

24th May, 1950.

PRESENT: —

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

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. A. P. WEIR (Acting Director of Public Works).

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

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

DR. HON. CHAU SIK NIN.

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

HON. M. M. WATSON.

HON. P. S. CASSIDY.

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

ABSENT: —

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING IN CHIEF (MAJOR-GENERAL G. C. EVANS, C.B., C.B.E., D.S.O., *Acting*).

HON. C. E. M. TERRY.

**MINUTES.**

The Minutes of the meeting of the Council held on 3rd May, 1950, were confirmed.

**PAPERS.**

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

- The Emergency Regulations (Commencement) (No. 1) Order, 1950. (G.N. No. A. 85 of 1950).
- The Public Health (Sanitary Provisions) Regulations, 1948, — Declaration under Regulation 2(10) (a). (G.N. No. A. 86 of 1950).
- The Quarantine and Prevention of Disease Ord., 1936, — Order declaring Bassein infected on account of cholera. (G.N. No. A. 87 of 1950).
- The Quarantine and Prevention of Disease Ord., 1936, — Order declaring Rangoon infected on account of plague. (G.N. No. A. 88 of 1950).
- The Prohibited Exports Order, 1946, — New Schedule. (G.N. No. A. 89 of 1950).
- The Price Control Order, 1946, — Amendments to the Schedule. (G.N. No. A. 90 of 1950).
- The Aircraft (Detention, Maintenance and Protection) Directions, 1950. (G.N. No. A. 92 of 1950).
- The Landlord and Tenant Ord., 1947, — Notification under S. 32 (1). (G.N. No. A. 93 of 1950).
- The Pharmacy and Poisons Ord., 1937, — Amendment to the Poisons Regulations. (G.N. No. A. 94 of 1950).
- The Air Armament Practice (Amendment) Order, 1950. (G.N. No. A. 95 of 1950).
- The Midwives Ord., 1910, — Amendment to the regulations. (G.N. No. A. 96 of 1950).
- The Ferries Ord., 1917, — Excluded Ferry. (G.N. No. A. 97 of 1950).
- The Price Control Order, 1946, — Amendments to the Schedule. (G.N. No. A. 98 of 1950).
- The Diplomatic Privileges Ord., 1948, to apply to the ILO. (G.N. No. A. 100 of 1950).
- The Diplomatic Privileges Ord., 1948, to apply to the ICAO. (G.N. No. A. 102 of 1950).
- The Diplomatic Privileges Ord., 1948, to apply to the WHO. (G.N. No. A. 104 of 1950).
- The Diplomatic Privileges Ord., 1948, to apply to the FAO. (G.N. No. A. 106 of 1950).

The Diplomatic Privileges Ord., 1948, to apply to the UNESCO. (G.N. No. A. 108 of 1950).

The Diplomatic Privileges Ord., 1948, to apply to the IRO. (G.N. No. A. 110 of 1950).

Annual Report of the Land Officer and Registrar of Marriages for the year 1948-49.

Annual Report of the District Commissioner, New Territories for the year 1948-49.

## MOTIONS.

### TELEPHONE ORDINANCE, 1925.

THE FINANCIAL SECRETARY moved the following resolution: —

WHEREAS by subsection (1) of section 6 of the Telephone Ordinance, 1925, the capital of the Hong Kong Telephone Company Ltd., shall be \$7,500,000 divided into 750,000 shares of \$10 each, and the said Company shall not except with the previous consent of the Legislative Council, make any further issue of shares or otherwise save as in the said Ordinance provided in any manner whatever increase the moneys employed in the said Company's undertaking beyond the sum of \$7,500,000.

AND WHEREAS the said Company has requested such consent and the granting of such consent is considered desirable.

IT IS RESOLVED that consent be given for the said Company to increase its capital beyond the sum of \$7,500,000 by an increase of \$11,500,000 divided into 1,150,000 shares of \$10 each; but that such increase shall be effected as follows: —

(a) during the year 1950 the increase shall not exceed \$7,500,000;

(b) thereafter the balance of the said \$11,500,000 shall not be issued without the prior approval of the Governor in Council.

He said: Your Excellency, as Honourable Members are aware, there has been a considerable unsatisfied demand for telephones since the reoccupation of the Colony, and the Hong Kong Telephone Company, within the limitations imposed by delays in the delivery of equipment, has been giving effect to a programme of progressive increases and improvements in the telephone service. The Company has also acquired the building now known as Telephone House in which their main exchange and offices are located, and has erected a building in the eastern district in which a subsidiary exchange and workshops will be located. As a result, the Company has exhausted its cash resources and has needed considerable temporary assistance from its Bankers. This of course is not a satisfactory permanent way of financing capital expenditure, and the Company has

accordingly sought the consent of this Council, as required under the terms of section 6 of the Telephone Ordinance, 1925, to increase the capital of the Company.

The opportunity is being taken to increase the capital of the Company by such a sum as will enable it to proceed with a number of important projects designed to provide for a considerable increase in the number of telephones installed; and the Company has agreed that if this increase in capital is granted by this Council, the Company for its part will accept an amendment to Section 32 of the Ordinance to commit the Company to complete the projects which they have in mind not later than December 31st, 1953, provided the equipment required can be obtained in sufficient time to make this possible. The Company has agreed that not more than \$7½ million of the new capital will be raised in 1950, and further consultations with Government will take place in the light of the stage which the development projects have reached before the remainder of the new capital is issued.

From the very full information which the Company has provided, Government is satisfied that it is reasonable that it should be given permission to increase its capital by the sum stated in the Resolution, on the assumption that the Company will fulfil the programme of development which it has planned.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

### **SAMARITAN FUND.**

THE DIRECTOR OF MEDICAL SERVICES moved the following resolution: —

WHEREAS it is necessary to confirm and approve the establishment and operation of a Fund designated as the Samaritan Fund applicable for the relief of needy patients attending hospitals and institutions conducted or controlled by the Government of the Colony;

AND WHEREAS conditions governing the maintenance and application of such Fund have been determined and are specified in the Schedule hereto;

NOW THEREFORE be it Resolved by this Council that the establishment and operation of the Samaritan Fund in accordance with the conditions aforesaid be and is hereby confirmed and approved.

### **SCHEDULE.**

#### **Conditions.**

The Funds shall be administered by the Principal Almoner, Medical Department.

2. The Fund shall be used at the discretion of the Principal Almoner to provide gifts or monetary grants for the benefit of needy patients.

3. The Fund shall consist of donations and gifts received from various sources from time to time. All monies accruing to the Fund will be paid into the Treasury or the Treasury bank account for the credit of "Deposits—Medical Department, Samaritan Fund."

4. Funds shall be withdrawn from the account by submission to the Treasury of payment vouchers. The vouchers shall be signed by the Principal Almoner and countersigned by the Director of Medical Services or his authorized deputy.

5. The Principal Almoner shall keep suitable accounts to record transactions of the Fund. The accounts will be open to inspection and report by an auditor appointed by the Governor.

6. A statement showing the financial position of the Fund as at the 31st March each year shall be prepared by the Principal Almoner and, after examination by the Auditor of the Fund, shall be laid before Legislative Council.

He said: Sir, in 1939 when an Almoner was first appointed to the Queen Mary Hospital certain grateful patients and others gave her small sums of money for the use of the more needy patients. That fund she called the Samaritan Fund and it proved to be a great help to her in her work.

After the war, with the development of the Almoner's Department and the placing of almoners in institutions other than the Queen Mary Hospital, there has been an increase in the Almoner's work and at the same time an increase in the demands on this Fund and, fortunately, an increase in the donations to the fund, and it is now considered that the fund should be put on an official footing.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

### **OCCUPATIONAL THERAPY FUND.**

THE DIRECTOR OF MEDICAL SERVICES moved the following resolution: —

WHEREAS it is necessary to confirm and approve the establishment and operation of a Fund designated the Occupational Therapy Fund applicable for the development of occupational therapy and for the benefit of patients engaged therein in hospitals and institutions conducted or controlled by the Government of the Colony;

AND WHEREAS conditions governing the objectives maintenance and application of such Fund have been determined and are specified in the Schedule hereto;

NOW THEREFORE be it resolved by this Council that the establishment and operation of the Occupational Therapy Fund, in accordance with the conditions aforesaid, be and is hereby confirmed and approved.

### **SCHEDULE.**

#### **Conditions.**

The Fund shall be administered by a committee consisting of the Principal Almoner, a staff member of one of the Hospitals and the Secretary, Medical Department.

2. The Fund shall be used, at the discretion of the Committee, for any or all of the following purposes: —

- (a) to buy the necessary tools, equipment and material for the use of patients engaged in occupational therapy,
- (b) to incur all necessary expenditure for the development and expansion of the occupational therapy scheme.

3. The Fund shall consist of donations and the proceeds of the sale of finished articles made by the patients. All monies accruing to the Fund shall be paid by the Committee into the Treasury for the credit of "Deposits—Medical Department, Occupational Therapy Fund".

4. The Committee shall determine the prices at which finished articles will be put up for sale. The Committee shall also have authority to direct the disposal of materials rendered useless by mishandling by patients or of articles not fit for sale.

5. Funds shall be withdrawn from the account by submission to the Treasury of payment vouchers. Vouchers shall be signed by the Director of Medical Services or his authorized deputy.

6. The Director of Medical Services shall keep suitable accounts to record the transactions of the Fund. The accounts shall be open to inspection and report by an auditor appointed by the Governor.

7. A statement showing the financial position of the Fund as at the 31st of March each year shall be prepared by the Director of Medical Services and, after examination by the Auditor of the Fund, shall be laid before Legislative Council.

He said: Sir, Honourable Members will be aware of the importance that is now attached to mental health and of its influence on bodily health. It was because of this importance that

in the 1949/50 Budget and again this year a sum of money was allocated for Occupational Therapy in the Mental Hospital. It is now proposed to extend occupational therapy to other hospitals, in particular to Laichikok, where there are 200 beds for tuberculosis cases, and to the Queen Mary Hospital and, possibly, later to other hospitals.

One form of occupational therapy consists in making various articles which can be sold and it is hoped that the proceeds of the sale of these articles and occasional donations will enable the Fund to provide for more materials and instructors for this form of therapy, and as I say, possibly at a later date extend it to other hospitals.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

### **NURSES REWARDS AND FINES FUND.**

THE DIRECTOR OF MEDICAL SERVICES moved the following resolution: —

WHEREAS it is necessary to confirm and approve the establishment and operation of a Fund designated the Nurses Rewards and Fines Fund applicable for the benefit of nurses and dressers employed in the service of the Government of the Colony;

AND WHEREAS conditions governing the objectives, maintenance and application of such Fund have been determined and are specified in the Schedule hereto;

NOW THEREFORE be it Resolved by this Council that the establishment and operation of the Nurses Rewards and Fines Fund, in accordance with the Conditions aforesaid, be and is hereby confirmed and approved.

### **SCHEDULE.**

#### **Conditions.**

The Fund will be administered jointly by the Director of Medical Services and the Principal Matron, Medical Department, and shall be used, at their discretion, for any or all of the following purposes: —

- (a) to buy prizes for Government nurses and dressers who gain credit or honours in their examinations, subject to a limit of \$50 in any one case;
- (b) to defray expenses incurred when there is a distribution of certificates to Government nurses and dressers;

(c) to purchase books for the Government nurses' library and to provide recreational or other facilities for the general welfare of Government nurses and dressers.

2. The Funds will comprise the amounts of deposits forfeited under the terms of their agreements by probationer nurses who fail to complete the first two years of their probationary period. Such forfeited deposits shall be paid by the Medical Department into the Treasury or the Treasury bank account for the credit of "Deposits—Medical Department, Nurses Rewards and Fines Fund".

3. Funds will be withdrawn from the account by submission to the Treasury of payment vouchers. The vouchers shall be signed by the Director of Medical Services and the Principal Matron.

4. The Director of Medical Services shall keep suitable accounts to record the transactions of the Fund. The accounts shall be balanced monthly and a statement showing this balance shall be forwarded to the Treasury for checking with Accountant-General's record. The accounts shall be subject to periodical audit by an Auditor appointed by the Governor.

5. A statement showing the financial position of the fund at the 31st March each year shall be prepared by the Director of Medical Services and, after examination by the Auditor of the Fund, shall be laid before Legislative Council.

He said: Sir, the Objects of this Fund are set out in the Schedule and I do not think I need add anything further.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

### **PENSIONS ORDINANCE, 1949.**

THE ATTORNEY GENERAL moved the following resolution: —

Resolved that a pension be hereby awarded to WONG YAU MING under the Pensions Ordinance, 1932 (now repealed) in respect of his service in this Colony terminating on the 28th February, 1942, and that the payment of a gratuity and reduced pension in lieu of such pension, computed according to the provisions of regulation 14 of Regulations 'B' made under the aforesaid Ordinance as though the said Wong Yau Ming had exercised the option to be paid a gratuity and reduced pension in accordance with the provisions of the said regulation 14, be authorized.



He said: Sir, the facts which have given rise to the necessity for proposing this resolution are rather complicated. However, I will endeavour to make those facts as clear as I can in explaining the resolution which I now move.

Sir, the facts are that a Mr. Wong Yau Ming, after 36 years of pensionable service, was given permission to retire as long ago as the 29th November, 1941. His retirement was effective, or to be effective, on the 28th February, 1942.

At that time, under the law then applicable, Mr. Wong was not entitled to a reduced pension and gratuity unless he had exercised his option before the middle of 1933. No such option could be traced and no pension was in fact formally awarded owing to the happenings at the date I have mentioned, that is, 1941-42.

After the war, Mr. Wong resumed duty in the status of a non-pensionable officer and his services as a Class I clerk in the Public Works Department were so valuable that his further retirement was deferred until he was no longer physically able to continue working. He then applied to retire and was permitted to do so but in fact, unfortunately, he died before the expiry of the leave which he was then enjoying.

Pension Regulation B, regulation 14, made under the Pensions Ordinance of 1932 now repealed, were amended with effect from 1st September, 1945 to permit the exercise of the option to accept a gratuity and reduced pension after retirement and also to permit the Governor in Council to award a gratuity and a reduced pension if the officer died prior to the award of pension. This amendment does not apply to the case we are considering because the retirement which has to be regarded was that which took place in 1942.

In consequence of the fact that this officer was re-employed after a break of service in effect with non-pensionable status, he received no death gratuity and monies which have actually been paid to him, or to his estate, are as follows: during the period of re-employment salary appropriate to his post, taking into account the reduced pension to which he would have been entitled if a reduced pension and gratuity had been awarded on the 1942 retirement; and next, he has, or his estate has, received the gratuity to which he would have been entitled on his 1942 retirement had he in fact opted for a reduced pension and gratuity; and next the reduced pension from the date of retirement in 1942 until his death to which he would have been entitled if he had in fact opted.

Now, as I think I have made clear, there has been no formal award of either gratuity or pension in this case. In fact, the Pensions law as in 1942, coupled with the fact that there was no exercise of option, does not really permit of the

payment of gratuity and reduced pension in fulfilment of any rights acquired under the 1932 Pensions Ordinance unless such award had been made by the Governor in Council.

Now, the purpose of this resolution is to invite this Council, notwithstanding the objections and factors which I have indicated, to validate the payment of gratuity and reduced pension which, in fact, has already been made to the estate in the very special circumstances of this case.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

### PUBLIC OFFICERS (CHANGES OF STYLE)

#### ORDAINANCE, 1937.

THE ATTORNEY GENERAL moved the following resolution: —

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

<i>Old Style of Officer, Office or Department.</i>	<i>New Style of Officer, Office or Department.</i>
Director of Medical Services.	Director of Medical and Health Services.
Deputy Director of Medical Services (Administrative).	Deputy Director of Medical and Health Services.

He said: Sir, at the present time there are three Deputy Directors within the Medical Department. One Deputy Director is, in the main, concerned with hospital services; another Deputy Director, styled the Deputy Director of Health Services, is almost exclusively concerned with the work of the Urban Council of which, *ex officio*, he is vice Chairman: and another, or third, Deputy Director is at the present time styled the Deputy Director of Medical Services (Administrative), and this last named Deputy Director is concerned in his duties with all aspects of the work of the Department, both medical and health, acting of course immediately under the Director.

Now, Sir, it is desired to alter the title of this last named Deputy Director and to make his title correspond to the actual duties which he is performing, *i.e.*, in relation to his concern both with medical and health aspects in the work of the Department.

Now, Sir, as Honourable Members are aware, section 3 of the Public Officers (Changes of Style) Ordinance, 1937 permits of changes of style in the titles of offices to be changed upon resolution of this Council. Thus it is that this resolution is before Council today which, it will be seen, provides for a change of title from Deputy Director of Medical Services (Administrative) to Deputy Director of Medical and Health Services.

Consequentially, of course, the title of my Honourable Friend, the Director of Medical Services, must undergo change and this change is also provided for in the resolution, so that the Director shall henceforth be styled, if this resolution be passed, Director of Medical and Health Services.

THE COLONIAL SECRETARY seconded, and the Motion was carried.

### **FINANCIAL SETTLEMENT.**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that this Council accepts: —

- (a) the settlement recently reached in London between His Majesty's Government and the Government of Hong Kong which resulted
  - (i) in a general balancing of a number of claims arising out of the late war which were still outstanding on the 31st March, 1950,
  - (ii) in agreement that the balance due to the Government of Hong Kong under this arrangement should be regarded as the Hong Kong contribution towards the cost of reinforcing the garrison up to the 31st March, 1950 and a final settlement by the Hong Kong Government in respect of certain stores supplied by His Majesty's Government after the reestablishment of Civil Government on the 1st May, 1946.
- (b) the proposal that the Hong Kong Government should pay to His Majesty's Government in respect of the financial year 1950/51 a contribution towards the cost of reinforcing the garrison amounting to £ 1 million in addition to bearing the cost of certain works already provided for in the current estimates.

He said: Your Excellency, as I explained in the course of my Budget speech, one of the liabilities, then indeterminate, which it was necessary to take into account, was the contribution which this Government had been asked to make towards

the cost of reinforcing the garrison. I mentioned that this payment, which was quite distinct from any ordinary defence contribution and which related solely to the present need for strengthening the garrison above its normal level, had been the subject of negotiation for some little time. The stand point taken up by this Government had been that in considering the amount of any such contribution it was essential to take into account the claims of various sorts arising out of the late war which still remained unsettled and which in the aggregate reached a very formidable total. It was felt that the negotiations could not satisfactorily be pursued by correspondence and arrangements were therefore made for a discussion in London at which I was to put forward the Hong Kong point of view.

In these circumstances, I flew to London on the 21st April arriving there on the late afternoon of the 23rd April. After a series of preliminary discussions on the 24th and 25th April, the first full meeting of the Conference took place on the morning of the 26th April. On this occasion I was fortunate enough to have the support of Mr. J. F. Nicoll, the Colonial Secretary who sacrificed part of his leave to attend most of the subsequent meetings. Mr. Sorby assisted me throughout the discussions and his detailed knowledge of the various outstanding claims, on which he had been working at this end prior to his departure on leave, proved of the greatest value.

The procedure adopted at the first full meeting of the conference was to undertake a detailed examination of all the outstanding claims. We felt that this was not the best approach as it was clear that many claims could only be settled on a compromise basis for the full facts could not always be established. Moreover, His Majesty's Government would obviously be reluctant to offer any concession until they were given some idea of the figure which the Hong Kong Government had in mind for its contribution towards the cost of reinforcements. Equally, we were not in a position to commit ourselves on this point until we knew exactly which claims we were expected to meet. Incidentally, it had transpired in the course of the discussions that some of these claims were larger than had appeared from the information available at the Hong Kong end. For example, the Foreign Office were able to show that the actual rate of exchange at which funds had been remitted to Macao was less favourable than the rate at which their claim against us had been calculated, with the result that the balance still due by this Government was greater than was originally believed.

In view of this rather unsatisfactory position we suggested to the Treasury delegation before the afternoon meeting that in our view the preferable course would be to aim at an overall settlement. They agreed to consider this proposal and the next

morning it was decided that we should aim at a settlement in respect of the financial year 1949/50, so framed that no money would actually pass.

Proposals on this basis were subsequently put forward, but they excluded the Macao claims which would have meant that this Government would have had to pay separately some £ 300,000 to the Foreign Office. This was not satisfactory from our point of view. We therefore put forward a counter proposal which provided for the inclusion of the Macao claims in the general settlement and that we should receive credits in respect of certain claims which we did not consider were a fair charge against this Government and also in respect of the recoverable portion of the unspent balance of money paid to the International Red Cross from the advances originally made to Hong Kong by His Majesty's Government.

When our counter-proposals were submitted to the Conference it was explained that difficulties were foreseen about including the Macao claims, but it was subsequently agreed that a procedure could be worked out whereby these difficulties could be overcome. There was, however, a further obstacle to the satisfactory conclusion of a settlement on the lines envisaged and this concerned the value of stores shipped to Hong Kong by the War Office which were retained by Government Departments after the close of the British Military Administration. One of the conditions under which His Majesty's Government waived the recovery of the cost of the Military Administration was that the value of such stores would be recoverable from Hong Kong funds. The value of the stores actually shipped to Hong Kong by the War Office was known and the value of the stores sold by this Government on behalf of the War Office was also known. The gap between two figures was, however, much greater than could be accounted for by the stores bequeathed to the Civil Government by the British Military Administration (for which no charge was due), and the value of the stores subsequently retained by the Civil Government in respect of which payment was due. Certain types of stores such as harbour craft and a number of motor vehicles were dealt with separately in the settlement and a compromise was finally reached on the value of the stores which arrive after the military administration had handed over to the Civil Government and which were retained by the latter.

The settlement finally reached really boiled down to a general setting off of claims outstanding from the late war. This resulted in a sum of £ 998,000 remaining due to Hong Kong and, as the basic principle was that no money should pass, this sum was regarded as covering our contribution towards the cost of reinforcements up to the 31st March, 1950, and as a final settlement in respect of the stores supplied by His Majesty's Government after the re-establishment of Civil Government on the 1st May, 1946.

Summed up in a few words the effect of the settlement in respect of the financial year 1949/50 is to wipe out, with one or two minor exceptions, all sums owed by this Government in respect of claims connected with the last war. These claims, had they been pressed, would have involved this Government in a payment of at least £ 600,000. In addition, a substantial payment would have been necessary in respect of the stores to which I have already alluded, which arrive after the close of the Military Administration and were taken over by the Civil Government. Moreover, a heavy payment would have been due in respect of the cost of reinforcements for the financial year 1949/50, for the cost to His Majesty's Government of these additional troops, over and above what they would have cost if they had remained on their original stations, was between £ 4 and £ 5 million.

As a result of the conclusion of this overall settlement these payments will not now be necessary. Instead this Government will be able to transfer to revenue the profits made on the sale of War Office stores, together with certain sums which have been held in suspense pending a decision on the incidence of many of these war claims. These will amount to quite an appreciable total, which will go some way towards meeting the payments to third parties for which this Government, under the terms of the settlement, will assume liability, namely in respect of those claims for compensation for ships requisitioned under the Hong Kong Defence plan of a type which His Majesty's Government would accept were they against itself, and claims by firms in respect of goods supplied through the Hong Kong War Supplies Board in 1941 to the Governments of India and Burma, in cases where it can be definitely established that such goods were actually shipped or delivered into godowns for shipment.

I am afraid that His Majesty's Government were not prepared to agree to any credit in the settlement being given in respect of the other types of War Supply Board claims, namely those in respect of goods which were in the process of manufacture when the Japanese attack was launched and those in respect of sums advanced by some of the larger firms to subcontractors. There are obvious objections to making, in the case of a particular category of claimants, *ex gratia* payments, where no legal liability exists, for what in effect was war damage. Such action could not fail to have extremely awkward repercussions.

As regards the financial year 1950/51 His Majesty's Government pressed for a contribution towards the cost of reinforcements of £ 1½ million over and above what we are already spending on local forces and internal security generally. I had at an earlier stage handed to the Treasury delegation a memorandum which I had prepared on the financial position of Hong Kong, in which I had stressed particularly that a large proportion of our surplus balances was committed against loan

advances and also that heavy expenditure would be necessary to finance such development work as a new airport and improvements to our water supply and also to make up our leeway on social services. We again invited attention to these facts and we endeavoured to persuade His Majesty's Government to agree to a contribution of £ 1 million. They were not prepared to accept this figure, however, even when it was suggested that a supplementary payment might be arranged if we again had a substantial surplus on the year's working. Finally a contribution of £ 1 million was accepted, provided that we completed at our own expense the two military roads in the New Territories, for which provision has been made in the current estimates, on the understanding that the military assistance already agreed upon would continue to be provided without charge. A further condition was that we should repair at our own expense the bridge at Au Tau which has collapsed as a result of the heavy military traffic for which it was not designed, and that we would also pay the small amounts of retention money due in respect of the La Salle College replacement huts and the Fan Ling water supply.

We felt that as the cost of these roads, excluding of course assistance received from the military authorities in the way of earth removal equipment, had been met from Hong Kong funds and as we had met two-thirds of the cost of the Fan Ling water supply, we should retain ownership of these works without any further payment when the military ceased to require them. This was finally agreed to after rather a tussle with the War Office representatives, but they insisted that any hutments constructed from their funds should be dealt with in the usual way as fixed assets when they no longer had a use for them. A clause was, however, incorporated in the agreement to the effect that all fixed assets handed over to us by the War Office prior to the 1st April, 1950, were covered by the agreement and became ours without any further cash payment.

Honourable Members will observe that the settlement only covers the period up to the end of the present financial year. We were pressed to enter into an agreement covering the financial year 1951/52 as well, but we considered that it would be unwise to do so as conditions tend to change so very rapidly.

I have dealt at some length with the principal features of the settlement, although Honourable Members are already familiar with them as I have had an opportunity to explain the details both to Executive Council and Finance Committee since my return. When agreement at an official level had been reached in London, a summary of the terms was telegraphed to Hong Kong and Your Excellency communicated them informally to Executive Council and to members of Finance Committee. Honourable Members indicated their readiness to accept the terms of such a settlement provided that they were given an undertaking that no additional taxation would be imposed this year other than that already contemplated.

Although the payment of the contribution of £ 1 million in respect of the present financial year will cause a deficit on the Budget of just over \$12½ million, Government has no intention of introducing any additional taxation this year over and above the Bill for the increase in the standard rate of earnings and profits tax now before Council, the Business Registration Tax which will shortly be introduced and the proposed tax on electric signs, unless there are developments of an extraordinary nature not at present foreseen. And even if circumstances changed radically, there would be no question of forcing through additional taxation this year if unofficial members were unanimously against it. The position would be rather different, however, in the unlikely event of the contribution in respect of the cost of reinforcing the garrison not being paid in full. This would constitute a breach of the agreement and create an entirely new situation. In these circumstances, His Majesty's Government would naturally not consider themselves bound any longer by this undertaking.

It was our endeavour to make the settlement as comprehensive as possible. We had in consequence to cover a great deal of ground which involved much examination of detail. Throughout, these lengthy discussions, I was much impressed by the very fair and reasonable attitude of the Treasury delegation and indeed some members of that delegation were of the greatest assistance to us in our dealings with other departments. It is a matter of considerable satisfaction that we have at long last wiped the slate clean and no longer have hanging over our heads a number of unknown liabilities. We can now close all our files on this class of claim which has taken up such a disproportionate amount of time in the Secretariat ever since the liberation, for it has been agreed that no further minor claims of the type disposed of will be raised by either side. We would have preferred to have no qualification, but I understand that the term minor claim is interpreted as a claim under £ 15,000. The only ones we can envisage will be quite small such as sums advanced by the protecting power in Shanghai to persons interned there, who at one time had a connection with Hong Kong. It is not anticipated, therefore, that the limitation to minor claims will have any practical effect.

I therefore commend the settlement to your approval. As far as the year 1949/50 is concerned I consider that it is entirely satisfactory. In respect of the year 1950/51 we have not done quite as well as we had originally hoped, but on the whole I regard the settlement as not unreasonable though it does of course mean that we are spending not a great deal short of a quarter of our income on defence and internal security, including police services. This is a high figure and it will involve us in a small deficit in our current Budget, unless revenue comes in at a rather higher level than we estimated for. This underlines the necessity for the additional taxation now before Council and the Business Registration Tax which will be shortly



introduced. It is the minimum necessary to maintain our Budget equilibrium, but if we have another reasonably good year I hope that it will suffice.

THE COLONIAL SECRETARY seconded.

HON. SIR MAN-KAM LO: —Your Excellency, as I understand it, the net result of the financial settlement is this—a clean slate up to 31st March, 1950. The Colony has to find in cash the sum of £ 1 million as contribution towards the cost of the garrison for the current financial year and in addition, the necessary sum for meeting the denial claims for a certain category of the War Supply Board claims.

To me and, as I feel sure, to all my Unofficial Colleagues, this settlement is frankly a disappointment for it means that for the current year the Colony has to spend, by way of expenditure on defence and security, a sum in the region of 25 per cent. of its revenue which, I should imagine, is quite unprecedented in the case of a Crown Colony.

However, I am absolutely satisfied that no one could possibly have put the Colony's case before His Majesty's Government with greater force or with a more intimate knowledge of the complicated financial questions involved than my Honourable Friend the Financial Secretary. Since the terms now before this Council must be regarded as the most favourable which the Colony could obtain, I feel that they should be accepted by this Council if for no other reason than that of putting an end finally and once and for all to all outstanding financial questions arising out of the last war, and I shall so vote, but only on the understanding that Government will not seek to raise further revenue to meet this financial settlement, but will, if necessary, resort to drawing on the Colony's reserves. This drawing on the Colony's reserves is, of course, an additional justification for the Inland Revenue (Amendment) Bill, the second and third readings of which are on the agenda today.

I should like to make two further remarks. First I must express the very strong hope that Government will now get on with the payment of all claims for which Government now accepts responsibility. There can be no possible excuse for any further delay. Secondly, I for one would like to make it quite clear that the amount agreed on for this year's contribution towards the reinforced garrison must not be regarded as the Colony's standard contribution. The future contributions are matters for the future and when this question comes to be considered, all the relevant factors such as the size of the garrison, the Colony's expenditure on police and security measures, the Colony's budgetary position, etc., will no doubt be taken into account.

Before I sit down, Sir, I should like to pay a sincere tribute to Mr. Follows for his untiring work on behalf of the Colony in negotiating this settlement. The Colony, indeed owes him a great debt of gratitude. (Applause.)

THE FINANCIAL SECRETARY: Your Excellency, I am happy to find that the spokesman for the Unofficial Members has declared his intention to accept the terms of this settlement. Twenty-five per cent. of our expenditure devoted to the cost of defence and internal security is unquestionably high for a Grown Colony, but I think I can safely say without fear of contradiction that the terms that we obtained were the best that were possible. His Majesty's Government no doubt felt that although 25 per cent., or nearly 25 per cent., of our total income was a high proportion to pay for these services, we were, at the moment, probably in a position to bear the burden.

I entirely agree, with my Honourable Friend Sir Man-kam Lo that the contribution of £ 1 million which we have agreed to pay for the current financial year must not be regarded as a standard for the future, and that for the year 1951/52 factors such as the size of the garrison at that time and our own financial position must be taken into consideration. It was for those reasons that although we were pressed by His Majesty's Government to extend this settlement to the coming financial year, we declined to do so.

We have every intention of making early arrangements for the payment of the category of War Supply Board claims to which I have already referred. The other claims in respect of ships requisitioned under the Hong Kong Defence plan are rather more complicated, but we propose to set up machinery for regulating those claims also at a very early date.

The Motion was carried.

### **VOLUNTEER AND NAVAL VOLUNTEER PENSIONS BILL, 1950.**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to validate payments of pensions, gratuities, and other grants in respect of the death, disablement or sickness of officers and volunteers of the Hong Kong Volunteer Defence Corps and members of the Hong Kong Naval Volunteer Force who were called out on actual military service or actual service during the 1939 World War." He said: Sir, Honourable Members are well aware that the Volunteer Forces of the Colony which served with distinction in the last war were formed under the Volunteer Ordinance, 1933 and the Naval Volunteer Ordinance, 1933. These Ordinances were repealed upon the enactment of Ordinance No. 63 of 1948 which legislated for the creation of the present Hong Kong Volunteer Defence Force.

Sir, the Ordinances of 1933 to which I have already referred had provided that regulations could be made under them for the payment of pensions, gratuities and other awards to members of the volunteers and naval volunteers when called out should casualties result. In fact, provision by regulations was not made, or had not been made, when the war did break out. Consequently at the end of hostilities it was necessary to meet claims to pensions, gratuities and other awards which had arisen by reason of the active service of volunteers, it was necessary, as I say, to meet those claims on the terms applicable to units of His Majesty's Forces of the United Kingdom.

Honourable Members will notice that in paragraph 3 of the Objects and Reasons which have been published with the Bill before Council, the remark is made that it has now been decided that financial responsibility will not be borne by the funds of the United Kingdom Government. Actually, Sir, that remark is not quite accurate. It is the survivor of Objects and Reasons which were prepared for a Bill in this form quite a considerable time ago. In point of fact the decision as to financial responsibility in regard to pensions, gratuities and the like affecting the volunteers had been taken, I think, nearly two years ago.

In the interval protracted consideration of the many complexities involved in the problem has followed so that we have before us to-day this Bill, the purpose of which is to validate payments of pensions, gratuities and other grants in respect of death, disablement or sickness of officers and volunteers and also, Sir, to provide for future and continuing payments where payments still remain necessary as a result of the casualties suffered. Such provision is made, Sir, by clauses 3 and 4 of the Bill which, as will be seen, imports both as to the past and as to the future the Royal Warrants and Orders in Council, of which definitions appear in the Bill; that is to say, that as regards the past and for the future payments will be made in relation to the Royal Warrants and Orders in Council governing pensions as they exist in the United Kingdom in relation to His Majesty's Forces.

It will be observed from clause 6 that the powers given to the Minister of Pensions in the United Kingdom will, in Hong Kong, be exercised by the Governor in Council subject, however, to this—that delegation may take place by the Governor in Council to a person or body of persons nominated. It is anticipated that in practice the person or body of persons nominated will deal with the routine matters flowing from the legislation and the payment of pensions, while matters other than routine will be the concern of Your Excellency in Council.

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 Volunteer Ordinance, 1933, repealed by Ordinance No. 63 of 1948, enabled the Governor in Council to make provision for the payment of pensions and gratuities to persons who were officers or volunteers in the Hong Kong Volunteer Defence Corps and who were disabled whilst called out for actual military service, and to the families and children of such persons who died in consequence of their service. The Naval Volunteer Ordinance, 1933, repealed by Ordinance No. 63 of 1948, contained provisions relating to members of the Hong Kong Naval Volunteer Force.

2. When these Forces were called out, no provision had been made to regulate such payments and no provision has since been made. At the cessation of hostilities, it had not been decided whether or not the liability for such pensions and gratuities as might be awarded should be met out of the funds of this Colony, but in the mean time pensions, gratuities and other grants were awarded with the approval of the Secretary of State to applicants on the terms applicable to units of His Majesty's Forces in the United Kingdom.

3. It has now been decided that the financial responsibility will not be borne by the funds of the United Kingdom Government and the object of this Bill is to validate the payments already made and to make provision for future payments of a similar type. This will be effected by clauses 3 and 4 (for the Hong Kong Volunteer Defence Corps and Hong Kong Naval Volunteer Force respectively.) These clauses enable the provisions under which pensions, gratuities and other grants in respect of units of His Majesty's Forces in the United Kingdom have been or may in future be computed to be applied to the Hong Kong Volunteer Forces with such modifications as the Governor in Council may consider desirable.

4. The Royal Warrants and Statutory Rules and Orders under which computation of payments will be made are so voluminous that it is considered undesirable to print them separately and provision has been made in clause 5 for copies to be made available for inspection.

5. The powers exercised in the United Kingdom by the Minister of Pensions in awarding pensions, gratuities and other grants have been vested in the Governor in Council but, as many routine matters would thus be placed before the Governor in Council, a power to delegate is included in clause 6.

**ARMS AND AMMUNITION (AMENDMENT) BILL, 1950.**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Arms and Ammunition Ordinance, 1933." He said: Sir, this is a short Bill. As to clause 2, it provides for an amendment of paragraph (*d*) of section 2 of the Arms and Ammunition Ordinance so as to extend the definition of "exempted person", that is a person who is exempted from the necessity of having a licence under section 4 of the Ordinance, to allow of him having or carrying arms and ammunition. The purpose of the amendment is to extend to the Commissioner of Police a power to grant exemptions. It is considered that it should be desirable that the Commissioner of Police should have such power. For example, he would use such power to exempt the holder of a game licence under the Wild Birds Ordinance, 1922. But of course any exemptions so given as is provided by the amendment would be subject to condition and subject to cancellation at the discretion of the Commissioner of Police.

Now, as to clause 3, Sir, the purpose of this clause is so to amend section 4 of the principal Ordinance as to make it clear that the Commissioner of Police has control and can exercise control in regard to the giving of consent to vessels, certain vessels, licenced under the Merchant Shipping Ordinance to possess and carry arms which are considered to be reasonably necessary for their protection.

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: —

At present the Commissioner of Police has no power to "exempt" a person under the provisions of section 2 (*d*) of the Arms and Ammunition Ordinance, 1933. There are instances when it would be desirable that the Commissioner of Police be so empowered. For example, it would be convenient if the Commissioner of Police were enabled to exempt the holder of a game licence under the Wild Birds Ordinance, 1922, from the necessity of having an Arms Licence under the Arms and Ammunition Ordinance, 1933. Under the proposed amendment to section 2 (*d*) such an exemption can be limited to a particular weapon and to particular ammunition.

2. Under the provisions of the existing section 4 (6) certain defined classes of small vessels are entitled to exemption from obtaining an arms licence for arms which are considered to be reasonably necessary for the protection of the vessel. In practice, the Commissioner of Police has decided whether arms were necessary for the protection of any particular vessel but it has

often proved difficult to ascertain with certainty whether or not a particular vessel fell within a class entitled to exemption under subsection (6).

3. The amendment of section 4 (6) is designed to clarify the position by empowering the Commissioner of Police to grant exemption to any vessel which has been licensed by the Director of Marine under the Merchant Shipping Ordinance, 1899. The existing qualification of "reasonably necessary for the protection of the vessel" is retained and grant or cancellation of exemption is solely within the discretion of the Commissioner of Police. The Commissioner of Police will signify his of exemption by an endorsement on the vessel's licence enumerating and describing the arms and ammunition which such vessel is entitled to carry without an arms licence.

### **INLAND REVENUE (AMENDMENT) BILL, 1950.**

THE FINANCIAL SECRETARY moved the Second reading of a Bill intituled "An Ordinance to amend the Inland Revenue Ordinance, 1937." He said: Your Excellency, in doing so I wish to give notice of my intention to move during the committee stage amendments to sections 4 and 6 of the Bill which are consequential upon there now being nine steps in the scale of chargeability instead of seven, the ascent up the scale being by fifths of the standard rate instead of by fourths. Under the proviso to both these sections as now drafted, an individual who is only liable to tax for part of the year of assessment would be required to pay twice the standard rate upon everything in excess of the first \$35,000 of taxable income and would not receive the benefit of the gradations provided for in paragraphs (*h*) and (*i*) of these sections.

The amendments which I am proposing are therefore to the advantage of the taxpayer.

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

HON. CHAU TSUN-NIN: —Honourable Members will recall that during the budget debate in this Council on the 22nd March, several Unofficial Members commented on the proposed increase of 50 per cent. on Corporation Profits Tax and Salaries Tax, and expressed the hope that Government would reconsider its decision.

Honourable Members will remember that the then estimated deficit was only \$7½ million. Now, in view of Government's further commitments as described by the Financial Secretary a few moments ago, and also in view of the original increase having been cut down by 50 per cent., I feel that we must agree to this proposal to increase the standard rate to 12½ per cent.

However, it is earnestly hoped that so soon as conditions should warrant it Government will abandon this extra impost and revert to the original 10 per cent. standard rate.

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

Clause 4.

THE FINANCIAL SECRETARY: —Your Excellency, I beg to move that in the proviso to clause 4 the letters "(a), (b), (c), (d), (e), (f) and (g)" be deleted and the phrase "(a) to (i) inclusive" substituted.

This was agreed to.

Clause 6.

THE FINANCIAL SECRETARY: —Your Excellency, I beg to move that in the proviso to clause 6 the letters "(a), (b), (c), (d), (e), (f) and (g)" be deleted and the phrase "(a) to (i) inclusive" substituted.

This was agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Inland Revenue (Amendment) Bill, 1950 had passed through Committee with two amendments and moved the Third reading.

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

**KOWLOON TONG CHURCH OF THE CHINESE  
CHRISTIAN AND MISSIONARY ALLIANCE  
INCORPORATION BILL, 1950.**

HON. M. M. WATSON moved the First reading of a Bill intituled "An Ordinance to provide for the incorporation of the Kowloon Tong Church of the Chinese Christian and Missionary Alliance." He said: Sir, this Church is affiliated with the Chinese Christian and Missionary Alliance, or rather, the Christian and Missionary Alliance of New York, where it was originally founded in 1890. Since that date they have carried on missionary work all over South East Asia and in 1932 they formed a branch of this Church in Kowloon. They have now a membership of about 300 attending their services regularly, which are held in Kowloon Tong School. They have now raised funds and they hope to build a church soon with accommodation for about 600.

In order that this will be possible without any trouble from the legal point of view it is proposed to incorporate this Church by this Bill which follows the usual lines of an incorporating Ordinance.

HON. CHAU TSUN-NIN 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 Kowloon Tong Church of the Chinese Christian and Missionary Alliance was formed by Chinese members who have elected Trustees and who desire to erect a church and to incorporate the Trustees as a corporation to ensure perpetual succession.

2. Clause 1 of the Bill comprises the short title of the Ordinance.

3. Clause 2 incorporates the Trustees.

4. Clause 3 defines the powers of the Corporation.

5. Clause 4 provides for the succession to property.

6. Clause 5 provides for the number of Trustees.

7. Clause 6 provides for the vacation of office by Trustees.

8. Clause 7 provides for the appointment and tenure of office of Trustees.

9. Clause 8 provides for notification of changes of Trustees.

10. Clause 9 provides for the execution of deeds.

11. Clause 10 provides for the election of a Committee of Management and the appointment of Officers.

12. Clause 11 provides for the appointment and removal of a Clergyman or Pastor.

13. Clause 12 provides for the control of temporal affairs.

14. Clause 13 provides for the custody of deeds and documents.

15. Clause 14 empowers the Committee to make regulations.

16. Clause 15 requires such regulations to be approved before becoming binding.

17. Clause 16 contains provisions saving the rights of the Crown.

### **ADJOURNMENT.**

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

THE ATTORNEY GENERAL: —I suggest this day week, Sir.

H.E. THE GOVERNOR: —Council will adjourn to this day week.