

22nd March, 1950.

PRESENT: —

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

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING IN CHIEF (LIEUTENANT-GENERAL SIR E. C. R. MANSERGH, K.B.E., C.B., M.C.).

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

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

THE SECRETARY FOR CHINESE AFFAIRS (HON. J. C. McDOUALL, *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. E. A. BOYCE (Director of Public Works).

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

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

DR. HON. CHAU SIX NIN.

HON. LEO D'ALMADA E CASTRO, K.C.

HON. M. M. WATSON.

HON. P. S. CASSIDY.

HON. C. E. M. TERRY.

MR. G. C. HAMILTON (Clerk of Councils).

MINUTES.

The Minutes of the meeting of the Council held on 8th March, 1950, were confirmed.

OATHS.

The Hon. J. C. McDouall took the Oath of Allegiance and assumed his seat as a Member of the Council.

PAPERS.

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

The Public Health (Sanitary Provisions) Regulations, 1948, —Declaration under Regulation 2(10) (a). (G.N. No. A. 52 of 1950).

The Quarantine and Prevention of Disease Ord., 1936, —Order declaring Medan infected on account of smallpox. (G.N. No. A. 53 of 1950).

The Price Control Order, 1946, —Amendments to the Schedule. (G.N. No. A. 54 of 1950).

The Landlord and Tenant Ord., 1947, —Notification under Section 32(1). (G.N. No. A. 55 of 1950).

The Quarantine and Prevention of Disease Ord., 1936, —Order declaring Amoy infected on account of smallpox. (G.N. No. A. 56 of 1950).

The Prohibited Exports Order, 1946, —Amendment to the Schedule. (G.N. No. A. 57 of 1950).

The Price Control Order, 1946, —Amendments to the Schedule. (G.N. No. A. 58 of 1950).

Annual Report of the Fish Wholesale Marketing Organization for the year 1947-49.

MOTIONS.

THE FINANCIAL SECRETARY moved: —

That the additional supplementary provision for the first quarter of the financial year ended 31st March, 1950, Schedule No. 1 of 1949-50, be approved.

That the additional supplementary provision for the second quarter of the financial year ended 31st March, 1950, Schedule No. 2 of 1949-50, be approved.

He said: If Honourable Members have no objection I should like to take these two motions together as this will save a good deal of time.

The Special Warrants set out in both schedules have all been approved by Finance Committee. They do not appear to call for any more detailed explanation than is already set out in the remarks' column, but it will be observed that practically all the larger items are connected either directly or indirectly with security measures.

Besides the specific savings quoted against some items there are of course savings under other heads which tend to set off this supplementary expenditure. Moreover, certain items such as the exportation of fish fry and the purchase of lorries for the Vegetable Marketing Scheme are self-balancing. In the case of the first, expenditure is balanced by revenue, and in the case of the second, the expenditure was met by a grant from the Colonial Development and Welfare Fund.

THE COLONIAL SECRETARY seconded, and the Motions were carried.

SUPPLEMENTARY APPROPRIATION FOR 1948-49 BILL, 1950.

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to authorize the appropriation of a supplementary sum of thirty million one hundred and thirty-five thousand nine hundred and sixty-four dollars to defray the charges of the financial year ending 31st March, 1949." He said: Your Excellency, expenditure for the financial year 1948/49 was estimated at \$150,284,105 but the actual expenditure was \$9,669,918 in excess of this figure. This over-expenditure was almost entirely the result of the payment of occupation period pay to members of the Government Service who were not interned; of an increase in the cost of living allowance, and of a number of outstanding adjustments following the revision of salary scales.

In the Schedule to the Bill are set out the heads under which the expenditure for the year exceeded the amounts provided in the Appropriation Ordinance and, for the reasons I have just given, it will be observed that 90 per cent. of the over-expenditure occurred under the Miscellaneous Services Head. It is necessary to make supplementary appropriation to cover any excesses, although in point of fact these have already been approved when the quarterly returns of supplementary expenditure were submitted to this Council. The Supplementary Appropriation Ordinance may thus be regarded as a regularizing measure.

I should perhaps emphasize that the authorizing of a further appropriation of just over \$30,000,000 does not mean that this sum was actually spent during the year 1948/49 in

addition to the sum of \$150 million originally voted. This \$30,135,964 is merely the total of the excesses on the heads listed in the Schedule to the Bill. There are, however, savings which do not appear in the Schedule which largely offset these excesses thus reducing the excess of actual expenditure for the year over estimated expenditure to the figure of just over \$9½ million which I first quoted.

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

AIR ARMAMENT PRACTICE (AMENDMENT) BILL, 1950.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Air Armament Practice Ordinance, 1949". He said: Sir, the Bill as in the hands of Honourable Members is accompanied by lengthy Objects and Reasons which, I feel, are fully explanatory of this very short Bill. For this reason, Sir, I do not think that it is necessary that I should detain Honourable Members by attempting to add to what has been stated in those Objects and Reasons.

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

OBJECTS AND REASONS.

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

1. The existing subsection (5) of section 4 of the Air Armament Practice Ordinance, 1949, (the principal Ordinance), imposes a statutory limitation on the use of all practice ranges by the Air Force in that it prohibits practice on any day which is a general holiday under the Holidays Ordinance, 1947.

2. In the past, with the object of minimizing inconvenience to the public, the Air Force accepted a further limitation by agreeing not to use the ranges on Wednesdays, thus confining firing to only 5 days a week (Sundays being excluded under section 4 (5)) or less whenever a general holiday fell on a day other than a Wednesday. With the recent increase in the strength of the Armed Forces it has become necessary to make provision for some increase in the number of days on which the Air Force may carry out firing practice over Scheduled Practice Range (a), which is also known as the Port Shelter Range.

3. This Bill seeks to exclude the Port Shelter Range from the operation of the statutory prohibition against firing on general holidays, but at the same time to confine its use by the Air Force to no more than 5 days a week by precluding firing on Wednesdays and Sundays. Under this arrangement the

number of days on which firing may take place on the Port Shelter Range is increased to the extent of the number of General Holidays which do not fall on either a Wednesday or a Sunday.

DEFENCES (FIRING AREAS) (AMENDMENT) BILL, 1950.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Defences (Firing Areas) Ordinance, 1936." He said: Sir, this short Bill is, in fact, a companion measure to the Bill, the first reading of which I have just moved. Here again, Sir, the Objects and Reasons are extremely full and, I feel, sufficiently explain the purpose of this short Bill without necessitating the addition by me of further remarks.

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

OBJECTS AND REASONS.

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

1. The existing subsection (6) of section 4 of the Defences (Firing Areas) Ordinance, 1936, (the principal Ordinance) imposes a statutory limitation on the use of all firing areas in that it prohibits practice firing on any day which is a general holiday by virtue of the Holidays Ordinance, 1947.

2. In the past, with the object of minimizing inconvenience to the public, the services accepted a further limitation by agreeing not to use the areas on Wednesdays, thus confining firing to only 5 days a week (Sundays being excluded under section 4(6)) or less whenever a general holiday fell on a day other than a Wednesday. With the recent increase in the strength of the Armed Forces it has become necessary to make provision for some increase in the number of days on which the Services may carry out firing practice over Scheduled Firing Area B, also known as the Port Shelter Range.

3. This Bill seeks to exclude the Port Shelter Range from the operation of the statutory prohibition against firing on general holidays, but at the same time to confine its use by the Services to no more than 5 days a week by precluding firing on Wednesdays and Sundays. Under this arrangement the number of days on which firing may take place on the Port Shelter Range is increased to the extent of the number of General Holidays which do not fall on either a Wednesday or a Sunday.

**REVISED EDITION OF THE LAWS (AMENDMENT)
BILL, 1950.**

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Revised Edition of the Laws Ordinance, 1948."

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

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

Council then resumed.

THE ATTORNEY GENERAL reported that the Revised Edition of the Laws (Amendment) Bill, 1950, had passed through Committee without amendment and moved the Third reading.

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

APPROPRIATION FOR 1950-1951 BILL, 1950.

THE FINANCIAL SECRETARY moved the Second reading of a Bill intituled "An Ordinance to apply a sum not exceeding one hundred and ninety-nine million fifty-one thousand and thirty-seven dollars to the Public Service of the financial year ending 31st March, 1951."

THE COLONIAL SECRETARY seconded.

HON. CHAU TSUN-NIN: —Your Excellency, an outstanding feature of our annual Budget is the ever-mounting cost of administration, and every year we are confronted with an expenditure far above that of the previous year. Surely the limit of expenditure has been reached this year with the huge sum of \$200,000,000. Beyond this colossal figure, I feel that we cannot go without facing ultimate bankruptcy. The situation calls for drastic retrenchment and reduction in Government expenditure if we are not to face another record budget next year.

When the Efficiency Expert, Mr. Ross, arrived a year ago, great things were expected of him and it was then hoped that the inner workings of certain Government Department would be overhauled with the object of eliminating unnecessary expenditure. But apparently this gentleman has not produced the expected or desired result. The number of personnel does not appear to have been noticeably reduced and expenditure remains undiminished.

Before commenting on the estimated deficit of \$7½ millions, I would like to call attention to one or two items that seem to me not absolutely necessary and yet which come to quite a large

sum. I refer first to the annual recurrent cost of uniforms that appears in almost every department of Government. It seems to me that, except for a few important departments where uniforms are absolutely necessary—such as the Police, Fire Brigade, Revenue and Sanitary Departments and the Post Office—uniforms are not a necessary adjunct to a Government servant, at least not to the extent of being given one every year. Here, then is one item of expenditure that can very well be reduced and an appreciable saving made—perhaps of a few lakhs of dollars.

Another head of expenditure also comes to quite a huge sum, and this I shall group under the general item of "Conveyance Expenditure", for within this comprehensive head may be included upkeep of vehicles, motor drivers' emoluments, transport and transportation, and their allied expenses. I am sure the total amount must be very considerable. Here, again, is another item which can be pruned, and another few lakhs saved. Half-a-million here and there trimmed off the various branches of the huge tree of expenditure may be sufficient to offset the estimated deficit. I have not been able to make a careful study of the various other items, but I have no doubt that something can be lopped off them in the way of expenditure that is not absolutely necessary.

Having dealt with the expenditure side of the estimates, I now turn to the proposed means of obtaining the extra income to meet the deficit. I am inclined to believe that my Honourable Friend the Financial Secretary has permitted himself to be unduly alarmed by this monster of a \$7½ million deficit, and has now proposed to increase another 5% on Corporation Profits Tax and 3% on Salaries Tax respectively. After all, is this small deficit really so terribly alarming as to necessitate this sudden and drastic increase of, in one case, 50% in our Income Tax? What guarantee have we—when this deficit has finally been met and a surplus shown—that these increases will be withdrawn and the old rate reintroduced? My Honourable Friend has a habit of erring on the conservative side, and each year he has somehow or other, in spite of his usual gloomy predictions, produced from under his cloak a welcome surplus. I have a notion that the same happy result will be attained when this Council meets to consider the Budget for the next fiscal year. The present suggested form of taxation is not acceptable, because it is inequitable and wrong in principle. Direct taxation should never be considered unless there is no other means of securing the desired revenue, and I maintain that there are various other sources of revenue apart from Income Tax. Has my Honourable Friend considered the question of forcing the very large number of car owners to shoulder a greater percentage of taxation. The traffic problem, now so acute, might be considerably relieved by some form of deterrent to the importation into the Colony of more cars—especially those of the larger type which take up so much of the road when in motion and so much parking space when lying

idle. Then, again, a small tax on bicycles might produce some useful revenue without imposing any undue hardships. Other sources of revenue that suggest themselves are an increase in the Betting Duties, a further levy on Luxuries Tax, a Business Tax, etc. The last mentioned, given the number of business concerns as 40,000 and a tax of \$100 in the form of a trading licence, should easily yield \$4,000,000. These indirect taxes would not be so resented as the proposed direct taxation, for it must be remembered that of a population of some 2-million, only about 1% ever paid these taxes up to March, 1949, and this eminently is not fair or equitable, and is rightly resented.

At the risk of being considered importunate, I must revert once again to the subject of Denial Claims on which I spoke during our last Debate a year ago. I still maintain that it is the duty and obligation of this Government to meet these claims, for whilst it may be said that the requisition originally emanated from the Imperial Government, it was the Hong Kong Government which actually did requisition the various vessels and other properties which were subsequently lost and for which this Government should be held responsible. Some of the concerns whose vessels, etc., were requisitioned by Government, have been hoping, and are still hoping, for an early settlement of their claims to enable them to rehabilitate their business, and I would earnestly urge Government to give this matter serious and immediate attention, and to recover the sum due from His Majesty's Government.

I find that I cannot do better than repeat most of what I said in this Council last year during the debate on the Budget. Most of my remarks still hold good to-day. However, I should like to express my pleasure at the great improvement made in education, and would like to congratulate the Director of Education on his fine achievement in face of difficulties.

The housing shortage is causing Government grave concern, and it is therefore gratifying to see that Government proposes to build its own block of central offices. This will undoubtedly release some of the offices which are being occupied by its various departments for the use of the general public.

I cannot close my remarks without some comment on the deplorable condition of our prisons, the annual Report of which makes dismal reading. It is inconceivable that a modern city like Hong Kong should permit such conditions to exist, and a complete reorganization of our prison system is long overdue. I would suggest that a Commission be appointed to enquire into the various matters raised in the Report of the Commissioner of Prisons and recommendations be submitted for remedying their defects. This is a matter of urgency and importance, and should be given early attention.

Before concluding, I wish to express sympathy with my Honourable Friend the Financial Secretary on being dubbed the most unpopular man in the Colony to-day. Knowing him as

I do, I am sure he is dictated solely by a sense of duty that impels him to suggest the course of action which is being debated to-day. His task is admittedly a difficult one, and he may rest assured that the Unofficial Members of this Council are with him in his predicament. Let me repeat that the best solution would seem to be to seek the \$7½ million from indirect impositions, which will be the fairest means of taxation imaginable. I hope my Friend will be able to reinstate himself in public favour by announcing a reduction in our Income Tax at the next presentation of the Estimates twelve months hence.

HON. MAN-KAM LO: —Your Excellency, your Presidential address and the Financial Secretary's speech at the last meeting of this Council furnish a valuable and comprehensive review of and commentary on the Colony's position, covering, as they do, so many aspects of the Colony's activities. The only substantial point of controversy in Government's budget statements and proposals must be the announced increase in direct taxation. I therefore propose to deal with this point first.

So far as items of expenditure are concerned, whilst I can think of a great number of projects deserving of public expenditure, I know of no substantial item which can be eliminated from the present budget. All items have of course been scrutinized by the Unofficial Members of this Council. Moreover, Financial Secretaries are difficult persons to get money out of; in my opinion, I know of no Financial Secretary who is a harder nut to crack in this respect than my Honourable Friend the present distinguished and outstanding holder of this high office to whom I wish to pay a sincere tribute for his indefatigable vigilance against every dollar of up-necessary expenditure.

As regards Revenue, the obvious argument is that the estimate of revenue is too conservative, as shown by the fact that last year's revenue was very substantially underestimated. The soundness of this argument is superficial. An accurate estimate must be based on known facts and probabilities; if a past estimate has been rendered inaccurate by certain unpredicted conditions which no longer obtain, it would clearly be wrong to base the new estimate on the continued existence of these conditions.

For my part I accept without hesitation the Financial Secretary's explanation as to the unprecedented receipts from duty on certain items particularly on tobacco, and that some \$30,000,000 of revenue must be regarded as windfalls.

The sole question therefore is whether or not we should balance the budget in order to wipe out what otherwise would be an anticipated deficit of some seven or eight millions, and budget for a reasonable surplus. I consider it sound policy to do so. If the horizon were clear, and if there were no likelihood of trade retrogression, I would oppose the suggested new taxation. But as Your Excellency has said, the past year has been a year of stresses and strain and you do not see any let-up for some time to come.

The economy of the Colony is not self-supporting; its main entrepot trade is subject to external factors over which we have no control and which may obviously adversely affect Revenue receipts.

I therefore feel that we should grin and bear the new taxation, even though the increase is to be operative in a year which is subject to the very circumstances which in my opinion render a balanced budget so necessary. In saying what I have said I must not of course be taken as assenting to the proposed amendments of the Inland Revenue Ordinance as regards personal assessments. I withhold comment on this matter until I have had a chance to study the proposed Bill.

Sir, I support the Financial Secretary's view that "the Colony cannot be regarded as reasonably secure until it has reserves amounting to at least a year's revenue". I should have thought that the implication of this view, as regards what particular year should be taken as the basis, is clear. The year taken is the year in which the question as to the adequacy of the reserves arises. In discussing the fiscal year 1.4.50 to 31.3.51, the "yardstick" for the reserves would be the revenue under this budget. I understand my Honourable Friend Mr. D'Almada will make certain suggestions for obtaining the requisite revenue to balance the budget, as an alternative to the proposed increases under the Inland Revenue Ordinance. I should like to say that if the deficit can be made good by a form of taxation which is more equitable in its incidence and more general in its scope than the taxation under the Inland Revenue Ordinance, it is of course acceptable to me.

Financial Settlement.

I was glad to hear the Financial Secretary's statement that a conference would be held in London during the latter part of April for discussing the question of the Colony's contribution towards the cost of the reinforcement of the garrison, and the related question of various claims which have remained unsettled from the last war, and that this conference would be attended by him and the Colonial Secretary who is already in London. As this is a matter of great importance to the Colony, I feel it my duty to say a few words.

At last year's budget debate at which I had the honour to speak, in referring to the defence commitments to the Colony of over 2½ million dollars, I said:

"I think it can be reasonably contended as a general principle that whilst the Colony must find whatever sum necessary to maintain internal order and security, it should not be called upon to incur any liability for external defence, which assuredly is the responsibility of His Majesty's Government. It is true that measures taken for internal security and for external defence may overlap and intersect at various points, so that it

may be difficult to draw a clear distinction between all items of expenditure for the one and those for the other. But I submit, Sir, that all items for the Naval Force and for the Air Force are related essentially to external defence and is therefore an Imperial responsibility. In any case I should here state that the Unofficial Members of the Estimates Committee recorded that they were 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 represented the full extent of the Colony's contribution to Imperial Defence and that no further cash contribution would be expected in addition".

Sir, I stand by what I said last year. My position then is my position today.

The cost of all the defence measures, direct or indirect, for the coming year, amount to over 12% of the total budget of expenditure which is really very high for a Colony like Hong Kong. I believe—though I speak subject to correction—this percentage is higher than any part of the British Commonwealth, and is even higher than in Great Britain. The Colony, Sir, has shown and continues to show its warm welcome to the reinforced garrison, and keenly appreciates His Majesty's Government's action in the matter. But whilst the Colony regards it as its duty and privilege to play a worthy part in regard to the over-all defence commitments of the Colony, it must be obvious that, as a mere Crown Colony, its duty and its ability to shoulder financial responsibility for external defence can only be on the basis more by way of a token or gesture contribution, than of a contribution based on the expenditure by His Majesty's Government, Military, Naval and Air. In any such token contribution, the heavy burden for defence measures already assumed must be taken into account.

As regards the financial settlement effected in 1948, I spoke at some length on this subject last year. In so far as the "denial claims" are concerned, amounting to \$25,000,000, the financial settlement was approved by this Council on the express understanding that these claims were a liability of His Majesty's Government and not of this Colony. I deem it unnecessary to say any more at this stage than that the Unofficial Members of this Council expect that one result of the London conference will be the immediate implementation of the financial settlement on the basis agreed to by this Council, and that legal obligations incurred by this Colony for and on behalf of His Majesty's Government will now be honoured by His Majesty's Government without further delay.

In the Budget debate of 1947, regarding the then outstanding claims as between His Majesty's Government and the local Government, I asked "for an assurance that none of these claims will be settled by the local Government without assent of this Council". In reply, His Excellency Sir Mark Young said: "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 now respectfully ask for an assurance that no final settlement will be reached at the London conference without prior reference to this Council.

Requisition.

On the 25th May, 1949 I asked, *inter alia*, whether Government would take the necessary steps to insure that the incidence of liability of requisition made on behalf of any of the Services was clearly accepted by the Services concerned. In reply the Financial Secretary said:

"The Military Authorities who are chiefly concerned in this matter have been approached regarding the payment of costs of requisitioning. I understand that the War Office accepts responsibility for making immediate payments in respect of compensation initially but without prejudice to the ultimate incidence of the expenditure".

In reply to certain further questions put by me on the 20th July, 1949, the Colonial Secretary, by way of concluding his reply, said:

"I may perhaps add in this connection that proposals are being examined to permit of the payment of compensation for new buildings which have been or which may hereafter be taken under requisition at rates which will approximate to the rateable value of such buildings".

The general public fully realizes the necessity for requisitions consequent on the sudden substantial increase in the local garrison. But those whose properties have had thus to be requisitioned naturally expect to be paid reasonable compensation. There are owners who have put up their buildings on money borrowed from their banks to whom they have to pay interest, and as far as I know many of these owners have not yet received a cent by way of compensation.

I await an explanation of this delay and a statement as to what action Government will take to put an end to this delay, which has already caused so much injustice and hardship to the unfortunate owners affected. I need hardly point out that this question of compensation has a direct bearing on the Colony's budgetary position. At this stage I deem it right to state, sir, that if Government's reply is not considered satisfactory, the Unofficial Members of this Council will have to consider whether, in discharge of their duties as members of this Council, they should in due course move that the second reading of this Bill be deferred until liability has been assumed by the Service concerned for payment of due compensation on an equitable basis, or move a vote of censure on Government

at a subsequent meeting of this Council, or take some other appropriate step. I also invite Government to consider the creation of some new procedure for requisition made on behalf of the Services so that their direct legal obligations may be clearly defined.

Education.

Your Excellency's remarks on the important question of education at the last meeting of this Council, combined with the Financial Secretary's references to the subject, give a clear picture of Government's effort in the cause of education during the past year. Much had to be left undone; much remains to be done. But in view of the abnormal conditions confronting the Colony, I feel Government is to be congratulated on the substantial results achieved and on the future programme planned.

Sir, I can assure you that your announcement of the actual building of Queen's College has indeed been most welcomed. It is a matter of gratification that at long last Queen's College will soon be able to carry on its long and venerable tradition as the senior Government Secondary School in a building and with grounds worthy of its past and commensurate with its aspirations for the future.

The total cost of education to the Colony in the coming year is to be ascertained by reference to 4 separate Heads of Expenditure in the Budget namely, Head 9 Education, Head 31 Public Works Non-recurrent, Head 39 Subventions and the schedule of expenditure under the Rehabilitation Loan—I make the grand total to be \$19,540,949. (not including cost of living allowances).

This amount in relation to a total budget of \$199,051,037 may not be very large; from the point of view of local education, we all wish it could be larger. Even so, bearing in mind that this total budget includes expenditure for defence measures amounting to some \$24 millions and non-education Public Works extraordinary amounting to over \$25 millions, education expenditure in relation to the balance of the budget is not unsubstantial. Of the total of the educational vote of over 19½ millions, \$7,985,800 represents grants to Grant in Aid schools and subsidies to vernacular schools. The figures for these grants are as follows: —

Grant in Aid schools	\$5,685,800
Vernacular schools	\$2,300,000

Taking the number of pupils in Grant in Aid schools and in subsidized schools and dividing them by the respective grants, the cost to Government per pupil in a Grant in Aid school is five times of the cost to Government of a pupil in a subsidized school.

I can say in all sincerity that I yield to none in admiration and appreciation of the invaluable contribution which the Grant in Aid schools have made to the cause of education in the Colony. I realize that the Colony's debt to them cannot be adequately repaid. But our duty must obviously be to take stock of the financial resources of the Colony and to apply the finances available for education in the best interests of education as a whole. We live in changing circumstances and we must plan according to these circumstances.

Sir, it is my submission that the time has come when Government should review the whole question of Government expenditure on education generally (including grants for new buildings), so as to decide the most equitable allocation, in accordance with the best modern concept of education, as between the Education Department and all non-Government schools. I need hardly say that it is neither my intention nor hope that such a review may result in a reduction of expenditure on education; on the contrary, I hope that future budgets may render possible a higher percentage of expenditure on this vital need. But I venture to think such a review will be valuable only if it is undertaken by an independent body freed from sentimental attachments to any particular type of local educational institution. In other words I suggest that such an enquiry should be conducted by some educational experts from England.

Sir, I feel that it is hardly necessary for me to assure this Council that in what I have said, no implied criticism of the Education Department in general, or of its distinguished Director in particular, is intended. On the contrary, if I may be allowed to say so, I feel that the work of the Education Department has been outstanding. Indeed, the recent high honour conferred upon Mr. Rowell by His Majesty the King is a fitting recognition of his invaluable work in, and keen devotion to, local education. This honour has given genuine satisfaction to all interested in education as well as to his large circle of friends. His approaching retirement will be a serious loss to the Colony. He will leave us with the satisfaction of a difficult job well done—and with our best wishes to him and Mrs. Rowell in his retirement.

Water.

That the water problem is a serious one for the Colony is, I know, fully appreciated not only by Government but by the general public. From the Loan Schedule it would appear that the allocation of \$300,000 for the preliminary expenses in connection with the Tai Lum Chung Valley scheme has been practically spent, and I feel sure the public would like to know what is the present position in regard to this scheme, and what steps have been taken or are contemplated for the early augmentation of the Colony's water supply. I therefore respectfully ask for a statement on this matter.

Agricultural, Forestry, Gardens and Fisheries Departments and Fish and Vegetable Marketing Organizations.

I have no doubt that the scheme to place all the above separate departments under the control of a technical officer for the purpose of co-ordination and efficiency is a step in the right direction. The increased and increasing interest taken by Government in the New Territories is to be warmly commended. The potential good which an Animal Husbandry Officer can do for the inhabitants of the New Territories is immense, and I can testify to the good work which has already been done by the present holder of this office, whose genial personality and ever willing readiness to help to advise and to be of service to the public are much appreciated.

Social Welfare Office.

Under Head 36 B there are important changes in the personnel of this office, being based on the principle of substituting supervisory and instructional staff for the less educated type of worker.

Less than 2 years ago the Social Welfare Office was the Social Welfare Officer himself and his office boy. The unostentatious evolution and expansion of this organization from a mere name to a real Social Welfare Office which is actively concerned with all aspects of social welfare—such as protection of women and children, (on behalf of the S.C.A.), repatriation, squatters, training of social workers, emergency relief, co-operatives, child welfare, etc. —reflects great credit on the Social Welfare Officer. It is generally agreed that the true aim of social welfare service should be not merely to feed the hungry, but to ensure that, if children, they would grow up into useful citizens, and, if adults, would be gainfully employed. Above all, the Social Welfare Office should help and guide the people of Hong Kong to build up for themselves their own welfare. That this is being done—and done with most gratifying success—is shown by recent reports in the press of the establishment of Kaifong Welfare Associations in various urban areas. Nowadays no one doubts that social welfare is a vital necessity in any community, not merely on humanitarian grounds, but as a means of removing social discontent. Without in any way detracting from the magnificent and devoted work of the various charitable organizations which already exist in the Colony and of which we are justly proud, I cannot help feeling that it is on these Kaifong Welfare Associations—because they are formed by themselves for themselves and in their own districts—our hopes must primarily lie as the most potent instrument for carrying out social welfare work and for combating social unrest in their own districts.

It is because I regard the work of the Social Welfare Office as one of such supreme importance, and because I consider wise expenditure under the direction of an experienced Social Welfare Officer is money well spent, that I must confess I have noted

with regret the reduction of the vote for welfare work in last year's estimates of \$493,500 to \$379,300 this year, a reduction of the large sum of \$114,200 as an economy measure. I express the hope, Sir, that Government may reconsider this matter and restore this reduction, wholly or in part, by a supplementary vote later on in the year in the light of the budgetary position at that time.

Conclusion.

In the course of his "The State of the Union" message delivered to Congress on 4th January this year, President Truman said:

"We work for a better life for all, so that all men may put to good use the great gifts with which they have been endowed by their Creator. We seek to establish those material conditions of life in which, without exception, men may live in dignity, perform useful work, serve their communities and worship God as they see fit. These may seem simple goals, but they are not little ones. They are worth a great deal more than all the empires and conquests of history. They are not to be achieved by military aggression or political fanaticism. They are to be achieved by humbler means—by hard work, by a spirit of self—restraint in our dealings with one another and by a deep devotion to the principles of justice and equality".

It seems to me that if, as "just simple traders who want to get on with our daily round and common task"—to quote Your Excellency's striking phrase—we were all to work for the good of the Colony in the spirit of the President's message, the part which we all can take in this tiny Colony of ours in the future that lies before us may indeed be humble, but it will not be unworthy.

DR. HON. CHAU SIK-NIN: —Your Excellency, a year ago during the debate on the Estimates before this Council, I commented on the high cost of administration, and it was then hoped that with the advent of the Efficiency Expert the administrative cost of Government would be appreciably reduced, and the various departments would operate more efficiently. Our hopes have been shattered by the presentation of the estimates for the coming fiscal year amounting to the staggering sum of \$199,000,000—a record Government expenditure. Instead of a reduction, public spending continues its upward trend, and we are now called upon to approve of this huge expenditure, representing an increase of over 19 million dollars on the approved expenditure for 1949/50, and 13½ millions on the revised estimates of expenditure for that year. Of this sum of 199 million dollars, over 80 millions—or more than 40 per cent, of the total—are on account of Government salaries and allowances.

Before commenting in more detail on expenditure, I wish to say a few words regarding revenue and the proposed increase of taxation to meet the estimated deficit of \$7,000,000. I think my Honourable Friend the Financial Secretary is unduly pessimistic, as in previous years. In spite of his dark forebodings, he has always somehow managed to show a surplus at the end of the financial year, and—apart from the hope of further windfalls—I fail to see why the same happy result should not be attained in the coming year. However, whilst I appreciate that the Budget must be balanced, I question the wisdom of the suggested form of increase in direct taxation. Last Monday the Commissioner of Inland Revenue told a Press conference that only about 5,000 persons were paying salaries tax in a population of some 2,000,000. This represents a quarter of one per cent, of the total inhabitants of the Colony. To be equitable, taxation should be fairly distributed. It is farcical and grossly inequitable that this small number of salaried residents should be required to pay a direct tax from which the remaining 99¾ per cent. is in practice entirely exempt. Public indignation has undoubtedly been aroused by the revelation of this unreasonable imposition on the few, while tens of thousands of wealthier citizens—a large proportion of whom have come here from disturbed China to enjoy the security and amenities which this Colony provides—make no direct contribution towards the cost of the administration and services which ensure that security and provide those amenities. If, as has been stated, Government considers that the introduction of an orthodox income tax, with equitable taxation of all personal income, is not possible because of the serious complications that would arise, then I would urge the total abolition of the present salaries tax, which imposes the burden of direct taxation in this form on only five thousand of the Colony's population of two million. The small loss of revenue involved could be made good by a trifling all-round increase in indirect taxation—by raising the duties on liquor and tobacco, and by imposing a further levy under the Entertainments, Dance Halls, Meals, Petrol, Bets and Sweeps Taxes. In this connection, I would suggest that Government give consideration to the introduction of a Purchase Tax, with exemption for necessities. Those who can afford to indulge in these pleasures and luxuries can also well afford this suggested slight increase in taxation, which will ensure that they make some contribution towards the cost of providing and maintaining the services and amenities which they enjoy in this Colony.

At the same time I fail to see why the Corporation Profits Tax and Property Tax should be increased by a sharp advance of 50 per cent. The suggested increase seems to me most unreasonable and, whilst the argument has often been advanced that this Colony has been lightly taxed, the unexpected addition of 50 per cent. in taxation at this time of political and commercial uncertainty may be found to have far-reaching effects on the Colony's economy.

As an addition or alternative to increasing taxation on “luxuries”, as I have just proposed, it seems to me that if we are to raise another \$7,000,000 only to meet the comparatively small anticipated deficit, a registration fee of \$5 might be charged under the recently instituted Registration of Persons Ordinance. Of an estimated 2,000,000 population, perhaps 1,500,000 would be registrable, that is to say of age for registration. At \$5 a head, 1,500,000 registrants would contribute \$7,500,000, which would be sufficient to meet the estimated deficit. Doubtless it will be argued that this would be a burden on the poorer classes, but the charge would amount to only about 40 cents per person per month, which is surely not too much to pay for the security and the privileges afforded in this Colony. However, if it is felt that a fee of \$5 per person would be too much for the poor to pay, then the amount may be reduced to \$3 or even \$2 which will bring in \$4½-million or \$3-million and will help to reduce the deficit appreciably. This form of impost would certainly not be so inequitable as the present salaries tax which lays the burden of direct taxation in this form on only one minute section of the community.

I understand that my colleague the Hon. Mr. D'Almada will be proposing a compulsory Business Registration Tax and will elaborate on his proposal. I wish to support my colleague's proposal which has much to commend itself as an alternative, or in addition to my suggested Residents Registration Tax.

I am glad to note the great improvement in the provision of educational facilities for the public, and the admirable results so far obtained; but I would urge that greater efforts be made further to reduce the large number of children still seeking admission to school. I realize that it will be quite some time before this can be done, and I join Your Excellency in the hope that the existing system of two-session schools will soon be unnecessary and discontinued.

There has been a marked improvement in the Colony's medical facilities since we last met twelve months ago to consider the expenditure of the Medical Department. The opening of medical clinics in congested districts is to be highly commended, and I hope to see more of these desirable centres established throughout the Colony in the near future.

Whilst touching on the subject of the Medical Department, I should like, however, to repeat what I said during the last two budget debates concerning the Mental Hospital. The building of an up-to-date Mental Home, in open surroundings and with exercise and recreational grounds, has been under consideration for as long as most of us can remember: it was proposed long before the Government Civil Hospital, which adjoined it, was abandoned on the opening of the Queen Mary Hospital. Everyone who has visited the present Mental Hospital has surely come away convinced that it is a disgrace to this wealthy Colony which has provided, and continues to provide, so

generously homes and institutions for those whose needs are certainly not more cryingly urgent than those of the unhappy inmates of this ancient and overcrowded and prison-like building. The recent sad death of one of its inmates under such tragic circumstances has brought home to the public the urgent necessity for some improvement, and I hope that my remarks will be given due consideration. Apart from the utter unsuitability of the building and its location, I feel that the organization itself needs some thorough overhauling, and a small commission to enquire into its functioning should be appointed, with power to make recommendations for such immediate improvements as may be needed, pending the erection of a new Mental Home.

The annual Report of the Commissioner of Prisons for the past year has brought to light the deplorable condition of our prisons, due largely to lack of structural maintenance, and I am surprised that in this modern city we should tolerate such conditions. Here, again, some enquiry should be instituted as to the responsibility for the position as revealed in the Commissioner's report.

Another matter that is causing us no little concern is the acute housing shortage, and this is undoubtedly taxing the ingenuity of Government. It is perhaps little known that the Hong Kong Model Housing Society is building some 400 odd flats to be let out at a non-profit making rental to those in the low-earning bracket. This effort can, however, be regarded as only the starting point of an endeavour to relieve the extreme shortage. We need a hundred times this number of flats if we are to make a serious attempt to solve this pressing problem of providing housing for all. The present general congestion is most undesirable from the point of view of public health, and greater encouragement and inducement, on a generous scale, should be given those who wish to build their own homes.

Incidentally, in this matter of housing shortage, while Government has been spending millions and millions of dollars in providing housing for its European employees, the Chinese Civil Servants have received scant attention, and I consider it now quite time that Government gave them some consideration. It seems to me more equitable and economical for Government to build its own quarters for its Chinese servants, if not on the same grand scale as provided for the European members of its staff at least sufficient for their requirements. This will also help to relieve the present housing shortage.

It is gratifying to note that Government is building a new block of central offices for the use of its various departments. I consider this a step in the right direction; it will materially help to reduce the shortage of office accommodation, which is such a hardship to the commercial community. The building of this new block will in time prove to be a considerable economy

for Government, and the public will be spared the inconvenience of hunting around for the various Government Departments that are now so widely scattered about the Colony.

When speaking in this Council on the Estimates a year ago, I suggested that greater encouragement should be given to the farmers in the New Territories to produce more food. I am therefore happy to see that a survey is to be made of the possibilities of the New Territories. In this connection, I should like to see every possible encouragement given to our farmers to increase materially their output of rice, as well as vegetables. The Colony's most urgent problem is its rice supply. All our labour troubles are basically attributable to the present grossly exorbitant cost of this staple food of 98 per cent. of the Colony's population. According to the Labour Office's food and fuel cost figures for the week ending 11th March, rice represents about 40 per cent. of the total. The present cost of medium quality or "Yau Jim" rice is \$1.17 per catty. The Labour Office puts the price at somewhat less than 88 cents, which buys a cheaper quality. At this latter rate one person's rice (7.2 catties per week) costs \$6.28, or \$26.91 for a 30-day month. For a household of husband, wife, one older person and two children the rice bill for the month would be \$107.64. If they used medium quality rice it would be \$144.40. Yet the cost of rice is only 40 per cent. of the food and fuel bill as given in the Labour Office's statement. It is difficult for non-Chinese residents of Hong Kong to understand the seriousness of the problem created by retail rice prices, and the extreme urgency of the need for cutting to an absolute minimum the difference between costs and retail price paid by the consumer. The solution may be found in permitting the old pre-war rice firms—some of them established half a century ago—to import rice again (in licensed quantities if necessary) and to sell it at Government controlled prices based on landed costs. If the ban on the export of rice from China is to continue, the Colony should be made independent of that source of supply. The Siamese Government has undertaken to supply 464,000 tons this year to Hong Kong, Malaya, Singapore, Sarawak, North Borneo and Great Britain; also 300,000 tons to Japan and 100,000 tons to the Philippines. This makes a total of 864,000 tons. The Siamese Government estimates that its exportable surplus this year will be 1,200,000 tons—leaving 336,000 tons above its present commitments.

I have gone into some details in this matter because of the serious repercussions of retail rice prices on the whole social and economic structure of the Colony. If the price of rice can be substantially reduced, the landlord will, or should be compelled to, reduce his rent; the farmer, the price of his vegetables; the fisherman the price of his fish; the shopkeeper the price of his wares. It will therefore be seen that an effective control over retail rice prices—drastically eliminating profiteering—is undoubtedly the Colony's most urgent and important problem. Increased rice growing in the New Territories can contribute but little towards the Colony's needs, but, under present conditions, even that little should be encouraged.

In addition to our normal Military contribution this Colony is also being called upon to contribute towards the cost of reinforcing its defence force. In assessing the share which we should pay, it must be borne in mind that we are but a very small part of the vast scheme of Imperial Defence, of which this reinforcement forms part, and the fresh burdens we are called upon to bear should not be heavier than we can carry. It is hoped, therefore, that if we cannot eliminate this item altogether from our expenditure, we are at least not called upon to contribute so largely that it is necessary to continue to postpone much needed development in order to meet these commitments.

Before concluding, I wish to express my concurrence with the remarks of my colleague the Hon. Sir Man-Kam Lo regarding the matter of requisition. This question of requisition is of great importance to the public, and should be given serious and immediate attention by Government.

HON. LEO D'ALMADA E CASTRO: —Sir, I begin my speech at this the annual general meeting of this Colony by expressing, as usual, my concurrence with some of the remarks made by speakers preceding me. To-day, I express that agreement in particular in connection with what has fallen from the Hon. Sir Man-kam, Lo on the subject matter of the denial claims and on payments for requisitioned property. I would add one word in connection with the second of these two subjects. In May, June and July of last year, when these requisitions began, I had not a little to do with them and I well remember that in the course of dealing with them officers representing the Army were eager with their assurances that requisitions would be for a minimum period and that there would be every hope within a few months of derequisitioning because the Services would be building their own quarters. How far that assurance has been carried out I know not, but it would seem to me that its implementation has fallen very far short of the promises made or the assurances given. And whereas the burden upon the persons whose living quarters have been requisitioned may be comparatively light, the same cannot be said of the requisitioning of factories or parts of factories in certain cases, and of warehouses in other cases. In these cases no payments have been received for it while on the other hand serious loss of profit has been incurred by partial immobilization in the case of factories or deprivation of warehousing facilities in the case of a godown.

I pass from that to what threatens to be a hardy annual, that of the Star Ferry or any cross harbour services. In last week's daily papers appeared a report, the annual report of the Star Ferry Co., Ltd., and from it we learned that that Company carries 36,000,000 passengers a year back and forth between Kowloon and Hong Kong, a number which, if not equalled last year and the year before, was certainly sufficiently large three years ago to make it abundantly clear to Government that the present facilities afforded by the Star

Ferry piers and ferries were hopelessly inadequate to cope with the amount of work placed upon them. Yet despite Government's obvious responsibility in the matter of seeing to it that proper cross harbour transport should be provided, only two weeks ago all we have been able to obtain from Government is a statement that the matter of providing a new service, tied up as it is with certain problems of reclamation, presented certain technical difficulties and the difficulties have not yet been solved.

Sir, those difficulties could not have emerged for the first time in the last few months. They should have been obvious to those in charge in Government three years ago. Plans should have been made then to overcome those difficulties, and by now the reclamation necessary before the new piers are provided should have been well in hand. Had that been the case a good deal of difficulty in connection with the reclamation would have been removed by the possibility of using the rubble from the site of the Bank of China and the rubble from the site at present occupied by Edinburgh House with the object of reclaiming the foreshore around Blake Pier. As it is, that opportunity has been lost and so far as I can see, the people of Kowloon will have to wait at least three more years before they get a decent ferry service commensurate with the population of that place and the needs of both Hong Kong and Kowloon.

I hope, Sir, that if I am a member of this Council at next year's Budget meeting, I shall be happy to express a little gratification, instead of complaint, at some progress in the direction of providing a better ferry service.

Other members of Council who have spoken before me have made reference to the New Territories. We tend to feel rather pleased with ourselves over the New Territories. We talk about the agricultural development and the sporting facilities provided but it seems to me that many of us, driving through the territories must deliberately shut our eyes to one or two of those black spots which I now draw to the attention of Government. Is Government not ashamed of the filthy insanitary conditions of two or three market towns in the territories? Take a walk—and it would not be a pleasant walk—through Taipo Market, drive slowly through Un Long, or walk around Shek Po Hui, and if you are not convinced by a mere cursory inspection of those villages or towns that they are a disgrace to this Colony, then, Sir, nothing could be recognized as discreditable to it.

The Hon. Senior Unofficial Member expresses his regret that this year's Budget should not reflect the visit paid to this Colony by the Efficiency Expert. I associate myself with those remarks of his, and I hope that the Hon. Financial Secretary, when he comes to answer our speeches made this afternoon,

will be able to indicate that at least in next year's Budget some change will be shown as a benefit derived from his visit and his report.

Sir, if you read the newspapers this morning you would have seen an account of the meeting of the Reform Club held yesterday evening and you would have seen an interesting speech made by Mr. T. A. Martin who, as he did last year, broke up the figures in our Budget in a way which, to me, made that document more intelligible and which, in my submission, presented the facts more clearly to the average member of the public. It seems to me a pity that we should have to depend upon a public-spirited citizen for something of that nature, and regrettable that Government should not find it possible, if not to present the Budget in that particular fashion, certainly to accompany its presentation with a break-up such as that made by Mr. Martin which would be easily intelligible and in which the average citizen can find his way with more speed than in the present volume containing our Estimates.

Sir, these Estimates show a probable deficit of \$7,000,000 for the coming year and in breaking the news to this House and to this Council that Government proposes to bridge the gap between Revenue and Expenditure by an increase in direct taxation, the Hon. Financial Secretary delivered himself of a statement which I for one regard as disquieting. He said this: that whereas if you have to find a million or two million dollars it is easy enough to do it by indirect taxation, getting half a million here and half a million there, when it comes to a substantial amount like seven millions, then the only resort must be to direct taxation.

I consider that a disquieting remark for this reason: It alarms me in connection with any future substantial deficit. What will Government do to meet that possibility if my friend the Hon. Financial Secretary is correct, and if I interpret his remarks aright? We shall find further impositions of income tax because, forsooth, it is a temptation so difficult to resist. Here you have the machinery all set up for it. Here you have a standard rate of tax to which you need only add a percentage and, hey presto, you have your deficit provided for.

The alarm I feel for the future is not what I propos deal with to-day. I am going to touch upon the present intention only. After careful consideration, the Hon. Financial Secretary says, an increase in the rates was turned down and it has been decided that income tax should be increased; incidentally, careful consideration in which the Finance Committee played no part because we were not consulted as to the advisability or otherwise of so raising taxes, and after this careful consideration by my Honourable Friend we find income tax is to be increased by 50 per cent. It sounds much nicer, of course, if you add only 5% to the standard rate, but, in fact, the increase is by half. The increase is expected to yield \$12,000,000 and there my first question arises: Why 50%, if that is going to

yield \$12,000,000 and all you require is \$7,000,000 which can be met by an increase of, shall we say, 30%? Does it not straight away illustrate my point of the temptation to which a gentleman in the position of my Honourable Friend can so easily succumb in the matter of direct taxation? The next question—and one to which I shall devote a little more time—is this: is it fair, Sir, to saddle so small a section of the community with this added burden? I will assume for the purposes of my argument that to distribute that burden over the whole of the community by indirect taxation would be impossible, but Sir, I submit, that a means is available for spreading that burden over a much larger section of the community so that the individual contributions of each will be considerably reduced.

The move I advocate is compulsory registration of businesses at a fee. Sir, that was a measure I advocated pre-war; that was a measure which I advocated again in 1946 and as recently as in 1949 at meetings of this Council. For the purposes of making a case for this registration I have had recourse to the Report of the Inland Revenue Department for last year, and I have had also the assistance of certain figures by way of estimates kindly supplied to me by Mr. Pudney when I went to see him yesterday morning. I may say, Sir, that those figures differ somewhat from the ones upon which the Honourable Senior Unofficial Member based his case for a smaller tax, but that does not mean to say that he is wrong in his estimate because, as Mr. Pudney frankly admitted to me, he is by no means certain that his figures are complete or exhaustive.

For the purposes of illustrating my case, I ignore Corporation Profits Tax and the reason I do so is because it is difficult to estimate the number of shareholders in the 800 odd corporations registered in this Colony. I confine myself therefore to the other two classes, their numbers being capable of fairly close estimate, these classes being Salaries taxpayers (whose estimated number is 5,000) and the Business Profits taxpayers (who, I am told, number some 50,000 individuals). Sir, the tax collected on salaries last year amounted to \$2.6 million, and Business Profits Tax yielded \$11 million, a total of \$13.6 million from 2 per cent. of the population. My registration scheme automatically excludes the salaried man from any increase in direct taxes. The advantages of that I shall deal with later.

What then is the position in connection with the Business Profits Tax? From that Report to which I have already made reference you will see that the estimated number of businesses in Hong Kong is 21,000. The Honourable the Senior Unofficial Member estimated the number to be 40,000. Let us assume that the figure of 21,000 is correct because that is really minimizing my case. Of the 21,000 businesses you will see from the Report of the Inland Revenue Department that 6,000 have already been exempted from direct taxation; that there remain, or remained at the date of publication of the Report, 8,000 cases to be assessed, and I was informed that of those 8,000 cases the

greater bulk would probably be exempt from Profits Tax. Let us assume in that case also the figure is 6,000 and you will therefore have 12,000 businesses in Hong Kong paying no income tax at all.

Is there any reason why every business in this Colony should not make a small contribution by way of direct tax? My suggestion is that that small contribution should be in the form of a Registration Fee of \$300 a year, which amounts to no more than 83 cents a day. Now, if we have 21,000 businesses here and if we add to that number some one thousand corporations, you will have 22,000 separate entities liable to be registered and from whom a fee of \$300 a year will be collected, and therefore you have straight away your \$6½ million.

True, that does not produce the \$7 million odd which my Friend requires to balance his budget, but then surely, can you not spread the rest over other forms of taxation by his half million here and his quarter million there? Adopting this form of taxation through registration you would have the 12,000 businesses now exempt, altogether tax-free, paying something towards this tax and you would add a very small burden to the businesses already paying income tax. This, I submit would be much more equitable and at the same time have the advantage of leaving the wage-earner entirely unaffected by any increase in taxes. I advocate the flat rate for this reason: Simplicity and therefore lower cost of administration so that the large business, a shipping company shall we say, pays exactly the same as the humble tradesman who occupies one small shop premises. That does not in effect make for injustice because your large business is already paying its Business Profits Tax or its Corporation Profits Tax, whereas the small trader is free of that. Sir, it has been suggested to me that small though that tax may be it is still large enough to be a burden upon certain number of businesses in this Colony. I find that very difficult to believe, but I do not for a moment suggest that no means should be provided for those businesses to make proper representation if, in fact, they are going to find this tax a burden. I suggest, Sir, the simple expedient of placing the onus upon the applicant for exemption from this registration fee upon him to prove to the satisfaction of some properly appointed person that he is not able to meet this tax, and I would be surprised to find very many persons or businesses having the temerity to attempt to discharge such a burden.

It is suggested also that apart from the fact that many may not be able to pay, there are already a number of businesses paying for some form or other of licence. I learned for the first time to-day (the lawyer's ignorance is only second to that of the judge) that banks in Hong Kong pay something like \$5,000 a year by way of a licence fee. Sir, ask all the banks in the Colony whether they would rather pay \$5,300 a year or pay an extra 50 per cent. on Corporation Profits Tax. I do not think the answer need be in doubt. The same applies to every other form of licence fee now charged for various businesses.

Ask myself: Would I, now paying \$50 a year, for the privilege of practising at the Bar of this Colony, prefer to pay \$300 a year or have my Business Profits Tax increased by 50 per cent? It seems to me, Sir, there should be no difficulty whatsoever in collecting this tax, and that there is no inequity in it. Why should not a small fee be paid for the privilege of doing business in Hong Kong?

Let us assume, however, that instead of the \$6½ million which I estimate can be raised in this way, the figure falls short of that by a million or so. Now, I feel certain it would be no particular difficulty for the Honourable Financial Secretary to find that million in other ways. I myself could suggest a dozen which would not affect the less better off people of the Colony.

Sir, against this proposed increase in income tax, I advance the following arguments: —

(1) The justifiable dissatisfaction at its inequitable incidence.

(2) Persons who pay Salaries Tax include a large number of Government servants, and from them we are already hearing grumblings as to the inadequacy of the high cost of living allowance. Further dissatisfaction will result with the imposition of this tax upon them, and another disadvantage arising from that particular point is that, difficult as it is now, I understand, for Government to recruit the proper type of officer for the Service, this added tax will be an even greater deterrent to persons contemplating joining it.

(3) There will be more evasion than there is now. If I remember rightly, stress was laid, when this form of taxation was first introduced, upon this: that because the standard rate was so low, the temptation to evade it would be small indeed. Add 50 per cent. to the standard rate and the temptation will not increase proportionately, but out of all proportion. Moreover, Sir, has experience borne out this belief that in fact there will be very little evasion of income tax? I have in mind newspaper reports of a Police raid conducted some months ago. The Police were reported to have swooped down upon the firms of a number of accountants and others and to have carried away from their offices books for examination. We have heard no more about that, but surely that was not merely an exercise on the part of the Police. It was something based upon evidence which they must have received from Inland Revenue Department.

In your speech, Sir, made a fortnight ago to-day, you expressed the opinion that the proposed increase of income tax would not damage the economic structure of this Colony. I agree. But, Sir, will this Colony's moral fibre stand the strain of an extra 50 per cent? I very much doubt it. Corruption there is in many Government Departments. I for one will not believe that it does not exist at all in the Inland Revenue

Department. It may be kept to very low proportions by reason of the present standard rate of taxation, but given an increase, you will find that corruption flourishing, as in the past it has flourished in other Government Departments.

As against those arguments; what are the advantages of compulsory registration? I suggest these as some of the principal ones: —

(1) Simplicity, and in so far as legislation is necessary for it, as a basis for our Ordinance we may take the Registration of Business Names Act, 1916.

(2) A more equitable distribution of the burden.

(3) Exclusion of the salaried man from further income tax.

(4) Direct assistance to the Inland Revenue Department even in connection with the present income tax because undoubtedly compulsory registration must bring to light cases at present successfully evading that Department, and this alone, I venture to say, would be more than enough to pay for the cost of the administration of this registration.

(5) Benefit to the business community because I envisage a registration, not only of the name of the firm, but of the names and aliases of all its partners and a register to be open to inspection by the public. Now, I well know that that may not commend itself, (I have heard this expressed before) to certain sections of the Chinese business community. Let me say in reply to that, that first, it is not an essential to what I advocate; it can be dispensed with, but its desirability is unquestioned, I submit, and safeguards can be provided against any undue prying into the secrets of any firm. Why the number of partners or who its partners are should be secret, I don't know. But safeguards can be provided in that anyone wishing to make a search of the register must first produce an application vouched for by two Justices of the Peace. I enumerate benefit to the business community as one of the advantages because present conditions are such that when a firm in Hong Kong is in difficulty that firm vanishes into thin air, its partners melt away and its creditors are left entirely helpless.

(6) The complete absence of any temptation to evade this tax of only 83 cents a day.

Sir, I am not convinced of the need for further taxation, but I am certain that if it must be raised, an increase of income tax is not the way in which it should be done. In recent weeks we have had an example of His Majesty's Government having to climb down from decisions it has made or policies which it has advocated. In the case of Seretse Khama we have had a softening of the original rule made against him; in the case of nationalization, we have heard very little since the General

Elections. It seems to have relegated into the background at least temporarily. Both those happenings, Sir, have been due to Government, His Majesty's Government, heeding public opinion. I suggest that it would not only be unbecoming but wrong of Government, on this occasion, to ignore public opinion in connection with this proposed taxation.

HON. M. M. WATSON: Your Excellency, my Honourable Friend, the Financial Secretary, has not only produced a record budget but has also given a record address in introducing the same. For this latter fact I am sure the members of this Council and the public are grateful for it gives us the feeling that the finances of this Colony are not being treated in such a light vein as is sometimes suggested.

From the opening remarks of the Honourable Member he seems to have been cut to the quick by the allegation, which he says he has heard, that for some ulterior motive, he deliberately under-estimates revenue and over-estimates expenditure.

However, he must remember that this is not the first time that he has found himself with a very pleasant surplus on his revenue estimate and the ordinary man is perhaps not so far seeing as my Honourable Friend. In connection with his righteous indignation I am reminded of a story of Mr. Gladstone which is attributed to Mr. Labouchere. Mr. Labouchere is reputed to have said, or as we should say to-day "wise-cracked", that he did not mind the old gentleman always having the ace of trumps up his sleeve, but he objected to the way he always maintained that God had put it there. I do not, however, object to my Honourable Friend having his windfalls, or so describing them, in these uncertain times. I am therefore content to his evaluation of them and agree that they should not be counted upon, more especially as this is the third time he has been lucky.

The outstanding item of expenditure is again the cost of Government. Last year great concern was expressed at the amount and the proportion they take of the Budget. It was announced, however, that the efficiency expert had arrived and my Honourable Friend said he was going to ask him whether the conduct of public business really requires a pay-roll of nearly \$74,000,000. I do not know what answer he received but it must have been something in the nature of another windfall, as this year it is up nearly a further \$7,000,000. I suggested last year that the expert would be probably more effective if he operated in London and did not come under the charm of our heads of departments, but these words of wisdom fell on stony ground. I observe that this year my Honourable Friend appears to have given up the struggle as he does not, so far as I can see, suggest that he proposes to pursue the subject any further. As I said last year, I do not think for one moment that the scale of salaries is too high, it is obviously

not, on the contrary it seems probable that many officers consider they are too lowly paid compared with the outside world. Such officers should remember, however, that the outside world can be subject to very cold draughts which, in the past at least, have not penetrated the great wall of security which surrounds the Civil Service.

The Financial Secretary has referred to the unrealistic situation you have when cost of living allowances amount to two thirds of the total for salaries and expatriation pay. With this I entirely agree as no fall, unfortunately, that we can reasonably contemplate could take up this slack. No doubt the effects on pensions will be taken into account as they are an ever mounting figure and represent a sum equivalent to ten per cent. of the total bill for salaries.

Whilst on the subject of pensions I am perturbed by what I hear regarding the effect of the rule that officers can retire at 45 and take their pensions. To retire at 45 in ordinary life on any pension at all is something beyond the dreams of avarice and I am sure could not be supported by any business or professional firm. For the same reason I cannot believe that it can be economically supported by the public service and I think one might go further and say that it cannot also fairly be supported by the public. I should very much like to see this question taken up by Government as they are the only source with the necessary information on the working of this, to my mind, unwise and, to the public, unfair regulation, I may appear to have been somewhat carping on the question of salaries and pensions but I do not mean to be so. As I have said I do not agree that salaries or pensions, I except pensions at 45, are too high individually but the question is one which very much exercises the public mind and I think the Honourable Member should continue his efforts to reduce the overall cost of Government. My Honourable Friend, after making his estimate of revenue and expenditure, arrives at a difference of \$7½ millions on the wrong side. In addition, he has to provide for two contingencies, the ferry piers and reclamation and the contribution to the cost of the Garrison. This difference he proposes to bridge by increased taxation.

The suggestion of an increase in taxation is one which hurts the taxpayer, and rightly so, as much perhaps as my Honourable Friend has been hurt by the suggestions the taxpayer has made against him. The point, therefore, arises whether such increased taxation is necessary.

To this question the Financial Secretary has given his reasons for such necessity and, if the taxpayer is satisfied, I have no doubt that he will cheerfully do his part.

I agree for the reasons given by the Financial Secretary that the budget should now be balanced. In particular, I agree that in the circumstances in which this Colony is placed it is all important that its finances should not only be sound but

appear to be so to the veriest tyro at accounts in the Colony or outside. This I feel would perhaps not be the case, and I put myself amongst the tyros at accounts in the Colony, if the budget was not balanced when it was passed. Balancing the budget particularly amongst those who have carefully to budget in their own homes, must appeal as the hallmark of solvency.

The necessity for building up adequate reserves also needs no commendation from me.

This brings me to the point of how the balancing should be attained.

My Honourable Friend does it by the simple expedient of increasing the standard rate of tax on what for convenience sake I will call income tax.

This point has, from the moment he suggested it up to present time, caused me much thought and indecision.

One of the factors that has caused the most trouble in my mind is the fairness and equitableness or otherwise of taking this step. It is stated on all sides, and it appears to be apparent, that this tax is about the most inequitable from the point of view of the members who evade it, not to my mind from the point of view of ability to pay, it would be possible to devise. The belated and scanty statement of the Commissioner will not alter the general opinion that the evasion is beyond what the ordinary taxpaying taxpayer considers fair and reasonable.

From this point of view Government's decision should not be accepted but most reluctantly I have come to the conclusion, that from a practical point of view at the present juncture, there is nothing else to do but to accept the decision. In reluctantly and regretfully arriving at this decision myself I understand from my Honourable Friend that I stand with him in the same galère. I must give my reasons for accepting this increase notwithstanding the assumptions I have made in regard to the collection of the tax. In the first place, as I repeat I agree the budget must be balanced. I cannot accept the idea that we should, to quote a famous Prime Minister, "Wait and see". My Honourable Friend, the Hon. Leo D'Almada, has suggested a business tax, that is to say on the registration of a business, as a means of raising money. I am in favour of such a registration of business tax as being most useful not only for raising money, but, from my experience in legal practice in this Colony, a most desirable innovation in favour of the honest firm. I doubt, however, the amount that will be raised would be sufficient and, in any case, I feel that the budget should be balanced at this debate and therefore this tax will not help. But the consideration which appears to me to override all other considerations regarding this tax is that it cannot be said that it will increase the cost of living. The cost of living is the burning subject to-day. There is no doubt that it is increasing and has done so for some time and, in my

view, it is imperative that nothing should be done which would further increase it or appear to do so. It seems to me that, leaving aside a registration of business tax it could not be said that this increase will put up the cost of living in the sense that any reasonable demands could be based thereon for increase of wages. I say this because it is my understanding that the people in any case affected by income tax are in a wage bracket which would not be materially affected by this increase. They would be much more affected by a tax which went to the fundamental basis of living such as rents or food. Neither do I think, and I gather my Honourable Friend agrees, that a tax on something which was not generally bought by the people would yield the required amount. It has been asked of me by one of my very level-headed professional brethren whether it would not be possible to increase the rate conditionally on it being necessary to do so as the year progressed. He put this point on account of the fact, which I gather to be an admitted fact, that the Revenue Department is months or even years in arrear in collecting the tax and that there must be a very great backlog in the Department which could be, and which we hope will be, partly caught up during the ensuing year. I do not know whether the proposition is a feasible one and I cannot say that I am altogether in favour of it as it leaves a feeling of uncertainty which it would perhaps be better to avoid. However, if the proposition were feasible and my Honourable Friend was prepared to adopt it, it would have the great merit of avoiding the possibility of, in the result, unnecessary taxation if against all laws of averages he should receive further windfalls. We also all know that once a tax is up, unlike the 10,000 men who marched up and then down the hill, it is up for good.

Whilst on the subject of the collection of this tax, I should mention that I have heard of many prominent and undoubtedly well-off gentlemen who despite their efforts to do their bit, have not yet been able to pay any tax in respect of their obligations under this Ordinance. Against this we have the fact that it appears that very many thousands of cases are investigated in which it is eventually decided no tax is payable. I have found it to be one of the unfortunate traits of some Government Departments in this Colony to be unable to see the wood for the trees and I suggest that it may be possible to make a somewhat more practical approach to the cases which come before them and thus lead to the saving of time for collection of tax in cases in which it is obviously payable.

Having expressed my views on the chief topic for consideration in this budget, namely the deficiency and how it is to be made up, I feel that I should say that from my own experience, I can confirm the truth, if he will permit me, of the statement of the Financial Secretary that he has with the heads of departments made every effort to keep down the cost of the administration of Government.

My Honourable Friend, Sir Man Kam Lo, has with the full concurrence of the Unofficial Members of this Council referred to the question of the financial arrangements, or lack of them, with the home Government. For many months, in fact years, the Unofficial Members of this Council have been pressing for some settlement or, an agreement for a basis of settlement, of the financial arrangements between the two Governments but so far as I am aware, the matter is still in the same state of uncertainty as it has been from the beginning. It is quite obvious that without some knowledge of one's future liabilities, proper and careful consideration cannot be given to the planning of the budget for any ensuing period. The importance of some arrangement in this regard has now become much accentuated by what can only be described as a most inequitable refusal or failure to arrange for the payment of the rent of requisitioned premises. You, Sir, have already heard sufficient on this point and I will not elaborate except to say that along with my Unofficial colleagues, the Financial Secretary at the proposed conference in London has our united support in any efforts he makes to persuade the home Government to come to some agreement in these matters.

I have as one of my principal reasons for supporting the increase of the Income Tax mentioned that in my view, this is the tax which will not or at the most, will be the least to affect the cost of living.

The cost of living, as we all know in this Colony, is to a very large extent based on the ability of both the labour and clerical sections to buy rice. At the present time the importation of rice into the Colony is a Government monopoly and furthermore the export of the same is prohibited. Under these circumstances we have a Government monopoly operating, a fact which is contrary to all principles of English mercantile practice. It is true that Government have on several occasions in the last few years intimated that the monopoly would cease so soon as this could, having regard to the interests and their duty to the population of the Colony, be done. However, apparently up to the present time Government have considered that the continuance of this monopoly is essential.

I venture to suggest however that the continuance of this monopoly at least in respect of the free market of rice is now not only unnecessary but against the interests of the purchasing public concerned. I agree that it is essential that the Government should maintain the rationing and I do not understand that this is disputed in any quarter or that any advantage would probably be achieved for the public if the monopoly in this respect was also surrendered. Incidentally I am informed, and I have no doubt it is true, that the public find that the rice they receive from the rationing depots is very often of an inferior quality and they do not believe it is the rice supplied by Government for the ration. I invite Government's attention to this point. It is, however, a fact that even the coolies find

it necessary to resort to the free market not only to supplement their rations, but to obtain a rice which they find necessary for the carrying on of their physically hard work. Most of this rice which is needed by the physical labourers consists of Siamese rice which is now and was before the war, the most popular rice, certainly in quantity, in Hong Kong.

I have made inquiries and I find that approximately 45% of the rice purchased in Hong Kong is bought on the free market, if you do not take into account the proposed increase of rationing, it will be more.

This figure shows the tremendous importance of the price in the free market to the public.

It is now possible for merchant firms to import rice from Siam, that is to say, import it from Siam in any quantity, so much so that recently I am informed the Siamese Consul General at a press interview stated that his Government were ready to export rice to other countries, including Hong Kong, and it was therefore up to the Governments of these countries to implement the means of this being done. Despite the many representations which have been made by those concerned with the trade, the importation of such rice except through the Government monopoly has not been permitted. I cannot myself see any reason why rice merchants should not be allowed to import as much rice at their own risk and expense as they wish to do to Hong Kong for sale on the free market. It is obvious, at least I think so, that the creation of a free market, which at present is served by limited Government issues from time to time, open to all importers would bring a competitive price for the rice. I am assured from unimpeachable quarters, from merchants who have been engaged in this business all their lives, that the free importation of such rice would inevitably lead to a fall in the price. Another point is that at the present time I understand that in all parts of China, on both sides of the line of war, there is an ever increasing demand for rice. The inevitable result of such a demand, unless it can be filled in a legitimate manner, must lead to smuggling. I understand that one of the reasons that Government has given for not releasing more rice for the free market is that it will be smuggled or may be smuggled out of the Colony. In my view the one and only way to stop smuggling and black marketeers is, where it is possible, to make the import and the export of any surplus a legitimate activity of the merchants, who will obviously be content with a much less profit than any smuggler.

As the cost of rice in the last three or four months has been steadily rising, the question of taking any steps that can be taken to reduce the cost, even if it is only in the free market, to which, however, all classes resort, is a matter of urgency. As I have mentioned at the beginning of my remarks on this question, I cannot understand why it should be necessary to retain the Government monopoly in respect of rice on the

free market. Doubtless the merchants are quite prepared, as they did before the war, to keep stocks on hand at all times sufficient to meet any requirements of defence that may be wanted. If any considerations of revenue arise in connection with this matter, I consider for the basic reasons which I have referred to in connection with the cost of living, that such consideration should be entirely put aside and if necessary, dealt with by other means. This matter seems to me undoubtedly to be one of fundamental importance. In these circumstances it would be not only of interest to the merchants concerned but to the public at large if a statement were made on the subject.

I should like to refer to a matter which I raised last year regarding the working of the Landlord and Tenant Ordinance and in reply to which the Hon. Attorney General stated that Government was by no means bigoted in its admiration of the existing legislation and that my suggestion would be carefully considered. I do not know whether the long silence since that time is to be taken that the suggestion has not been accepted but I will assume that the pressure of other business has not allowed of the necessary consideration for action to be taken. The suggestion in question was that although we may treat this Ordinance as one of a temporary character, it affects many, both landlords and tenants to an extent which merits continual consideration.

I then referred to the fact that under the English acts, although the right has been restricted, it was still possible for a landlord and tenant to make an agreement regarding premises within the protection of the Ordinance on the basis that they had become decontrolled. If it should be to the mutual advantage of the landlord and the tenant that an agreement be made which at present is prohibited by the Ordinance, an increase of rent, for example, in consideration of some security of tenure or other advantage, it seems to me that might be provided for. I do not suggest that any arrangement should extend beyond the actual landlord and tenant who were parties to that contract as that would probably bring endless complications, prevarications and collusion. It is notorious that arrangements are in fact made every day in defiance of the Ordinance on the basis that one man's word is as good as the others if it ever comes to a showdown.

Since the last budget my Honourable Friend, the Attorney General, if I may once more refer to him, has re-organized the departments in the Supreme Court and no doubt from an administrative point of view such re-organization is all to the good. May I, however, as one of those who come regularly in contact with these departments suggest that a little more attention to the important things of life would help to oil the wheels and save the time of all those whose duty brings them in contact with such departments. It is true that a genius is a person with an infinite capacity for taking pains but a Government department is not the place I suggest for the training of these exceptional beings.

No speech before this Council on general matters affecting the Colony would be complete without a reference to the question of the air port which at least on the face of it does not seem to have advanced from its embryonic state of a year ago. I trust that Government will do everything to forward this matter particularly as the present air port is continually requiring further money spent on it.

With these remarks, Sir, I beg to support the motion of my Honourable Friend.

HON. P. S. CASSIDY: —Sir, before I come to the Budget itself I want to say a word or two about the ominous reference, both of Your Excellency and my Honourable Friend opposite, to the undetermined liability regarding Hong Kong's share of the cost of reinforcements. As the representative of commercial interests, I wish to add my views to the protest which has already been made by previous speakers about the treatment meted out to those persons and public companies whose claims for compensation in respect of wartime requisitioning have been under consideration for three years or more, as well as to those property owners whose premises were requisitioned last summer and who are still waiting for payment of rent.

I will confine myself to one example of the later claims which are now becoming formidable. The Hong Kong Telephone Co.'s building in Kowloon was requisitioned last October and to this day not one cent of rent has been received, nor is it known how much will be paid. The building was financed by money borrowed from the Company's Bankers at a rate of 5% per annum. The regulations under which the building was requisitioned allow no more than 2% interest on overdue payments so the Company finds itself in the unenviable position of owing a large sum of money to its Bankers at what virtually amounts to compound interest pending the time when payment will be forthcoming with simple interest at 2%. This is a glaring case of injustice and there are, of course, many other cases, such as the North Point Wharves, although of lesser magnitude. But considerable hardship is being experienced in many quarters and to my mind it is utterly wrong that the Home Government should procrastinate in settling the claims. I understand that my Honourable Friend is going to London to take part in the negotiations. I hope he will convey to the Home authorities the strong feeling held here, a feeling which, as has already been mentioned, may result in a motion of censure. There can be no excuse for owners to go on month after month without recompense. Many of them find themselves in an embarrassing situation and I do beg my Honourable Friend to make every effort to obtain a speedy settlement. To what extent Hong Kong should share in the cost of its defence is another matter. We have been reminded by the Manchester Guardian that the reinforcements have not been sent out here so that the businessmen of the Colony can sleep peacefully in their beds. We appreciate that Hong Kong is, in

the jargon of to-day, a bastion of the non-communist front and while we have no wish to evade our share we should certainly not be expected to shoulder the full cost of maintaining that bastion.

One of the disadvantage of being so low down in the batting order is that one's bright ideas are aired by an earlier speaker. I had in mind the story of my Honourable Friend who just sat down in regard to Gladstone, because I regard the Honourable Financial Secretary as the very embodiment of the Gladstone tradition.

I have carefully studied his speech and I have tried to follow his arguments as to why it is necessary to increase taxation. I am sure that my Honourable Friend is actuated by the highest motives, but the fact remains that he seriously underestimated the revenue for 1949/50 and, as pointed out by the Senior Unofficial Member who is no longer with us in last year's debate, three years running, in his experience, this has been done. I am not convinced that he has grounds for doing it again. Suppose his estimate is approximately correct, surely a comparatively trifling \$7 millions on the wrong side does not justify resort to an increase in taxation. Admittedly our reserve is not yet equivalent to a full year's revenue but as less than four years have elapsed since we emerged from the slough of despond we are entitled to full credit for having created a reserve of any sort. We are not a bankrupt Colony. We have behind us a clean financial record and we possess assets which are not likely to be dissipated by a sudden change in our fortune. If during the course of the next twelve months the worst were to happen and we found ourselves overwhelmed by a depression then surely we should have to consider a revised budget with many of our present commitments brought to a standstill. There is considerable feeling being expressed outside this Chamber that the standard rate of tax under the Inland Revenue Ordinance should have been left alone. This feeling, unfortunately, has no means of expression except at the Reform Club or through letters to the press and very few of the Government's critics have the time or the inclination to use that means. Nevertheless the feeling is very strong and it is held by people whose opinions cannot be dismissed as irresponsible. The main reason for criticism is the conviction that the Inland Revenue taxes are not "equitably, economically and incorruptedly collected", in the words of the late Senior Unofficial Member and elaborated so much by previous speakers. When methods of accounting differ as widely as they do in this Colony, there should be no question of raising the standard rate. The original Ordinance was reluctantly accepted as a measure which was to meet an emergency. It was never intended as a tap to be opened wider as expenditure rose.

Getting back to the protest which this budget has provoked, what alternative is there to the suggested increase? We have had several suggestions put forward and of course I can quite understand my Honourable Friend preferring to resort

to direct taxation rather than take a lakh here and a lakh there. But the critics are so incensed at the idea of resorting to direct taxation that they are prepared to pay more for their drinks and their cigarettes and their petrol, and they would really be overjoyed if, as was suggested by one Honourable Member on this side, a really substantial tax were imposed on those inflated limousines which overlap our parking space and take up an inordinate amount of room in our streets.

I personally welcome the new tax on electric signs and must express surprise that the yield is not expected to exceed \$250,000. It seems to me that there must have been a serious miscalculation. Only this morning I have been informed that the neon sign attached to the offices of a well-known firm on the waterfront has been measured up and the tax calculated at \$11,400 per annum, a figure which, I understand, has been checked with the Urban Council. If this is the case then surely the revenue from this tax will amount to some millions, unless, of course, a large number of the signs are dismantled. I suggest further consideration of this item is called for. I have long been an advocate of taxing advertisements of all kinds. It should be a comparatively easy matter to collect such a tax and in view of the terrific increase in hoardings, painted wall signs and other means of getting at the public the yield of such a tax should be a useful addition to the revenue. Any argument that a tax on advertisements is an indirect tax on the goods advertised can be demolished with ease. It would, of course mean a reduction in the effective amount of a concern's allocation for publicity purposes but judging by the way rents of hoardings, agents fees and other trimmings have increased of recent years, I think a reasonable tax could easily be absorbed.

I have not the heart to criticise my Honourable Friend's estimate of expenditure for I sympathize too much with Heads of Departments who have suffered from his blue pencil. There is nothing which strikes me as being particularly extravagant, except perhaps the bridge at Au Tau, and I realize full well that a lot of desirable items have had to be dropped.

There is one heading which I should have liked to have seen more favourably treated and that is the Public Relations Office. I had something to say about that last year and in fact I was taken to task, although in a kindly manner, by the then Colonial Secretary for having described it as the Cinderella of Government. I was told of a circular addressed to Heads of Departments but I am afraid there has been an inadequate response to it. An honourable exception should be made in the case of the Education Department. An example of their publicity appeared in the newspapers a week or so ago. It was a question of the Department's Estimates which had been misinterpreted by a correspondent in the English press as well as by one of the Chinese newspapers. Many people have not the faintest idea that the expenditure of a Government Department on high cost of living allowances is to be found under Miscellaneous and that Grant-in-Aid to Schools appear under

Subventions. It is on points like these that so much could be done to inform public opinion and I suggest that my Honourable Friend the Director of Public Works might make greater use of the Public Relations Officer in telling the public about some of the big jobs he is undertaking. The annual report of the P.R.O. told a sorry tale of lack of staff, inadequate accommodation and limited resources. At a time like this the spoken and written word is of vital importance in the cold war which is plaguing the world and especially this part of it. Propaganda is a matter which requires skilful handling and now that we have a P.R.O. of proved ability we should see that he receives all the support he needs, more particularly when we realize its place in the Colony.

That leads me to my conclusion, and I should like to suggest a change in procedure to relieve the congestion of speech making at budget time. It would, I feel, be in the interests of all members of this honourable Council as well as of the public if departmental estimates were split into groups and introduced at different sittings. We might then have more time to reflect and discuss and official spokesmen would, I imagine, welcome the change.

HON. C. E. M. TERRY: —Your Excellency, I first of all express my entire agreement with the view expressed by the Hon. Sir Man-Kam Lo in regard to denial claims and the question of requisitioning. Turning to the major point before this Council it is obvious that the security we enjoy must be paid for, and paid for in two ways; firstly by denying ourselves those improvements in our civic amenities so long overdue, and secondly in a contribution towards the cost of security measures. I fail to see, however, any justification for the assumption that a comparative few must bear the brunt of the provision of security for the many, and I therefore associate myself with my honourable friends in opposing the suggested increase in the standard rate of direct taxation. The argument has been advanced by supporters of the suggestion that we are still lightly taxed as compared with people elsewhere, particularly in the United Kingdom. I cannot see the logic of that argument; surely the comparison must be between the public and social services which the respective taxpayers receive for their money, and the relative incidence of taxation on the respective populations.

If in fact the deficit envisaged by the Honourable Financial Secretary in his very able and comprehensive Budget Survey must be legislated for, I submit that there are far more equitable ways of bridging the gap than of placing an additional burden on a number of salary earners and on certain only of the business enterprises of the Colony. I support very strongly the suggestion advanced by my honourable friend Mr. D'Almada of a business registration tax; as he has already adequately dealt with the arguments in its favour it is unnecessary for me to elaborate on them. As a further alternative, however, I suggest that it is not in fact necessary to increase taxation at all

to provide for this possible deficit, the amount of which, in comparison with the total revenues of the Colony, is small. There is already a very large sum standing to the credit of the Supplies and Distribution Department, which contrary to usual practice has not been brought into the general revenues of the Colony. This sum derives from contributions to the trading activities of that Department by the merchant community of Hong Kong, and I suggest, Sir, that it should form a useful cushion in the circumstances envisaged by the Estimates now before us. The advantage of this suggestion I think is that it obviates the necessity for any increased taxation on the basis of a hypothetical deficit which may not materialize. If in fact such a deficit does arise then the money is already there to make it good. Whether this is orthodox finance I admit quite frankly that I do not know, but it does appear to me to be common sense that the Colony's money should be applied to the Colony's needs.

In your opening address, Sir, you referred to the cost of living in the Colony, and the Honourable Financial Secretary has also referred to the anomaly of the fact that cost of living allowances should greatly exceed basic salaries. In the course of the recent elections at Home, a distinguished Member of the Opposition is quoted as saying—"High cost of living is largely due to high cost of Government", and in the opinion of the public of this Colony, the total expenditure on personal emoluments has always been disproportionate when compared with expenditure on public services. To-day a very large proportion of the sum spent on personal emoluments is represented by High Cost of Living Allowances, and the overall cost must be still further increased if the consolidation envisaged is carried out. That applies not only to Government but to the Colony in general and I trust that any proposals with regard to consolidation will be the subject of discussion between Government and commercial interests before being put into effect. The policy however of meeting increases in the cost of living merely by increased monetary allowances can only be considered a palliative, and actually can only result in an inflationary spiral to the detriment of everybody. What is needed is a determined attack on the cost of living itself; in my opinion price levels prevailing in the Colony are unrealistic and inflated, and dependent not on true economic factors but largely on exploitation of the many by the few. It is significant that every event outside our borders or for that matter inside them, is seized on as an excuse for an increase in prices; I need only quote as one instance the fact that immediately the devaluation of the Pound Sterling was announced shopkeepers all over the Colony increased their prices with no economic justification whatsoever. The fluctuations in the prices of free-market rice, of vegetables and of fish all reflect this tendency, and I repeat that determined action by Government to check these practices is long overdue.

One of the answers to this problem, Sir, is increased local production of vegetables. Many years before the War, efforts with which I was personally associated were made to secure this result, but the power of the distributing Laans, the apathy of Government and the inertia of the farmers themselves made them unsuccessful. It is a matter for congratulation that the efforts of Government since the re-occupation of the Colony to improve this position have had some success, despite opposition from the parties interested in exploiting the status quo. Much remains to be done however to ensure adequate provision of vegetables and of fish to the consumer at reasonable prices. I have been pleased to note from my own visits to the wholesale vegetable marketing organization that the production of local grown vegetables has steadily increased, and that the farmers themselves are beginning to realize more and more the value of co-operative effort and of cutting out the middle-man exploiter. I am confident that production to the extent that we no longer rely on imported vegetables can be ultimately achieved, but a very real threat, not only to improved production but even to the maintenance of the level now reached, has recently developed in the form of the exorbitant rent demands now made on farmers in the New Territories.

Articles on this subject have recently appeared in the Press, which I think fairly represent the position. I have spoken to some of these men myself and I see no reason to doubt their statements. It is significant that in many cases the demands are not for increased monetary rents, but are couched in terms of rice; this very fact will tend to negative the efforts made for so many years to encourage vegetable production, to make the Colony self-supporting in this direction and to reduce the cost to the ultimate consumer. I suggest very strongly, Sir, that Government must act swiftly and effectively to combat this further example of the exploitation for gain not only of the primary producer but in fact of the Colony's population in general.

Turning to another subject, Sir, I am pleased to note that it is Government's intention to proceed with a detailed survey for the purpose of implementing the Abercrombie Report on Town Planning, but this Survey will be valueless unless steps are taken to prevent interim development contrary to the basic principles of that Report, which have presumably been accepted by Government. We are already suffering from the fact that development practically anyhow, anywhere, to no set plan has been permitted for years; as has been pointed out the remedy of this state of affairs is going to be a costly business. There is no reason why similar haphazard development should be perpetuated, but I understand that as the law stands at present it cannot be prevented. I strongly urge, therefore, in the interests of the Colony in general, that Government should, without delay, enact the necessary legislation to enable it to zone for specific purposes and to limit density, together with such other powers as may be necessary to prevent speculative

operators proceeding with development which will hinder full implementation of an adequate and proper Town Planning Scheme for the Colony.

Reverting in conclusion to the Estimates, Sir, it is axiomatic that we must cut our coat according to our cloth; I do not therefore press for the inclusion of a waistcoat in our Public Services suit. Even the most austere of austerity suits however includes a pair of trousers; in my opinion, the extent to which we have had to prune our public service votes, as a result of the present situation, results in the provision merely of a very inadequate pair of shorts, but we are prepared to go forth clad in these for the time being so long as we are not mulct in additional taxation to provide protection from the elements to those who themselves contribute nothing, even towards the thread that holds the suit together.

THE FINANCIAL SECRETARY: —Your Excellency, it will, I think, meet the convenience of both Unofficial and Official members if the Debate is now adjourned. Many important points have been raised and some of them will require time for their proper consideration.

It would also be convenient if the Appropriation Bill and the Draft Estimates of Revenue and Expenditure for 1950/51 could now be referred to a Select Committee to consider in detail any final adjustments which it has become necessary to make since the printed estimates were framed. The Select Committee will consist of the Colonial Secretary as Chairman, while the members would be the Financial Secretary and all the Unofficial Members.

I therefore move formal reference to such a Select Committee.

THE COLONIAL SECRETARY: —I second the Motion that the Bill before Council be referred to a Select Committee.

ADJOURNMENT.

H.E. THE GOVERNOR: —This seems a convenient point at which to adjourn. I suggest we adjourn to this day week. Council will adjourn to this day week.
