

*31st March, 1949.*

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**PRESENT:—**

HIS EXCELLENCY THE GOVERNOR (SIR ALEXANDER WILLIAM GEORGE HERDER GRANTHAM, K. C. M. G.)

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

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

THE SECRETARY FOR CHINESE AFFAIRS (HON. B. C. K. HAWKINS, O.B.E., *Acting*).

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

DR. HON. I. NEWTON (Director of Medical Services).

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

HON. A. NICOL (Acting Director of Public Works)

HON. D. F. LANDALE.

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

HON. SIR MAN-KAM LO, KT., C. B. E.

DR. HON. CHAU SIK-NIN.

HON. LEO D'ALMADA, K. C.

HON. M. M. WATSON.

HON. P. S. CASSIDY.

MR. J. L. HAYWARD (Deputy Clerk of Councils).

**ABSENT:—**

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS  
(MAJOR-GENERAL F. R. G. MATTHEWS, C.B., D.S.O.)

**MINUTES.**

The Minutes of the meeting of the Council held on 30th March, 1949, were confirmed.

**PAPERS.**

THE COLONIAL SECRETARY, by command of His Excellency the Governor, laid upon the table the following paper:—

Report of the Select Committee on the Appropriation for 1949/50 Bill, 1949.

**MOTIONS.**

THE FINANCIAL SECRETARY moved the following resolution:—

Resolved pursuant to section 4 of the Dutiable Commodities Ordinance, 1931, that the regulations made under the said Ordinance relating to duty on table waters be amended as follows:—

**Amendment.**

On page 1351 of Volume III of the Regulations of Hong Kong (1937 Edition), under the heading "Duty on table waters.", the figures and words "48 cents per gallon" shall with effect from midnight on 31st March, 1949, be substituted for the figures and words "24 cents per gallon".

He said: Sir, as I explained when moving the First reading of the Appropriation Bill an increase in the duty on table waters is one of the measures on which we are relying to, balance the Budget for the coming year. I am glad to note that there was nothing in the speeches of Unofficial Members, in the course of the debate on the Second reading of the Bill, to indicate any opposition to this measure and I therefore formally move the adoption of the resolution which will result in the duty on table waters being increased to 48 cents a gallon with effect from midnight to-night.

THE COLONIAL SECRETARY seconded, and the motion was carried.

THE FINANCIAL SECRETARY moved the following resolution:—

Resolved that this Council approves the expenditure of \$45,696,969 on the items in the Schedule of Expenditure under the rehabilitation Loan in the Estimates of Revenue and Expenditure for the year ending March 31st, 1950; which sum shall be met from loan funds and shall be charged as an advance from the surplus funds of the Colony pending reimbursement from loan funds.

He said: Sir, as Honourable Members are aware, in order to save heavy interest charges an issue of only fifty million of the 3½% Rehabilitation Loan has so far been made and the balance of loan

expenditure over and above this figure has been financed from surplus balances. The resolution which I am now moving is necessary in order to authorise the continuance of this procedure until such time as it becomes necessary to make a further issue of the loan.

THE COLONIAL SECRETARY seconded, and the motion was carried.

THE ATTORNEY GENERAL moved the following resolution:—

WHEREAS section 4(3) of the Hotels Ordinance, 1949, provides that all regulations made by the Quartering Authority shall be submitted to the Governor, and shall not come into force until they have been approved by resolution of the Legislative Council.

AND WHEREAS on the 18th day of March, 1949, the Quartering Authority made certain amendments (hereinafter set forth) to the regulations in the Schedule to the said Ordinance.

AND WHEREAS the said amendments were duly submitted to the Governor.

AND WHEREAS the said amendments are not yet in force.

Now IT IS HEREBY RESOLVED that the following amendments made by the Quartering Authority to the regulations in the Schedule to the said Ordinance be approved: —

#### **Amendments.**

1. In the First Schedule (which contains a list of hotel names and percentages), the name and percentage opposite item 9 (that is to say, “Phillips House 90%”) shall be deleted and the following substituted therefor: —

“Presbyterian Mission Home      60%”

2. In the Fifth Schedule (which contains the maximum weekly rates for the accommodation of Hong Kong residents), the name “Phillips House” opposite item 9 shall be deleted and the following substituted therefor:—

“Presbyterian Mission Home.”

He said: Sir, the resolution is rendered necessary by the fact that section 4(3) of the Hotels Ordinance, 1949 requires that any regulations which are made under the Ordinance shall receive the approval of this Council by resolution. As indicated by the form of the resolution, the amendment to the regulations consists merely of an amendment to make a change in the name of one hotel— Phillips House—now known as “Presbyterian Mission Home”, and a change in the percentage which such establishment must reserve for the accommodation of Hongkong residents.

THE COLONIAL SECRETARY seconded, and the motion was carried.

THE ATTORNEY GENERAL moved the following resolution:—

Resolved pursuant to section 3 of the Public Officers (Changes of Style) Ordinance, 1937, that the following addition be made to the Schedule to the Public Officers (Changes of Style) Ordinance, 1937:—

Old Style of Officer, Office or Department.	New Style of Officer, Office or Department.
Director of Supplies, Trade and Industry  Department of Supplies, Trade and Industry	Director of Supplies and Distribution  Department of Supplies and Distribution

Resolved further that the said resolution shall have effect from the 1st April, 1949.

He said: Sir, the purpose of this resolution is to change the style and title of the Director of Supplies, Trade & Industry and of the Department of Supplies, Trade & Industry, to the new styles set out in the second column appearing in the resolution. The purpose of the change is to reflect the new functions of the Department of Supplies, Trade & Industry, also to avoid conflict with the new style and title appropriate to the Department originally known as the Department of Imports and Exports.

THE COLONIAL SECRETARY seconded, and the motion was carried.

The debate on the Second reading of the Appropriation for 1949/50 Bill, 1949 continued.

THE ATTORNEY GENERAL:—Your Excellency, there were a few matters mentioned in yesterday's debate upon which I would like to make a few remarks this afternoon. The Honourable Member, Sir Man-Kam Lo referred, as he said, once more to the subject of emergency legislation. In so doing he mentioned that the Fishing Industry and the Marketing of Vegetables' Schemes were still subject to emergency legislation.

Sir, such is indeed the position, but progress has been made, for despite the need of legislation on matters which probably have a higher priority, two Bills, one on the subject of agriculture, and

one on the subject of fisheries, have been prepared and have been, within the last fortnight or so, submitted to Government. The Bills, as prepared, will naturally require careful consideration and it is impossible for me to indicate to-day just when these Bills will be in readiness for bringing before this Council.

Now, Sir, there is one other matter touched upon by the same member, the Hon. Sir Man-Kam Lo. It was the question of delays experienced by the public in its contacts with Government Departments. In illustration, he quoted one instance where substantial delay has occurred, as he says, to the discouragement of the public. In the illustration the Honourable Member referred *inter alia*, to correspondence conducted with the Land Office. Now, Sir, in the adjournment I have taken the opportunity to examine the facts of the case which it was possible to identify and to examine it in so far as the Land Office is concerned, to make sure that for once at least the law's delay need not be blamed, and this is in fact the case. I will not detain Council with a recital of the facts which I ascertained, but the results of my investigations in detail will, of course, be available to the Honourable Member should he wish to see them, but it will suffice to say the investigation shows that the delay which occurred in this matter was in no way the responsibility of the Land Office. I believe that my Honourable Friend, the Director of Public Works, will discuss this matter further, but at the risk of anticipating his remarks it seems to me that the position in that case was that there was difficulty in coming to finality, because in the particular category of land involved a decision on policy as to the future renewal of leases was not or could not be reached.

Sir, the Honourable Member, Mr. Watson, in the course of his speech referred to the question of the Landlord and Tenant Ordinance. In particular he asked that that Ordinance be kept under continual consideration. The Honourable Member made a proposal that the Ordinance should, for instance, at this date be amended to give an opportunity to a landlord and a tenant to come to agreement regarding premises which now received the protection of the Ordinance, and to come to such arrangement on the basis that the premises had become decontrolled. As to this, Sir, I would say that Government is by no means bigoted in its admiration of existing legislation, and the Honourable Member's suggestion will be carefully considered, as indeed have other suggestions been considered from time to time since that Ordinance was passed. But I must remind Council that this legislation is notoriously legislation which it is difficult to arrange or amend without the situation arising that in giving relief or aid to a tenant you inflict hardship on a landlord or *vice versa*.

Finally, Sir, there is only one other point on which I need detain Council and that is that the Honourable Member, Mr. Watson, also referred to a re-organisation measure which is taking place in respect of the Judicial and Legal Departments of the Colony. In amplification of what my Honourable Friend, the Financial Secretary, has already said and of what I said in introducing a Bill to establish the Registrar

General's Department, I would merely add that, broadly speaking, the purpose of re-organisation is to concentrate within three departments some five or six separate sub-departments which have been existing hitherto. The three departments would be the judicial, the legal and the registrar general. The main features of consolidation would be that the magistracies would definitely form a portion of the judicial department, the miscellaneous registries would be under a single officer with a title of "Registrar General", the office of the Crown Solicitor will merge with that of the Attorney General's Department, and the Estate Duty Office will go—in fact it has already gone in the last few days to the charge of the Commissioner of Inland Revenue. It is also part of the organisation that there shall be permanently a Second Puisne Judge. The necessity for this further appointment to the Supreme Court Bench has been demonstrated by the fact that ever since the liberation it has been necessary to have a Second Puisne Judge in an acting capacity in order to deal with the present volume of work which falls to the Supreme Court both in its original and appellate jurisdiction. The new grouping of departments will certainly promote to the convenience of administration and the convenience of the management of personnel. I would add that to this reorganisation there is added in so far as the departments housed in the Supreme Court Building are concerned a physical re-organisation caused by structural alteration which is now proceeding whereby the facilities for the public, for juries, for members of the Bar and for solicitors, we hope, will be improved. And, further, it is going to be possible to group office accommodation to conform with the grouping of departments.

THE ACTING DIRECTOR OF PUBLIC WORKS:—Your Excellency, I have to refer to two questions raised by the Honourable Sir Man-Kam Lo and one by the Honourable Leo D'Almada. One question refers to the use of septic tanks in the area between Yaumati and Mongkoktsui wherein no flush closets are at present allowed. This matter is under the active consideration of the Health Authorities and the Building Authority, and it is hoped to be able to permit the use of an improved type of sealed tank in certain cases. The other question has already been referred to by the Honourable Attorney General in connection with the preparation of permits for the renewal of certain Crown leases. The particular case referred to is complicated by the fact that the buildings on the leased area were not damaged during the war and the applicant submitted no definite proposals for reconstructing the premises. Owing to the pressure of work in the Crown Lands Office in connection with the renewal of leases of areas on which damages had occurred it was inevitable that the case in question could not be given a high priority of treatment. 77 applications were received following the 1946 announcement of which 42 have now been completely dealt with. There remain 35 still to be dealt with, some of which cannot be finalised for a variety of reasons unconnected with the staffing problems in the Crown Lands Office. Sixty-two applications have been received since June, 1947 and an additional 24 since the publication of the February, 1949 announcement. The accumulated back-log of work in connection with these

leases has been considerably reduced in recent months and it is hoped that additional staff will soon be available to assist in this work. The question raised by the Honourable Leo D'Almada in connection with the Star Ferry Piers has recently been considered by Government and it is now decided to grant that Company a franchise for a limited number of years to operate a ferry service from approved piers. In view of the proposed reclamation off Connaught Road Central the site of the Hongkong Pier will require careful study, but I am directed to say that the Company will shortly be approached with a view to discussing the many problems in connection with the new ferry.

THE ACTING SECRETARY FOR CHINESE AFFAIRS:—Sir, my Honourable Friend the Senior Unofficial Member referred in his speech to the District Watch Force which he described as a relic of the past, the functions of which could be more economically performed by the Police.

Sir, the question of the future of the District Watch Force has been under careful consideration by Government since the re-occupation of the Colony. I regret that to explain the present problem it is necessary to delve into the past, but I will be as brief as I can. The District Watch Force has a long and honourable record extending backwards for more than 70 years, but I will only deal with its position in 1941 immediately prior to the outbreak of the Pacific War.

At that time the Force consisted of 160 men divided into plain clothes and uniform branches which performed public duties as detectives and on patrol. Since, I think, 1930, all members of the Force had been given a three months' training at the Police Training School and there were annual refresher courses in the use of arms, etc. The Force was, however, a private Force in that it was administered by the District Watch Committee, a committee of Chinese gentlemen appointed by the Governor under the Chairmanship of the Secretary for Chinese Affairs, and apart from a small Government subvention the Force was financed exclusively by subscriptions from the Chinese community. This matter of financing the Force was becoming more difficult and I have a clear recollection that the then S.C.A. had formulated a plan for the reconstitution of the Force, but this plan, like many others, was swept away by the Japanese invasion of the Colony.

After the re-occupation 103 out of the pre-war 160 men reported for duty and performed a great deal of useful work during the period of the Military Administration. As a temporary measure their expenses were advanced by Government against a sum of \$90,000 odd which stood to the credit of the District Watch Committee, but it was obvious that this could not last for long and soon after the establishment of Civil Government the whole question was reviewed in discussions between Sir Mark Young and the District Watch Committee.

In their discussions it became quite clear that the pre-war system of financing the Force by public subscriptions could not be revived

and that in future the Force must be financed from public funds. In these circumstances, it was obvious that the size of the Force must be drastically reduced, but it would have been neither just nor prudent summarily to dispense with the services of a large number of trained men with long records of loyal service.

It was decided therefore that Government would take over the Force and maintain it as it was then constituted, but that there should be no further recruitment and that the Force should be allowed to fall in strength by annual retirement and natural wastage until it reached the hard core, somewhere between 30 and 40 men who are continuously required by the particular needs of the Secretariat for Chinese Affairs.

This policy has been strictly carried out. The Force has already fallen from 103 to 90 men and it is anticipated that there will be a further reduction of about 10 men in the near future. The Force continues to be divided into plain clothes and uniform branches, but the uniform branch no longer patrols the streets and is mainly used in guard duties at Government buildings and installations such as, for example, Kai Tak Airport. The plain clothes branch continues to patrol Kowloon and Hong Kong and these detectives have in the past year been responsible for the arrest and conviction of 158 persons for larceny from the person. Apart from these patrols, however, the Force generally, but particularly the plain clothes branch, is engaged on various duties in connection with the work of the Secretariat for Chinese Affairs. I will not attempt to enumerate all these duties, but I must point out that the Secretariat for Chinese Affairs is constantly carrying out all kinds of enquiries among the Chinese population in connection with such matters as the protection of women and girls, enquiries under the Landlord and Tenant Ordinance, emigrants, Printers and Publishers Ordinance, Chinese temples, and the constant stream of family cases which are brought to the Secretariat for advice and settlement. For these enquiries it is essential that the Secretary for Chinese Affairs should have at his disposal a body of trained Chinese fully conversant with the geography of the Colony and with local conditions. If these men were not employed in the District Watch Force they would have to be seconded, full-time, from the Police and the numbers of the Police Force would have to be correspondingly increased. I fear therefore that I cannot agree with the Honourable Member that all the duties of the District Watch Force can profitably be taken over by the Police, but I am happy to be able to assure him that there is no intention of permanently retaining any men beyond the absolute minimum number required by the Secretariat for these duties.

Finally, Sir, I would like to state that had it not been for the fact that pressure of business required its postponement I should yesterday have moved the First reading of an Ordinance to amend and consolidate the law relating to the District Watch Force. As it is the First reading of this Ordinance has been postponed to the next meeting of the Council. The Objects and Reasons attached to that

Ordinance set out in greater detail the policy of the Government, and it is perhaps unfortunate that I have been compelled to-day to take up the time of Honourable Members with this preliminary explanation. Honourable Members may, however, take comfort in the thought that my introductory remarks at the next meeting will be correspondingly reduced.

THE DIRECTOR OF MEDICAL SERVICES:—Sir, My Honourable Colleague, Dr. Chau, has expressed his regret that no provision has been made in the Estimates for a new Mental Hospital. Government, of course, shares these regrets but the building of a new Mental Hospital with other important projects has had to be postponed for the lack of funds.

The fact that the hospital is in a bad situation and is an old type of building does not, however, prevent adequate treatment being carried out, with the possible exception of occupational therapy. In October of last year a psychiatrist was appointed and took charge of the Mental Hospital. Under his skilled supervision the most recent methods of treatment have been introduced and among these, My Honourable Colleague will be interested to know, are included such procedures as Insulin Shock, Modified Insulin Therapy, Cardiazol Shock, Continuous Narcosis, Ether Abreaction and exploration under Sodium Pentothal and Pre-Frontal Leucotomy, an intricate intra-cranial operation. In addition, electric convulsion therapy will be undertaken as soon as the apparatus, ordered in November last, arrives.

The building itself has been rehabilitated, the hospital kitchen enlarged, a special drying room set up for the laundry and the wards have been painted and colour-washed on the advice of the psychiatrist in colours which it is anticipated will produce beneficial psychological effects. While occupational therapy is less well provided for, owing to the nature of the buildings and surroundings which almost entirely eliminate such things as gardening, nevertheless simple recreations are available, laundry and needlework are done by the patients and provision has been made for the employment of a full time instructor in rattan work.

A special psychiatric out-patient clinic is held at the Sai Ying Pun Out-Patient Department where early cases are treated and it is hoped in this way to reduce the number of hospital admissions.

In conclusion I would refer Honourable Members to my remarks on this subject in the Budget Debate of last year.

THE COLONIAL SECRETARY.—Sir, My Honourable Friend, Sir Man-kam Lo, has suggested that a Committee might be set up to enquire into the working of the Sand Monopoly. The Government is ready to accept this suggestion but we have very recently been into the question ourselves and we came to the conclusion that the existing system is the one best suited to the needs of the Colony. I would suggest then that before a Committee is in fact appointed Unofficial

Members, or a group of them, might care to meet the Controller of Stores and from him get a direct account of how the Sand Monopoly works. I believe Mr. Hargreaves would satisfy them that the present system is sound: and if he did it would save the time and trouble of a Committee. If he didn't, then Government would very readily appoint the Committee which has been proposed.

In making his suggestion I think my Honourable Friend must have had in mind the upset which occurred last January when for a period the operation of the Sand Monopoly very nearly came to a standstill. I would like to say a word in explanation about that. The contract for sand is let annually by tender. A new contractor was the successful tenderer last January and in the change-over from the old to the new the supply of junks to carry the sand dried up. We do not know why, but for a week or so we just could not get junks to carry sand. That position was rectified fairly quickly but in the meantime a run on sand had developed in anticipation of a shortage and the system at the sand depot became seriously disorganised. Hence the queues and the delays, which led to criticism at that time. They should not recur. As a matter of interest the sand depots dispose of about 1,000 cubic yards of sand per day. We have recently increased our storage space to take 12 days' supply and shortly we will have means to store 18 days' supply which should prevent a recurrence of a run on sand such as happened last January.

If Sir Man-kam Lo will permit it I will discuss with him later whether there would not be something 'to be gained from a preliminary discussion with Mr. Hargreaves before we make up our minds about appointing a Committee.

And now I want to say a word about press relations, a subject raised by my Honourable Friend Mr. Cassidy in characteristically forthright terms. It is a subject in which I have a special interest—I have been a Public Relations Officer myself—but I find it difficult to reply to Mr. Cassidy's remarks. And the reason is that I agree with much of what he has said regarding the functions, responsibilities and aims of the Public Relations Office. I go farther. I know I am right in saying that you, Sir, also will agree with a great deal that Mr. Cassidy has said. But not with his definition of the Public Relations Office as the Cinderella of the Service. It is in fact a department which has been given a lot of thought. We consider it critically important. The British system everywhere is founded on consent. Public relations is an inseparable part of consent. The Public Relations Office is therefore a focal point in our system of Government. Our publicity policy is intended to reflect that simple fact.

It is for this reason that we took so much care with the selection of the present Public Relations Officer. It is for this reason that he attends all meetings of Executive Council so that he may be fully informed of Government's intention and plans. It is for this reason that we have increased his staff and are presently negotiating for

decent offices to house them. The Public Relations Office estimates have in fact been doubled.

As with everything and everyone in Government this year the increases are not as great as the Public Relations Officer wished. We have had to compromise between what we need and what we can afford. In view of the importance of the department, however, the axe was used with restraint—we cut as little as we could. I think it likely that as the Public Relations Officer gets his team into a working unit in the course of the year an approach will have to be made to Finance Committee for more funds. We are adopting the policy meantime of doing one thing at a time. The Public Relations Officer's immediate aim is to concentrate upon helping the press and the news agencies. This is the first 'and most important thing. If I may say so Mr. Cassidy hit the nail on the head in the emphasis he placed on this aspect. Contrary to popular belief, however, the relationship of the Public Relations Officer to the press and the manner in which he seeks to enlist their support are not simple or easy things. Publicity is a highly specialised and expert business and we should not look for quick results.

It is an individual thing and each man does it in his own way and cannot build on another's work. That is why it has been a particular misfortune that, for reasons beyond our control, we have had to have a succession of Public Relations Officers—four in three years, I think. At each change, the newcomer has largely had to start afresh. Now we have in Mr. Harmon, the present holder of the office, an officer with very particular qualifications of knowledge and experience, and his task in the months to come will be to develop his contacts and help the press of the Colony very much on the lines sketched by Mr. Cassidy. It is a hard task because as my Honourable Friend has implied, we civil servants are not good hands with the press and it is one of Mr. Harmon's responsibilities to educate us into a more rational approach to the whole thing. He tells me that the going thus far has been hard—and I can well believe it. But if I know anything about the Public Relations Officer, if he fails with his colleagues it will not be for want of trying. For record may I just add that Mr. Harmon would, I believe, be the first to confirm that he has the full backing and co-operation of the Secretary for Chinese Affairs.

Before I leave this subject members might be interested in a circular issued by me in October last year. In a way it summarises our publicity policy quite neatly. The circular reads:

“His Excellency the Governor is particularly anxious that the Public Relations Officer should be kept very fully informed regarding official policy and decisions on all matters with which the Government is called upon to deal. His Excellency has in this connection recently directed that Mr. Gordon Harmon shall attend all meetings of Executive Council. Heads of Departments are asked to keep constantly in mind the desirability of informing the Public Relations

Officer as far in advance as possible of problems of public interest with which they propose to deal and of the manner in which they propose to handle them.”

I turn now to the question of rice rationing raised by my Honourable Friend, Dr. S. N. Chau. He wanted rice decontrolled both as to procurement and distribution. As to procurement, Dr. Chau is asking for something which it is not in our power to give. Rice is still under world allocation and individual Governments cannot contract out of the arrangements resulting from that except on the basis that they don't want any more rice. We can't say that: therefore we have to accept existing arrangements for procuring rice on a Government to Government basis. Individual merchants from here or elsewhere would not be allowed to enter the purchasing field in Bangkok or Rangoon.

In saying all this I do not want it to be thought that we would not prefer if circumstances permitted to hand the whole business back to our merchants who are the experts. We will as soon as we can. Control and restriction are necessary as things are but they don't suit our community—they deprive the Colony of the full use of an asset greater even than its harbour. I mean the enterprise and skill of our traders.

As to retail distribution I regret very much that, for a different reason, I cannot hold out much hope at present of abolishing existing rationing arrangements. We live in uncertain times and the Government's view is that it would be folly to destroy at this particular time the rationing system which has been built up over the past few years. All in all it served us well and if we let it go it would take time to re-create should the need arise. We think it necessary also for the Government to maintain a stock of rice against an emergency—a stock greater than private merchants could be expected to keep. This is easily done under present arrangements but might be difficult under any other. So on balance it seems best to persevere with rationing although there is a good quantity of rice locally available at the moment on the free market. Our information is that the rice merchants are not unduly hampered in their business by the continuation of rationing. As to price and quality we are entirely in the hands of the countries of origin. We have made many representations, particularly as to quality, and I can assure Dr. Chau that we will continue to do so so long as we are not satisfied. Our representations have not been without effect though we must admit with Dr. Chau that the quality of the rice we receive is uneven.

THE FINANCIAL SECRETARY:—Your Excellency, I will now endeavour to reply to the points raised in the course of this debate which have not so far been dealt with by speakers on the Government side.

The Honourable D. F. Landale discussed whether the Government is being operated efficiently and economically. I am sure that we all agree that, if we had a block of central Government offices

capable of housing the principal departments, this would be much more economical than the present set-up, with departments scattered over the whole of the central area, each with its own staff of messengers. Last year we made an effort to reduce the number of messengers in Government employ and, as a result of the review then undertaken, a few posts were abolished. Some months ago departments were instructed to use the post instead of messengers wherever possible, and as a result of this it has been found possible to dispense with a further four or five messengers.

The Honourable Member also suggested that, when publishing the comparative statements of revenue and expenditure, we should show the actual revenue from Earnings and Profits tax so that it could be compared with the cost of the Inland Revenue Department. Receipts from Earnings and Profits tax are brought to account under the revenue head entitled Internal Revenue, which also covers Stamp Duties, Estate Duties, Entertainment Tax, Bets and Sweeps Tax and several more. There are about 200 revenue subheads and to detail the receipts under all of them would make the comparative statements unwieldy and would delay their publication.

It is proposed therefore to meet the Honourable Member's point by inserting a footnote to the return showing the proportion of the total under the Head "Internal Revenue" which is made up by collections of Earnings and Profits tax. It may interest Honourable Members to know that receipts from Earnings and Profits Tax up to date total \$40,307,310 as compared with an estimate of \$40,000,000. This figure does not, however, include any payments made in London since the 30th November. The revised estimate of the cost of the Inland Revenue Department for 1948/49 is \$600,000.

In regard to the complaint that these monthly comparative statements are published about six months in arrears, I may say that our aim is to reduce the time lag to three months. This is the best that we can hope for as considerable disbursements are made in London by the Crown Agents every month, and some revenue is also collected by them. Accounts here cannot therefore be finalised until some weeks after those from the Crown Agents are received. The comparative statements were formerly published by themselves in the *Gazette* as they were completed, and the time lag was considerably less than six months. Now they are included in the Statistical supplement. This has certain advantages but it also results in a certain amount of delay as the supplement is only published at intervals. In order to retain the advantages of this practice, but to cut out the delays it is proposed in future to publish the statement as they become available and to include them later in the Statistical Supplement when the latter is issued.

The fact that the statement of assets and liabilities omits any reference to the public debt has been commented on. This statement is really designed to show the general revenue balance as distinct

From loan balances, and a complete statement giving full particulars of the public debt appears as an appendix to the Accountant General's annual report. The position is rather different from that of a commercial firm. There a loan is shown as a liability because it is always within the bounds of possibility that the firm may be wound up. In the case of Government any borrowings are regulated by Ordinance and the only liability is to find a certain sum in respect of interest and sinking fund annually. This is provided for under the Appropriation Ordinance.

The Honourable D. F. Landale has pointed out also that it is difficult to ascertain whether revenue from departments such as the Post Office, Railway and Water Works covers their full expenditure. The fact is that the Government system of budgeting does not provide for a costing basis. Commercial accounting and Government accounting systems are designed to meet totally different needs. Most Government Departments provide services for the public for which no charge is made and few Departments are revenue producing. In such conditions, convenience and simplicity are more important than costing and for this reason it is standard practice to show cost of living allowances under the Miscellaneous Head, rather than under individual departments. This saves a good many special warrants, and an appreciable amount of the time both of Finance Committee and of Government officials. An exception is made in the case of the Railway, as this is more in the nature of a commercial venture, and the cost of living allowance payable to the staff is shown under the Railway Head. If however, we were to do the same in the case of the Post Office and Water Works it would still not provide Honourable Members with the information which they require. In order to show whether the revenue earned by such departments is adequate to balance expenditure it would be necessary to make allowance in the latter for pensions, passages, telephones, stationery, and many other items. It would also be necessary to take into consideration the fact that the departments are housed in Government buildings. There is also the question of capital expenditure. It would not be possible under the existing Government system to give a correct picture in the estimates, and I think that the best plan will be to include a statement of the nature desired in future in the Post Office annual report, and in the case of the Water Works, as an Appendix to the report of the Public Works Department. The Railway already published an operating account as an Appendix to their annual report.

I now come to a very important point raised both by the Honourable D. F. Landale and the Honourable P. S. Cassidy regarding the method of financing capital expenditure. They pointed out that a large proportion of the sub-heads appearing in the Public Works Extraordinary head could with every justification be financed from loan funds and that, if we had any faith in ourselves, we could carry a public debt of two or three times the present figure.

Opinion on the unofficial side is not, however, quite unanimous on this question of meeting capital expenditure from loan funds, as the Honourable Sir Man-kam Lo appears to share the Government's

view that in times of commercial prosperity it is prudent to meet from revenue as much of the current expenditure, whether capital or recurrent, as is reasonably possible. It is true that the existing public debt does not constitute a heavy burden at the present juncture, but in less prosperous times we may be glad that we have not added to the burden of loan charges. Moreover, to balance the budget as we have done, by means of a very moderate increase in taxation, is likely to constitute more effective action against inflationary tendencies than the procedure of meeting expenditure from loan funds even when the loan is raised locally.

It is difficult to draw any hard and fast line between capital expenditure which should be met from revenue and that which should be chargeable to loan. By meeting capital expenditure from our current income we are really investing our surplus balances in capital assets, and it is at least questionable whether it would be fair to pass on to posterity capital expenditure of a security nature which is required to meet a present emergency. The works provided for in the 1949/50 estimates under Public Works Extraordinary do not constitute an integrated programme of the kind which would normally be met from loan funds. They consist of security items, portions of the programme of the previous year which were not completed, and a number of rehabilitation items. The latter would have been charged to loan funds, had sufficient balances been available, and it is fairly clear that when we have to finance something really big such as a water conservation scheme there can be no question of doing so from our current income. It is therefore proposed to take up with the Secretary of State the whole question of the financing of future capital expenditure, and the views which Honourable Members have expressed on this subject will be communicated to him.

Both the Honourable Sir Man-kam Lo and the Honourable T. N. Chau referred to the question of denial claims and recalled that in a motion introduced on the 2nd June, 1948, accepting the terms of the settlement with His Majesty's Government with regard to war expenditure, the Unofficial Members asked that representations should be made to the Secretary of State with a view to ensuring speedy examination and disposal of denial claims by the service departments concerned. This was duly conveyed to the Secretary of State and I understand that discussions with the Service Ministries concerned are still in progress. It would be idle to pretend that the position is satisfactory but the discussions are of a somewhat delicate nature as His Majesty's Government are not concerned only with Hong Kong's claims but must view the matter in relation to the much heavier claims in other parts of the world. Every sympathy is felt with the claimants and the sense of the remarks made by Honourable Members in regard to the honouring of these claims will be communicated to the Secretary of State.

The other pre-war claim to which Sir Man-kam Lo referred concerns, I believe, a deposit in respect of a paper called the Chinese Quarterly. We are settling straightforward cases of pre-war deposits

as rapidly as possible, but in the case in question the difficulty is that it has not been possible to verify that this deposit has been credited in the Supreme Court accounts, or that it has been paid into the Treasury, which would have been the normal procedure. I do not know the circumstances in which the paper, which I believe was published in Shanghai, made a deposit here, but as guardian of the public purse we have to be completely satisfied that deposits in respect of which claims are received were not repaid before the Japanese attack took place.

An official numbered receipt was issued for these deposits, and pending the issue of this a temporary unnumbered receipt was sometimes given, or on other occasions the deposit was acknowledged by letter. When the deposit was repaid the official numbered receipt was cancelled, but no steps seem to have been taken to recover the letter or the unnumbered receipt, which is the only one which has been produced in this case. I am not for one moment suggesting that the claim is not perfectly in order, but we can hardly meet it without further information. If my Honourable Friend will let me have any details in his possession of the circumstances in which the deposit was originally made, and whether the paper was still being published at the time of the Japanese attack, I will do my best to expedite settlement.

Government has taken due note of the statement made by Sir Man-kam Lo on behalf of his unofficial colleagues that they are only prepared to accept the large scale of expenditure proposed for the Defence Force, including its naval and air units, on the clear understanding that the maintenance of these local forces represents the full extent of the Colony's contribution to Imperial defence, and that no further cash contribution will be expected in addition. I can assure Honourable Members that the views of the Unofficials will be conveyed to the Secretary of State.

An interesting suggestion was made by Dr. the Honourable S. N. Chau that Government should encourage the opening up of residential areas in the New Territories to relieve the overcrowding in the city area. He considered that in order to do this it would be necessary to reduce the present annual Crown rent of 500 dollars per acre. I should like to assure the Honourable Member that his suggestion will receive consideration.

The Honourable Leo D'Almada referred to the requirement that departmental orders for printing should be passed through the Controller of Stores. He seemed to think that a good deal of time would be saved if they went direct to the printing firm. This may be so, but there is method in our apparent madness. There must be some central authority to scrutinise printing requisitions submitted by departments, and to see that due economy is exercised, and such an authority is also necessary to ensure that printing charges are kept as low as possible. I can assure Honourable Members, in the

most definite terms, that the transmission of orders for printing through the Controller of Stores does save the taxpayer considerable sums of money.

The practice of sending completed orders to the department via the Government Stores instead of direct is, however, a different matter, and it does appear to involve a considerable waste both of time and effort. It is of course necessary for the authority settling the accounts to satisfy itself that the printing has been correctly completed, but this could be done without the completed order passing through the Stores Department, and I am examining the possibility of introducing a more satisfactory system.

The Honourable Leo D'Almada also raised the question of compulsory registration of businesses. The Taxation Committee which reported in December, 1946, advocated the imposition of a licence fee of \$100 on all businesses, which fee would be deductible from the profits tax subsequently paid, provided that this exceeded \$100. The revenue produced by such a measure would not have been large, as the only gain would have been in respect of businesses which did not make sufficient profit to render them liable to the payment of \$100 in tax. It was, however, considered that the information produced would be of considerable value to the Inland Revenue Department. A Bill was tentatively drafted but the Commissioner of Inland Revenue felt that until the staff of his department was brought up to full strength "he could not compete with this further measure. The proposal has not, however, been dropped, and the information obtained would still be valuable to the Department of Inland Revenue. But further examination tends to show that the original proposal of a licence fee of \$100 deductible from the profits tax subsequently paid would give rise to certain difficulties, and that it would be preferable both from a revenue and an administrative point of view to charge a smaller fee which would not be refundable.

The Honourable P. S. Cassidy made some comments about the S.T. & I. Department. As he pointed out it is not yet possible to present a balance sheet. The account is however working out satisfactorily, but we do not propose to dispose of the profits until the department is wound up. In point of fact the existing balances are required to finance current stocks. The profits are however being drawn on to the extent necessary to make a refund to revenue of the full departmental expenditure for the previous year. Thus the department costs the taxpayer nothing.

My Honourable Friend expressed some concern as to the results of certain transactions undertaken by the department in respect of cotton yarn. It is the case that the department bought up large stocks of cotton yarn in order to keep local mills in operation at a time when they were experiencing great difficulty in obtaining any supplies at all. It has not proved possible to dispose of this yarn as rapidly as was originally expected, owing to the inability of the local mills to obtain orders and to the dumping of yarn at a price

below the local cost. It is believed that this is only a temporary phase, and the existing stocks of yarn will form a useful reserve 'if the supplies now being dumped suddenly cease. For this reason no particular effort has been made to dispose of the balance of the stock now on hand, and it is still hoped that the profit on the transaction will be fairly substantial.

I can assure the Honourable Member that Government fully shares his views that Government should withdraw as soon as possible from the commercial field, but unfortunately this will not be possible until trade with Japan is completely free and the other commodities in which the department deals are freed from international or commonwealth control.

It was satisfactory to note that several Unofficial Members endorsed the remarks that I made in the course of my budget speech in regard to the expenditure on personal emoluments. I should like once again to emphasise the concern with which Government views the increasing cost of administration. It is naturally too early to give any indication of the progress of the investigations of the adviser on methods and organisation, but it may perhaps be of interest to Honourable Members to know that he has made a start on the Secretariat, as this is the nerve centre of the administrative machine. He will probably next deal with one of the larger departments such as the Public Works Department.

We are, I think, all agreed that the cost of administration must be reduced, but I should like to add a word or two to what the Honourable Sir Man-kam Lo has already said about the difficulties with which we are faced. In the course of this debate, Honourable Members have indicated a number of directions in which we should expand our activities. It has been suggested that we are not doing enough for Education or for the Public Relations Office, and that there is a case for the appointment of one or more game wardens. This would all mean increases in staff, and in consequence a still higher personal emoluments bill.

That it is desirable that we should do more than we are doing in the realms of public health, education, and in many other directions, is a matter on which there can be only one opinion. But we have reached a stage when it is not enough to ask whether an appointment is desirable before we decide to make it. We have to ask ourselves whether we can afford it, both now and in future years. I trust that in the coming year members of Finance Committee will scrutinise applications for increased staff from this stand-point. One does not need to be able to foretell the future to see what will happen if we have a slump and a heavy fall in revenue. Even with greatly increased taxation we could not maintain our staff at the present level, and considerable retrenchment would be necessary.

H.E. THE GOVERNOR:—Honourable Members, before I put this motion to the meeting I should like to express my appreciation to the Honourable Unofficial Members for the careful and detailed

consideration they have given to the Draft Estimates and also to their comments on Government's policy generally. Government at all times welcomes criticism provided the criticism is helpful. It welcomes criticism from whatever quarter it comes, but it naturally looks primarily to its partners in the Government, namely the Unofficial Members of this Council. I share with Honourable Members the regret that owing to the security measures we have to take there will not be as much funds available for social services as we should wish. It may in fact be necessary to seek the authority of this Council for further expenditure on security measures, but I trust not.

The Senior Unofficial Member referred to the proposed constitutional reforms or changes. As Honourable Members are aware the proposals are to set up a Municipal Council and to establish an Unofficial majority in Legislative Council. The two are tied together to this extent that it is proposed that some of the Unofficial Members of Legislative Council should be nominated by the Municipal Council. So far as the Municipal Council proposals only are concerned, they can only be brought into effect by an Ordinance—in fact, possibly three or four Ordinances are necessary. That is not the case for changes in the constitution of the Legislative Council. That is done by Royal Instructions which are made under His Majesty's Sign Manual and Signet.

It will be recollected that the proposals were published in July, 1947 in the local Press in full with copies of the despatch from Sir Mark Young to the Secretary of State and of the reply of the Secretary of State thereto. But I think the Press would be doing the community generally a public service if at some later stage they were to reprint those two despatches.

Now, what is the next step with regard to those proposals? The next step is the publication of the draft Bills for the Municipal Council. The Honourable the Senior Unofficial Member has indicated that the present proposals may not be acceptable either to himself or his colleagues or to the people of Hong Kong at large. If that is so then I hope that he and his colleagues will bring forward alternative proposals. As to the best method of doing that any Unofficial Member at any time could bring a resolution forward in this Council with those alternative proposals, but perhaps Unofficial Members might consider it more suitable to wait until the Bills are published and then to bring forward shortly afterwards their alternative proposals. There may, of course, be more than one set of alternative proposals, but it would obviously be better, I think, if the Unofficial Members could agree amongst themselves as to what alternative proposals they would like. I can, however, assure this Council that it is not the intention to steam-roller through the Legislative Council the existing proposals and any alternative proposals that have the backing of the Unofficial Members of this Council will receive my fullest consideration and will be forwarded to the Secretary of State for the Colonies with my recommendations. Whilst I am on this

subject I should just like to say that I welcome the quickening interest that seems to be taken in the matter of constitutional reform. That contrasts very pleasingly with the apathy that was displayed when these proposals were first published in July of 1947. (Applause).

The question was put and agreed to, and the Bill was read a second time.

THE COLONIAL SECRETARY moved:—

“That the Report of the Select Committee to which was referred the Appropriation for 1949-50 Bill together with the draft Estimates adopted.”

He said: Sir, I wish to add to the comments in this Report a note about the disappointment on the small changes we had to make which resulted in a still further cut to our slight surpluses.

THE ATTORNEY GENERAL seconded and the motion was carried.

HON. D. F. LANDALE:—Your Excellency, I beg to second the motion. In doing so I would like to explain that I have not pressed the amendment I mentioned in my remarks yesterday in Select Committee only because I understand that to have done so would have, in all probability, caused delay in executing the various projects set up in the Public Works Extraordinary. So I am prepared to rely on the assurance given by my Honourable Friend the Financial Secretary that the question of increasing the Colony's borrowing power will be energetically and readily obtained from the Secretary of State.

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

Clause 2.

THE FINANCIAL SECRETARY:—Your Excellency, I beg to move that in Clause 2 for the words “One hundred and seventy-nine million five hundred and eighty-six thousand nine hundred and seventy” there shall be read the words “One hundred and seventy-nine million nine hundred and twenty-four thousand three hundred and twelve.”

Clause 2, as amended, was passed.

Schedule.

THE FINANCIAL SECRETARY:—Your Excellency, I beg to move that the Schedule be amended in every detail as recommended in the Report of the Select Committee, so that for the total of “One hundred and seventy-nine million five hundred and eighty-six thousand nine hundred and seventy” there shall be read the figures “One hundred and seventy-nine million nine hundred and twenty-four thousand three hundred and twelve.”

The Schedule, as amended, was passed.

Preamble.

THE FINANCIAL SECRETARY:—Your Excellency, I beg to move that in the Preamble for the words “One hundred and seventy-nine million five hundred and eighty-six thousand nine hundred and seventy” there shall be read the words “One hundred and seventy-nine million nine hundred and twenty-four thousand three hundred and twelve.”

The Preamble, as amended, was passed.

Enacting Clause and Title.

THE FINANCIAL SECRETARY:—Your Excellency, I beg to move that in the Enacting Clause and Title for the words “One hundred and seventy-nine million five hundred and eighty-six thousand nine hundred and seventy” there shall be read the words “One hundred and seventy-nine million nine hundred and twenty-four thousand three hundred and twelve.”

The Enacting Clause and Title, as amended, was passed.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Appropriation for 1949-50 Bill, 1949, had passed through Committee with certain amendments recommended by the Select Committee, and moved the Third reading.

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

#### **ADJOURNMENT.**

H. E. THE GOVERNOR:—That concludes the business, Gentlemen. When is it your pleasure that we should meet again?

THE ATTORNEY GENERAL:—13th April, Sir.

H. E. THE GOVERNOR:—Council will adjourn until 13th April, 1949.