has been to stage a destructive or even an embarrassing attack on the Government. On the contrary, I have always regarded and I can continue to regard the Honourable Unofficial Members of this Council not as the assailants but as the improvers of the Government, and whatever precise changes the future may be bringing in regard to the constitution of this Council, I am sure that the Legislative Council of the future will look back to the first Council of the post-war period as having set a valuable example by showing itself an alert and constructive adviser as well as critic of the Government.

The general picture of the Estimates which are now before the Council is, I think, a clear one. Some additional clarification asked for by Honourable Members has been given by the Financial Secretary and I know that any further explanations which may be required will be given in the Committee stages of this Bill. Honourable Members have generally taken the view, with which I agree, that it may also be regarded as a reasonably satisfactory picture. Beyond doubt, it goes well beyond our expectations of six months ago. I will not refer in much detail to particular items in the Estimates. There is one entry on the revenue side—an entry of sixteen million dollars under the heading "Earnings and Profits Tax"—which has been mentioned more than once in the speeches of Honourable Members, and indeed more than once outside this Council, and on which I should therefore say a word, although that word cannot today differ materially from what was stated in the Government Gazette on the 7th March. The Bill which deals with this proposed tax has been referred to the Taxation Committee, or rather to an augmented body which includes all the members of the Taxation Committee. The views of the members of that body on the various problems involved, including the important question of a standard rate, are going to be considered by the Government before the Bill is finally settled, and moreover this Council will of course have an opportunity of discussing again every aspect of the question both in Council and in Committee when the Bill is before us.

Another thorny and difficult subject is that of de-requisitioning. The Government has been reminded in the course of this debate of undertakings which have been given in the past regarding the rate of de-requisitioning and the necessity of ensuring a fair and equitable allocation of the house space which is at the disposal of the Government. Those undertakings, I can assure the Council, are constantly in the minds of the officers responsible to Government for carrying out its policy, and I should like to take this opportunity of assuring the Council of what I believe most Honourable Members already know, that Government is being very well served in this abnormally difficult question of de-requisitioning and quartering by an extremely able and experienced officer. The Government has been asked for certain facts and figures, and I shall give instructions that the most informative possible statement shall be drawn up, indeed, I think I can say that the required figures are immediately available and shall be laid without delay on the table of this Council.

Reference has been made to a warning note which was sounded by the Financial Secretary when he spoke of claims in respect of past events, claims with which the Colony may expect to be faced. I wish it were possible to be more precise on these possible claims, which include, as Honourable Members know, the costs of repatriation of those who had been sent away for recuperation after the Colony had been liberated, and the costs of Volunteer demobilisation benefits, pensions and various other costs. Many of the items which have already been paid stand in a suspense account pending decision as to the ultimate responsibility for payment. I believe it will go some way towards meeting the wishes of Honourable Members if I undertake, as I readily do, that no future transfers from these suspense accounts to our general expenditure account shall take place without prior reference to this Council.

I was very glad to hear the congratulatory references which were made by two Honourable Members in the course of this debate to Government's action in appointing a Salaries Commission, and it is satisfactory to me to be able to believe, both from my own knowledge of the cogency of the needs and from the sympathetic understanding by members of Council of those needs, that the recommendations of that Commission will be assured of favourable consideration when they come before this Council—an event which we may be sure is not going to be avoidably delayed.

The Honourable Mr. M. K. Lo made an appeal to the Government to replace by ordinary legislation the Emergency Powers under which certain schemes are being operated. Naturally and necessarily the Government agrees with the view that as the period of emergency recedes any powers which are expected to be permanently required must be brought with the least possible delay on to the Statute Book. The matter has not been lost sight of in the past, but I shall see that in the light of what the Honourable Member has now suggested the question of what powers are to be made permanent shall be again examined in order that where legislation is necessary, it may be prepared forthwith or as soon as possible for the consideration of this Council.

The Honourable Mr. Gillespie asked whether the Government is awake to the need for the provision of a first-class airport in Hong Kong. The answer is that we are indeed very conscious of the need. It is a disappointment to me, as it is I am sure to Honourable Members, that we have not yet reached a point at which we are able to make a satisfactory and positive announcement of our plans and intentions in this important matter. It has not been, I can assure the Council, for any lack of effort. The difficulties, both physical and financial, are indeed formidable, and the Council may rest assured that this Government, with the assistance of His Majesty's Government, is doing everything in its power to surmount these difficulties as rapidly as possible.

The opportunity arises again today, as I think it arises always on Budget Day, to refer to the policy of Government in regard to the employment in the public service of locally-recruited officers. The Honourable Mr. M. K. Lo has quoted some words of mine on this subject. The only thing I have to add to those words today is that during the few months that have elapsed since they were spoken, visible progress has been made in the direction which I then indicated. I have not hitherto had any reason to doubt that the policy and intentions of Government are well understood by all the departments of Government. But if, as the Honourable Member suggests, it can be shown that there are departments in which the policy of Government is not fully operative, I shall see that any remaining possibility of misapprehension as to the purpose of Government is dispelled.

The Honourable Financial Secretary has answered various enquiries which have been put by Honourable Members as to our educational plans for the coming year. Unofficial Members of this Council have always taken, as is natural and right, a deep interest in the Colony's expenditure on education. As one Honourable Member has indicated today, the prospect of the establishment of a Municipal Council selected by the people of this Colony and exercising wide powers and responsibilities in the administration of the Colony's affairs adds another argument to those which already exist and which have already always had the sympathy of this Council for a wise and ample outlay of the Colony's funds on education. It may indeed be regarded as probable that those responsibilities to which I have just referred will include full responsibility for the educational policy of Hong Kong in the future and for the execution of that policy. The general interest in this subject and the positive enthusiasm of the people of Hong Kong for the provision of the best possible education for all classes of the Colony's children is to my mind a most happy augury for the future.

Honourable Members, I shall now put to the Council the motion for the Second reading of this Bill, and in doing so, I wish to express again my gratitude for the co-operation and the help which the Government has received and will, I know, continue to receive from the Unofficial Members of this Council. I wish also to express my very high appreciation of the outstanding value of the work of Officials which is embodied in the Estimates now before Council: that of my

friend, the Honourable Financial Secretary primarily and of his assistants; that of my Honourable Friend the Colonial Secretary and that of all Heads of Departments both in this Council and outside it, and of their assistants, constituting as they do a Public Service which, particularly in this past year of incessant difficulty and overwork, has shown itself both capable of every exertion and in all respects worthy of the confidence which is placed in it by this Council, by the people of the Colony and by myself.

Honourable Members, the question before the Council is that a Bill intituled "An Ordinance to apply a sum not exceeding one hundred and nine million four hundred and eighty eight thousand four hundred and thirty three dollars to the Public Service of the financial year ending 31st March, 1948" be read a Second time.

The motion was carried and the Bill was read a Second time.

THE FINANCIAL SECRETARY: Your Excellency, I beg to move that the Appropriation Bill, together with the Draft Estimates of revenue and expenditure for 1947/48, be referred for consideration in detail to a Select Committee consisting of the Colonial Secretary, the Financial Secretary and all the Unofficial Members of Council. In this connection, I should perhaps explain that informal discussions with all the Unofficial Members on the subject of the Estimates have been proceeding during the past week and a number of points have been dealt with. It should therefore be possible for the Committee now being formally appointed to submit their report almost immediately.

THE COLONIAL SECRETARY seconded, and the motion was carried.

ADJOURNMENT.

H.E. THE GOVERNOR: In view of what the Honourable Financial Secretary has just said, I think it may be possible for the Council to make a very short adjournment on this occasion. I therefore adjourn Council until 2.30 p.m. on Friday, 28th March.