

24TH JULY, 1908

PRESENT:—

HIS EXCELLENCY THE GOVERNOR—
SIR FREDERICK JOHN DEALTRY
LUGARD, K.C.M.G., C.B., D.S.O.

HON. MR. F. H. MAY, C.M.G. (Colonial
Secretary).

HON. MR. L. A. M. JOHNSTON
Colonial Treasurer).

HON. MR. E. A. IRVING (Registrar-
General).

HON. COMMANDER BASIL R. H.
TAYLOR, R.N. (Harbour Master).

HON. SIR HENRY BERKELEY, K.C.

HON. DR. HO KAI, M.B., C.M., C.M.G.

HON. MR. H. E. POLLOCK, K.C.

HON. MR. WEI YUK, C.M.G.

HON. MR. MURRAY STEWART,

MR. C. CLEMENTI (Clerk of Councils).

Minutes.

The minutes of the previous meeting were read, and confirmed.

Financial Minutes.

THE COLONIAL SECRETARY, by command of His Excellency the Governor, laid on the table Financial Minutes (Nos. 33 to 40) and moved that they be referred to the Finance Committee.

THE COLONIAL TREASURER seconded.

HON. MR. POLLOCK—Your Excellency, with regard to the motion which has just been made, I would draw your Excellency's attention to the fact that notice was sent out to us a few days ago referring to Financial minutes 33 to 36 only. Now, Sir, on coming up to this Council this afternoon we find Financial Minute No. 36 struck out, and Financial Minute No. 40 substituted; and we find many extra Financial minutes, one minute involving a very large amount indeed, namely \$186,500 for the Mongkoktsui break-water. I don't think, Sir, that a vote of that magnitude should be suddenly sprung upon the Council at the last moment, a vote

which is not included in any way in the notices which were sent out. It is not included in the Financial minutes circulated to members with notices of the meeting, and I don't think, Sir, we ought to be asked to pass a vote on that minute this afternoon.

THE COLONIAL SECRETARY—Sir, the hon. member seems to be under a misapprehension. It was not intended to ask the Council, Sir, to vote the sum under that Financial Minute this afternoon. It was only proposed to refer it to the Finance Committee, where I shall have much pleasure in giving the hon. member and other hon. members every information on the subject. It is to be regretted, Sir, that the minute was not forwarded with the orders of the day. The object in having it put forward, Sir, was that the Council might have the earliest possible information of the liability the Government have occurred, and that a vote for the funds might be taken as soon as possible.

HIS EXCELLENCY—The hon. member will, I dare say, be satisfied with the explanation which my hon. friend, the Colonial Secretary, has made. This is always a pro forma motion and we were especially anxious to get this vote circulated in time to be brought forward to-day in order to give the Finance Committee the fullest possible opportunity of considering it, more especially as the number of sittings of the Council this session is rapidly drawing to a close. Any objections, or any requests for information which any hon. member may desire to put forward, can be made in committee.

The Floods Donation

HIS EXCELLENCY—Gentlemen, a few days ago this Council voted a sum of \$30,000 for the relief of distress in South China. That sum was duly forwarded through the Consul-General to the Governor-General of the Two Kwang Provinces, and I have just received his acknowledgment, on behalf of the Viceroy. I will read what he says:—“With reference to my despatch No. 104 of the 15th instant I have now the honour to enclose copy of a despatch which I have received from the Viceroy in which His

Excellency requests me to convey to Your Excellency his deep sense of gratitude for the munificent donation voted by the Hongkong Legislative Council at Your Excellency's instance, from the revenue of the Colony as a contribution towards the relief of the sufferers from the recent disastrous floods in Kwangtung and Kwangsi. The cheque has, His Excellency adds, been handed to the Prefect of Canton for transmission to the charitable Guilds to whom the distribution of organized relief has been entrusted.—I have the honour to be your obedient servant, HARRY H. FOX, Acting Consul-General."

The enclosure is in Chinese and I am not competent to read it, nor do I think the majority of members would be able to follow me, if I did. Members will see that among the papers laid on the table to-day is correspondence relating to the West River floods.

Financial.

THE COLONIAL SECRETARY, by command of His Excellency the Governor, laid on the table the report of the Finance Committee (No. 12), and moved its adoption.

THE COLONIAL TREASURER seconded, and the motion was agreed to.

Papers.

THE COLONIAL SECRETARY, by command of His Excellency the Governor, laid on the table the following papers:—Correspondence relating to the West River Floods; Report of the Inspector of Schools for the year 1907; Report on the Health and Sanitary Condition of the Colony of Hongkong for the year 1907.

Widows' and Orphans' Pension Fund

HON. MR. POLLOCK, pursuant to notice, asked:—With reference to the statement in paragraph 5 of the Despatch of the Officer Administering the Government to the Secretary of State, dated the 24th June, 1907, to the effect that "great majority of the contributors, and all directors, except the Chairman, were opposed to the transfer of the Fund," will the Government state whether any, and, if so, how many, of the contributors, who were then opposed to the transfer of

the fund, have given notice to the Government of any alteration of their view on the subject?

THE COLONIAL SECRETARY replied:—There are 610 subscribers on the lists. All except pensioners and the Shanghai Post Office staff, officers in some out-stations, and those on leave have been asked to express their views. Returns are in most cases complete. Four hundred and six have either expressed their approval or stated they had no objection to the transfer. Thirty-seven have objected. It is impossible to say how many of those now in favour opposed it before. It is probable that all have altered their views. Thus it will be seen that 167 have given no opinion. If they were all opposed there would still be a majority of 212 in favour of the Government's proposals.

HON. MR. MURRAY STEWART — The answer to that question seems to also answer mine.

Mr. Stewart's question was—Have the Government taken steps to ascertain the individual wishes of contributors to the Widows' and Orphans' Fund, with regard to the Government's proposal to take over that Fund: and, if so, will the Government inform the members of this Council how many subscribers are for, and how many against, that proposal?

The Evidence Ordinance

THE COLONIAL SECRETARY, in the absence of the Attorney-General, moved the first reading of a Bill entitled an Ordinance to amend the Evidence (Colonial Statutes) Ordinance, 1908.

THE COLONIAL TREASURER seconded, and the Bill was read a first time.

Widows' and Orphans' Pension Fund.

The COLONIAL SECRETARY moved the second reading of the Bill entitled An Ordinance to provide for the Transfer to the Government of Hongkong of the Widows' and Orphans' Pension Fund and of the Management and Control of the Pensions of Widows and Orphans and to consolidate the laws in relation thereto. In doing so he said:—The correspondence that has been laid on the table shows the reasons for the

proposals of Government embodied in this Ordinance, which is in effect that in return for the contributions of contributors to the Widows' and Orphans' Fund, consisting in a 4 per cent deduction from their salaries, the Government should take over the Fund and guarantee the payment of the pensions thereunder which are calculated on the basis of 6 per cent compound interest upon the monies in the Fund. The object for which the Widows' and Orphans' Pension Fund was instituted in 1891 was to oblige officers of this Government to make provision for their widows and orphans, since the pensions which officers earn under the rules of the Colonial Service are payable to officers only and not to their widows and children. The necessity for such a fund was demonstrated in this Colony in the years prior to 1891, when applications to Government and, indeed, to the Public of this Colony for charitable relief of the widows and orphans of deceased officers were of very frequent occurrence. Officers who joined the Service prior to the institution of the fund had the option of joining it. Officers who joined after 1891 were obliged to join as a condition precedent to their appointment. Now it will be asked why does the Government wish to take over the fund? The answer is that the object of the Government is primarily benevolent. It is very desirable that the solvency of the fund should be assured. Now, under the existing Ordinance, Government is bound to pay 6 per cent. compound interest on the monies belonging to the fund. As long as there is a surplus of assets over liabilities such contribution by Government is sufficient. But if, as might happen at some future time, there were a debit instead of a credit balance, the deficit would increase since the Government contribution of interest would be calculated on a sum smaller than that needed to meet the future liabilities of the fund. The Government contribution would, in fact, be less than that needed to maintain the equilibrium between assets and liabilities. In the contingency of a deficit one of three things would have to happen. Either the fund would become bankrupt, which would be a calamity for the many dependent on it; or contributions would have to be increased, or pensions would have to be reduced. Both these latter remedies would involve much dissatisfaction and are to be avoided if

possible. Secondly, the Government by taking over the fund avoids the actual payment of interest on balances, should such exist. Thirdly, uniformity with the systems obtaining in the Civil Service of Ceylon and in the Civil Service of the affiliated colony of the Straits Settlements is attained. The advantages to the contributors to the fund are that they are assured of the solvency of the fund; of the permanency of their rate of contribution; and of the payment of pensions under the more favourable tables attached to this Bill—tables which the Secretary of State considers the Government guarantee of the fund justify. In addition, the fund is relieved of the heavy expense of periodical valuations by very highly paid actuaries, such valuations being obviously necessary while the fund is not guaranteed. The following direct advantages are contained in this Bill and, with the new pension table, constitute its principal difference from the Ordinance which it supercedes:—(a) Bachelors, who are dismissed the service, or who die, have 50 per cent of their contributions returned to them or to their legal representatives as the case may be. (b) Widowers, in the event of the death of their wives, without children, or leaving children beyond the pensionable age, are permitted to cease their contributions on leaving the Service and obtain a refund of 50 per cent of their contributions from the date of their wives' deaths or of their children exceeding pensionable age. (c) Compound interest at 6 per cent. is allowed in calculating the contributions of bachelors. This is a valuable privilege especially in the case of those officers who have served for a considerable period before marrying. (d) The new tables attached to this Bill are more favourable by from 15 per cent. to 20 per cent. in the case of the average officer who has joined the Hongkong Service, and the fund at the beginning of his career. On the other hand, the officer who joins the Service over the age of forty will probably not get so good a pension for his widow and children under the new tables as under the old ones. But it is provided that officers already in the Service shall not get less. The object is to prevent the fund being unduly burdened by large pensions to the widows of highly-paid officers who join the service late in life. Let me now turn for a moment to the objections that have been raised by the minority to the

taking over of the fund by Government. First of all, there are the bachelors who object to be mulcted for the benefit of their married colleagues. They are of two classes. The young and gay, whom I will designate the "Butterfly Brigade." Of them it may be safely predicted that they will all marry as soon as they can make up their minds which particular flower among the many they devote their attention to is likely to taste the sweetest over a period of years. The other is the smaller company of would-be misogynists. Any woman will tell you that these are easier to capture than the fickle order of butterfly. I venture to predict that they will go down like common ninepins, if and when they meet the right girls, and the latter are favoured with opportunity. Then you have a small sect who disbelieve in disease and death. These hope for immortality. One can only envy their belief. But till some of them refuse to die we cannot well make exception in their favour. Then you have a squad which advocates provision of a capital sum for the maintenance of the widow instead of a pension. Now to this class I would speak a word of warning. The thing has been tried at home in the Workmen's Compensation Act and has proved a failure. Experience shows that none are so extravagant as widows left with a lump sum of money; and it has been observed that what they delight to waste their resources on is the acquisition of a new, and, as they think, more eligible husband. Now I am quite sure that no married contributor of the Hongkong Widows' and Orphans' Pension Fund would contemplate with equanimity the prospect of his widow falling into the arms of another man. Then you come to the individual who considers that if the Fund remained as it is, it might be possible to increase the pensions, owing to excess of contributions over pensions. It is extremely difficult to convince this class that in advancing this doctrine they are calling in question the calculations of the expert actuaries who valued the Fund in 1900, and the advice which the Secretary of State has since received from the actuaries. Now, Sir, as has been explained in the Secretary of State's despatch, the accuracy of the pension tables depends on two factors, namely the closeness of the approximation of the mortality experienced and that assumed in the mortality table; and secondly,

the accuracy of the actuarial process by which the pension tables are deduced from the mortality table and the rules of the Fund. Let me give an example of how an actuary would value our Fund. He would take each individual contributor and make a creditor and debtor account for him. On the credit side, he will put down the contributions already received from him, accumulated at six per cent. compound interest, and also the calculated value of any future contributions. On the debit side he will put down the calculated value of any prospective pension to widow and children. This value must, of course, be calculated by estimating the probability of the contributor dying in any one year; the probability in the event of his death of his wife being alive and the expectancy of her life and enjoyment of her pension. Now I do not suppose that anyone will call in question the actuarial process by which the calculations are made. Life insurance companies never presume to do so. It will be seen, therefore, that the determining factor in fixing the accuracy of the calculation is the accuracy of the mortality table. Owing to its peculiar conditions it is impossible, and always will be, to get accurate mortality tables for Hongkong. Men don't spend their lives here. That is the real reason. Therefore actuaries have been compelled to adopt the mortality tables of other colonies, and they are never likely to adopt others. If they wished to, a sufficient number of lives would have to be traced. The errors in calculation of the tables naturally decrease the larger the number of lives investigated is. The members of the Fund are a small community and to obtain tables of any degree of accuracy it would be necessary to obtain the statistics of the lives of contributors including the lives of their wives and children, in many thousands of examples. There is another element of uncertainty. It is exchange. The Fund is a dollar fund since contributions are paid in dollars. But it has large and will have larger sterling liabilities. A substantial reserve must be kept to guard against fluctuations in exchange. For these reasons it is impossible to hope for better pensions than are now offered. Lastly, there is the objector who objects that the Fund should be valued before Government takes it over and not after. Now, the pension tables under the existing

Ordinance are different to the tables and the Bill now before Council. The Secretary of State has promised that there shall be valuation after this Bill becomes law under the new tables for the purpose of ascertaining if any balance is available for distribution among the present subscribers in the shape of bonuses on the pensions. There would thus have to be two valuations which would be a heavy expense to burden the fund with. And for the reasons stated above a valuation now without any real experience of the mortality among subscribers to the Hongkong Fund would not throw any material additional light on the matter. It may be objected that in such case the Government incurs a risk in taking over the Fund. Well, it cannot be denied that it incurs a responsibility. Whether there is a risk or not turns on the point whether the mortality experience of Ceylon is too favourable. In other words, whether Ceylon is a healthier place to live in than Hongkong. I think that it may fairly be assumed that there is probably little difference and that therefore Government does not incur undue risk in guaranteeing the pensions calculated in the tables attached to this Bill.

THE COLONIAL TREASURER
seconded.

HON MR. MURRAY STEWART.—Your Excellency, The interesting speech to which we have just listened is an instructive comment on the correspondence which was laid on the table of this Council a week ago. In that correspondence, it appears to me, are to be found all the facts to which our attention has been drawn, and it is, to say the least of it, remarkable that the significance of these facts has been so long in impressing themselves upon the minds of officials in this Colony, including the Hon. Colonial Secretary. In his letter of 24th June, 1907, he referred to the fact that the contributors felt that the Hongkong fund had a favourable start, and had accumulated so rapidly that they might confidently look forward to a possible increase in pensions, even on the Ceylon rates, if the fund were kept separate and further valuations were made from time to time. He did not dissent from that view, and that view is urged with even greater force in the report made by the directors of the fund, and by the committee which was appointed to inquire into the circumstances

of the fund, and is signed by members of this Council now present. Therefore it seems to me that it is not captious criticism which describes this change of attitude as a remarkable conversion. We now learn that the majority is in favour of the proposals which a year ago—and to my certain knowledge very much less than a year ago—were regarded as inequitable. It will naturally be said “If the majority of the contributors wish for the transference, we see no ground on which it can be opposed.” Sir, I still consider that there are grounds for opposing this measure, or rather for postponing this measure. Even under the circumstance that most of those who, until recently, found the present proposals inequitable, now regard them as advantageous, we have still to consider the rights of the minority. Lord Elgin’s letter of January 1907 states that it is “desirable that the contributors should not feel that they have a grievance.” I would add “not even a minority of the contributors.” In many matters, perhaps in most, minority rights have to be overridden. When the necessity presents itself it, has to be borne like a necessity, viz., with stoicism. But in this affair it appears to me that there is no such necessity, no need to ride rough shod even over a minority. If it be the case that no manner of injustice is proposed; if the present proposal, viewed in the light of an up-to-date valuation of the fund, contains anything but unadulterated justice and generosity, why not wait until this truth has been made triumphantly manifest? The Home Authorities admit that it is reasonable for the contributors to ask that an up-to-date valuation of the fund should be made, and they promise to have one made, and furthermore promise certain concessions if the state of the fund, as valued, warrants it. It seems to me that this valuation ought to be made before legislating. In the case of Mauritius the reasonableness of a similar demand was apparently admitted, as will be seen from the Secretary of State’s letter of January 1907. In our case there is no hurry. Only urgency could justify, it seems to me, the letter of the Secretary of State, dated 29th December 1907, wherein Your Excellency is instructed that the proposal *must be adopted*. The proposed legislation is essentially of a domestic nature. It deals with the affairs of our own household. It primarily concerns the people who pay and the people who benefit—the Hongkong public and the

Officials of the Colony. The interest of the Home Authorities in the matter is comparatively remote, merely academic, in a sense—unless indeed we are to understand that the Imperial Government guarantees these pensions. I seek information on this point. Of course it is easy to conceive that, for the convenience of the Colonial Office, uniformity with other Colonies in such details of administration is desirable, but considerations arising out of a perhaps too exclusive study of that convenience can hardly be reckoned of such first-rate importance as to justify the abandonment of a policy of persuasion in favour of a policy of coercion. We can all understand that it is irritating to the Head of a Department, bent on simplifying the work of his office, to find his plans upset by men showing an unexpected tenacity in holding on to what they conceive to be their rights. But such small sources of irritation surely do not affect the atmosphere of the Olympian heights upon which Secretaries of State are supposed to live and move and have their being, and it is therefore rather remarkable, and I think regrettable, that impatience in dealing with this difficult and perplexing question should ultimately have been shown. Those who may feel called upon to deny that the Home Authorities have displayed impatience will doubtless point to the fact that as long ago as April 1902 they approached the Local Government on the subject, but I would point out that it was not until January 1907 that any reasonable defence of the present proposal was made. The subject is a most difficult one to understand, and even now there are many contributors of accredited intelligence who think that until a new valuation of the fund has been made, it is unfair to ask them to relinquish their rights in it. From their point of view the bargain proposed by this Bill resembles the proverbial pig in a poke. The bargain proposed may be fair enough, but if I were a contributor, and thought so, I should still think that no contributor who thought otherwise should be compelled to become a party to it. I cannot appreciate the reasons for urgency which the action of the Home Authorities seems to imply. If the Local Government had been impatient it would be comprehensible enough. Three lakhs into general revenue in one entry and the prospect of receiving \$30,000 per annum and paying \$5,000 against it for as long as the gods will continue the

luck of the Fund—this advantage we could all understand. Oh, but, it is said, the Government is not going to make anything out of this transfer, in the long run: the benefits are all in favour of the contributors. This brings into view another aspect of the question that calls for delay. If, the present proposals are highly advantageous to the contributors in the long run, they must be equally disadvantageous to the Hongkong taxpayer. I am sure no taxpayer would be likely to grudge whatever benefits are likely to accrue under this Bill to the wives of departed officials, but as so much has been made of the liability of the fund; so much said as to the prospects of it becoming insolvent unless taken over, that at least the Hongkong Public may be pardoned for desiring to know a little more definitively than they do at present the nature of the liability to which this Ordinance commits them. Therefore it seems to me that for more than one reason it is desirable for the Government to have an up-to-date valuation made and thereafter to bring their transference proposal to this Council. This, it seems to me, would have been the wisest course to pursue; this is what I think ought to have been done, and this I hope the Colonial Government will even now, at the eleventh hour, agree to press for. I cannot see any immediate necessity for this Bill; I do not approve of the method of its propulsion. I am not satisfied that justice is being done to the rights of an unrepresented minority. On principle I object to a measure of this nature being forced through this Council, and I beg your Excellency not to proceed with the Second Reading and to appeal to the Secretary of State to postpone the operation of his predecessor's fiat.

HON. MR. POLLOCK—I support the proposition just moved by the hon. member opposite. I think, Sir, that in this matter the wishes of the minority, although they appear to be a comparatively small number, should receive more attention. In this matter we are dealing with a body, more or less permanent, of civil servants, who for many years devote their time and service, in many cases for 30 years, to the public service of the Colony, and in that case it is obvious that certain conditions of permanence should be observed in dealing with them. I venture to suggest for the consideration of this Council that the minority should not have forced

upon them in the disposal of the fund to which they have contributed different conditions from those under which they began to contribute to the fund. Probably hon. members will remember the very celebrated legal case which went to the House of Lords some few years ago, the case of the Free Church of Scotland. It will be remembered that the majority of the members who took part in that decision of the House of Lords very strongly emphasised the fact that where a fund had been contributed to for a certain purpose and under certain conditions it should not be diverted. I think, Sir, that the hon. member opposite has very forcibly urged arguments in support of the proposition which he has submitted and I content myself by saying that I agree with those arguments.

THE COLONIAL SECRETARY—
Sir, the hon. member nominated by the Chamber of Commerce twitted me with inconsistency, but if he will read my despatch of the 24th June, 1907, he will not find therein one single word in the nature of expressing an opinion one way or the other. I was asked by the Secretary of State to have this question of the transfer of the fund further considered and if possible to legislate in the necessary direction. I found, Sir, that the service almost to a man opposed the proposal, and I offered, as it turned out, extremely sound advice when I suggested to the Secretary of State to let the matter rest. The matter has rested, Sir, with the result that now, after a year's consideration, and after taking the trouble for the first time to inform themselves of the nature of this Widows' and Orphans' Pension Fund, the service has come round. The hon. member said the conversion was remarkable. Well it is somewhat remarkable, but it is not at all surprising when you have been behind the scenes and know the condition of absolute ignorance which prevailed among the vast majority of the contributors as to the benefits accruing to them under the old pension fund and under the new pension fund. Now, Sir, last year the civil servants got it into their heads that life insurance companies would give them better terms than they would get under the Widows' and Orphans' Fund. They imagined that the terms would be better in this way—that the annuities to their widows would be almost equal and that bachelors would have the satisfaction of

knowing that their relatives would benefit by their insurance policies. Certain members of the service took some typical cases, calculated them on the life insurance tables of one of the companies in the Colony, and set them side by side with the benefits accruing under the Widows' and Orphans' Fund, and the Service to a man exclaimed, "The Government, as usual, is doing us in the eye; we can get better terms from some commercial house in Queen's Road." But it was discovered that in these figures which had been circulated a little error of between 40 and 50 per cent. had been made in calculating the annuities that would accrue into the Insurance Company. When that little fact became known the Service naturally threw the suggestion of compulsory life insurance overboard. A life insurance company here was asked whether it would take over the Widows' and Orphans' Pension Fund and guarantee the pensions thereunder, but their reply was very vague, to the effect that they wished to consult their directors at home. We have heard nothing more about it, and I am not surprised, because owing to the conditions of the fund, owing to the fact that the widows and orphans benefit by the contributions of bachelors, which is of the essence of the fund, the pensions accruing under this fund are very much more favourable. The conversion in the service, I said just now, was remarkable. I referred to the ignorance which had existed as to the benefits accruing under the fund. That ignorance was absolutely colossal. I will give you an instance in my own experience. I have an extremely intelligent set of Chinese clerks in the office and I asked one the other day—Do you know what your pension is under the Widows' and Orphans' Fund? "I suppose it is some wretched \$7 or \$8 a month," he answered. I told him to calculate it, and when he did so he found that it was \$35 a month. And so on right down the service; nobody had really taken the trouble to find out what amount he would get in return for the four per cent reduction. Now they have found it. They find it is good business and they are willing it should be put on a permanent basis guaranteed by the Government, thereby showing no little wisdom. Now what of the minority? A great deal has been said of them. What are you to do with the 37 men? Surely you don't propose that the vast majority of the

civil servants are to forego the benefits which I have described in my opening speech in order that these 37 men may play dog-in-the-manger? It seems to be impossible to get it into their heads that there is any benefit at all in the fund, and I venture to say that these 37 men have either not calculated their pensions under this fund or they are bachelors who never intend to marry, or else they belong to that body of cross-grained individuals who view all Government proposals with disfavour. In my opening speech I tried to demonstrate that a valuation now would be simply throwing money away—a valuation was made as recently as 1900, and on that valuation pension tables were instituted on the highest actuarial advice. For the reasons I have tried to give it is inconceivable that if a valuation were made now the result would be materially different. The colony of Mauritius was mentioned and it was stated a valuation was being taken there prior to Government taking over the fund, but the conditions in that old established Colony are not comparable to the conditions here; they may be in a position to have mortality tables of their own, and because a valuation is made in Mauritius it does not follow that it is necessary that one should be made here. It has also been alleged that there has been undue haste in this matter. That, Sir, is an extraordinary charge inasmuch as it is evident from the correspondence laid on the table that this question has been under consideration since 1903. In 1905, nearly three years ago, the proposal was brought forward in this Council to transfer the fund to Government and the matter has been under consideration more or less since. There has been no compulsion about it. The Secretary of State, it is true, has said that he wishes this Ordinance passed. After having given the fullest explanations possible he must have been astonished, and the officials of the Colonial Office and the actuarial advisers must have been astonished last year, when he heard that the Hongkong civil servant would not touch this scheme with the end of a pole. He wrote in reply to my despatch that it was quite evident the contributors had not considered the previous correspondence and did not really understand the subject. There he hit the nail on the head: the subject was not really understood. The hon. member who represents the Chamber of

Commerce has himself fallen into one of those errors which are difficult to avoid. He insinuates that it is good business for the Government in taking over this fund to save \$30,000 in interest while they are only paying a bonus of \$5,000. But, Sir, the bonuses that the Government are guaranteeing to pay are calculated on the basis of 6 per cent. compound interest, and it does not make the slightest difference whether that compound interest is paid as it is into the special fund, or whether it is guaranteed in the pensions. It is merely a matter of book account. What the Government does save by taking over the fund is the payment of interest on any balance that there may be of assets over liabilities. In 1900 that balance was \$10,000. The hon. member opposite also showed a want of appreciation of the liabilities that fall on a fund of this nature when he spoke of the pensions of \$5,000 as a mere paltry sum out of that large balance of three lacs which the Government would take over. There is nothing like taking a concrete case. The other day there was a deplorable shipwreck in these waters when the steamer "Powan" went down. Supposing four married officers of this Government, two married officers of class one and two married officers of class two, had been on board and had been drowned. Their widows' pensions would have averaged \$1,500 each, or say, \$6,000 in all, which at ten years' purchase equals a capital sum of \$60,000 to be set aside in the fund to cover these pensions. That is an example of the liabilities to which the fund is open. The hon. member hinted that in taking over this fund a deficit would fall on the taxpayer, but as I said in my opening remarks there is no prospect of insolvency, and it is a saving for the Government and for the contributors to know that the fund is assured. If the fund became bankrupt I am quite sure that the community and the Government would not like to see the widows and orphans left destitute. But in this matter the proposals of the Government are based on as sound advice as is obtainable. You have the valuation of 1900. The Secretary of State in his despatch No. 11, paragraph 10, said that his predecessor had since consulted actuaries, and he has therefore acted on as good advice as could be had. I don't think therefore that there is any sufficient reason for delaying this legislation which has been delayed too long.

HIS EXCELLENCY—Gentlemen, I do not propose to say many words on this subject since we have had very full explanations on both sides of the question, on the one hand by my hon. friend, the Colonial Secretary, and on the other by the hon. member who represents the Chamber of Commerce. There is one point alone to which I will allude, and that is the argument by the hon. member on my right (Hon. Mr. Stewart) that the Imperial Government has, in this matter, a comparatively secondary interest, and that the officials, on the one hand, and the tax payerson the other are alone concerned with this question. Why in these circumstances, should this Colony be ordered to pass legislation in this manner? That, I take it, was the *gravamen* of the question put by my hon. friend. Now, gentlemen, the Imperial Government has a very distinct and direct interest in this particular question. It must not be overlooked that the civil servants are appointed by the Crown. They are direct servants of the Crown, and the Secretary of State is the representative of the Crown. It must not be overlooked that the civil servants of this Colony may at any time be transferred to any other, and frequently are. Therefore, where you have transferable services there must of necessity be some uniformity. The Secretary of State after most searching investigation and full advice, as guardian of the interests of this Colony not only those of the moment but those of the future, and as guardian of the interests of the civil servants, has considered this a more advantageous scheme on the one hand for the Colony, and on the other hand for the civil service. Any further delay, in addition to the long delay which has already occurred, with the object of further investigation by means of additional valuations and so forth unless the scheme were deferred for a period of perhaps twenty, thirty or forty years, would not give really reliable figures. The expert advice given to the Secretary of State is to the effect that on the whole the scheme seems fair to both sides. The subject during the last week or two has been fully discussed and considered by those immediately affected and the large majority of the subscribers are in favour of the change. In these circumstances, gentlemen, I am myself of opinion that we can endorse in this Council the proposals made in the despatches of the

Secretary of State, and that this Bill should be read a second time.

On being put to the meeting the motion was agreed to and the Bill was read a second time.

HIS EXCELLENCY— Council stands adjourned until Thursday next.

FINANCE COMMITTEE.

A meeting of the Finance Committee was then held, the Colonial Secretary presiding. The following votes were passed:—

Public Works

The Governor recommended the Council to vote a sum of four thousand six hundred and seventy dollars (\$4,670) in aid of the vote, Public Works, Recurrent, Maintenance of Lighthouses.

Colonial Secretary's Department.

The Governor recommended the Council to vote a sum of three hundred dollars (\$300) in aid of the vote, Colonial Secretary's Department and Legislature, Other Charges, Incidental Expenses.

Public Works Extraordinary.

The Governor recommended the Council to vote a sum of eight thousand five hundred dollars (\$8,500) in aid of the vote, Public Works Extraordinary, Quarantine Station.

Compensation.

The Governor recommended the Council to vote a sum of fifteen thousand dollars (\$15,000) in aid of the vote, Public Works Extraordinary, Public Health and Buildings Ordinance, 1903, Compensation.

Botanical and Forestry Vote.

The Governor recommended the Council to vote a sum of two thousand dollars (\$2,000) in aid of the vote, Botanical and Forestry Department, Other Charges, Forestry in New Territories.

Medical.

The Governor recommended the Council to vote a sum of five hundred dollars (\$500) in aid of the vote, Medical Departments, B., Hospital and Asylums, Infectious Hospitals, Hulk *Hygeia*, for the following items:—

Personal Emoluments:

Temporary staff \$200

Other Charges.

Provisions &c., 300

Total \$500

Tai-po Staff Quarters.

The Governor recommended the Council to vote a sum of two thousand dollars (\$2,000) in aid of the vote, Public Works Extraordinary, Staff Quarters, Tai Po.

Mongkoktsui Breakwater.

The Governor recommended the Council to vote a sum of one hundred and eighty-six thousand five hundred dollars (\$186,500) in aid of the vote, Public Works Extraordinary, Mongkoktsui Breakwater—Typhoon Refuge for Small Craft.

THE CHAIRMAN— Briefly this matter is explained thus: You are aware that the Government proposed to construct a typhoon refuge at Mongkok by the construction of a long breakwater. The dredger "St. Enoch" has been employed at the Naval Extension Works by Messrs. Punchard, Lowther & Co. The work is now finished and we purchased her at £15,000, say \$170,000. It is estimated that the vessel cost about £30,000, and we calculate that when we have done with her we will be able to get a handsome sum by her sale, as the Colony cannot afford to keep her for its own purposes. The rest of the item is made up of wages to crew, which are a considerable item, during the remaining months of this year. It has been calculated that by this purchase the Government will save very considerably over what they would have spent if they had hired the only dredger which is for hire in the Colony at the present time, the "Canton River." Those are briefly the facts, gentlemen.

HON. MR. POLLOCK--By voting for this we shall not be committing ourselves to the actual construction of the refuge at

Mongkoktsui? By voting for the dredger would we be committing ourselves to defend the refuge scheme? That, Sir, is what I wish to find out.

THE CHAIRMAN—There is no doubt about it that the dredger is part of the Mongkoktsui typhoon refuge scheme, and I would remind you that by adopting the report of the Public Works Committee (No. 1) of this year, this Council has committed itself to the construction of that shelter. The Public Works Committee, after very full investigation, recommended finally that this refuge at Mongkoktsui should be proceeded with, and that report was adopted by this Council.

HON. MR. POLLOCK—Assuming the purchase of this dredger, would it not be useful for dredging at Causeway Bay?

HON. COMMANDER TAYLOR—It would be quite useless for that.

THE CHAIRMAN—I would like to take this opportunity of correcting some most extraordinary misapprehensions which exist in the public mind regarding Causeway Bay. It seems to be considered that because the southern portion of the bay is bare at low tide, therefore Causeway Bay has silted up. That is not so. That is foreshore, as can be seen on the latest charts in the Colony. If you want to remove that you have got to take it away. The other part of Causeway Bay is quite deep enough.

HON. DR. HO KAI—What is the area of Causeway Bay?

THE CHAIRMAN— It is 57 acres. There is another misapprehension I should like to correct. When a typhoon is blowing outside, the tides are held up in this harbour. The effect of that is that when a typhoon is on the foreshore Causeway Bay does not become exposed. There is water there for the shallowest purpose inside. However, the Public Works Committee desire that it should be deepened, a particular area of it, and it is being deepened, but personally, and I have lived in the Colony for twenty-five years, I believe a great misapprehension exists as to the condition of the Causeway Bay Shelter, and I venture to think my hon. friend, the Harbour Master, will agree with me.

HON. COMMANDER TAYLOR—Certainly. There is always a very high tide in a typhoon.

HON. MR. POLLOCK—I quite follow with regard to what you say about the report having been passed in this Council, but since then, Sir, a good deal has happened. As regards the matter of Finance, there has been very lengthy correspondence between the Government and the Chamber of Commerce, and the matter does not stand at all as it did when that financial minute was passed. It is quite obvious that the scheme cannot be carried out if we have difficulty in financing, and, Sir, I would like to point out that quite recently a scheme appeared in the local press in which Messrs. Denison, Ram and Gibbs pointed out that the present typhoon refuge at Causeway Bay could be prepared at a comparatively small cost.

THE CHAIRMAN—But it is in a wrong position. One of the points for making a new refuge is that it should be elsewhere. Now, gentlemen, I would remind you that the several schemes for various boat shelters in the harbour were referred to the Public Works Committee, who selected Mongkoktsui. Then the recommendation was referred to the Typhoon Relief Committee. That was one of the biggest committees ever formed in the Colony, and every possible man was on it, members of the Chamber of Commerce, heads of firms and everybody. That committee approved of it. Then it was referred again to the Public Works Committee on which the representative of the Chamber of Commerce, Mr. Hewett, had a seat. They discussed the matter very fully. You will find it in the Public Works Committee report (No. 3) of 1907. There was then some difference of opinion, some of the members wanting to go further afield than Mongkoktsui. They wanted to go to Cheungshawan, which is a long way beyond Stonecutters. Then it was finally settled in the first report of the Public Works Committee for the current year, and it seems to me that the thing was threshed out thoroughly. At any rate, I am prepared to say that His Excellency has intimated that he is not prepared to re-open the question of a site for a breakwater. The site of this breakwater has been practically fixed, but

the question of financing it, is, of course, another matter. But in view of the widely expressed public opinion that there should be an additional shelter, and in view of the references to every conceivable body that could be considered to give a good opinion on it, the scheme has been adopted by the majority. I think you may take it, gentlemen, that in voting this money you are assisting the Government to carry out what is regarded as fixed policy—that is, to build the breakwater at Mongkoktsui, come what may, as the result of the consideration of the Public Works Committee and other bodies, and the Government's own review of all the possible schemes.

HON. DR. HO KAI—And I take it that when this money is voted, the Government is going to carry out the scheme, and will get it finished as soon as possible?

THE CHAIRMAN—This dredger is actually in our possession. It came into our possession yesterday, and we propose as soon as we can possibly arrange it to start her on her new career of digging out the trench.

HON. MR. POLLOCK—Was the bay on the north east of Stonecutters considered at all; the bay in which the "Hygeia" usually is?

THE CHAIRMAN—No, not that side. It is a long way to get to that.

HON. MR. POLLOCK—Not much further from West Point than to get to Mongkoktsui.

THE CHAIRMAN—I don't agree with you there. The site on Stonecutters suggested was at the south-east corner.

HON. MR. POLLOCK—The south-east corner is much more exposed than the north.

THE CHAIRMAN—Hon. unofficial members would no doubt like to refresh their memories by having a copy of the reports. I will ask the clerk to be good enough to send you the reports of the Public Works Committee, No. 3 of 1907 and No. 1 of 1908, and to be good enough to send copies to the Press also. They contain most interesting information.

HON. DR. HO KAI—And will you defer this vote?

THE CHAIRMAN—No, Sir. I don't see any necessity. The dredger is there, and we have got to pay for her.

HON. MR. POLLOCK—I understand the Government have absolutely purchased this dredger?

THE CHAIRMAN—We have purchased her. Even if there was a change of site we would still want the dredger. What I want to make clear is, as far as I know, His Excellency has not any idea of giving up the Mongkok scheme.

The Committee then adjourned.

30TH JULY, 1908

PRESENT.—

HIS EXCELLENCY THE GOVERNOR:—
SIR FREDERICK JOHN DEALTRY
LUGARD, K.C.M.G., C.B., D.S.O.

MAJOR - GENERAL BROADWOOD,
(General Officer Commanding).

HON. MR. F. H. MAY, C.M.G. (Colonial
Secretary).

HON. MR. W. REES DAVIES K.C.,
(Attorney-General).

HON. MR. L. A. M. JOHNSTON (Colonial
Treasurer),

HON. MR. W. CHATHAM, C.M.G.,
(Director of Public Works).

HON. MR. E. A. IRVING (Registrar-
General).

HON. COMMANDER BASIL R. H.
TAYLOR, R.N. (Harbour Master).

HON. DR. HO KAI, M.B., C.M., C.M.G.

HON. MR. WEI YUK, C.M.G.

HON. MR. MURRAY STEWART.

HON. MR. H. A. W. SLADE.

HON. MR. W. J. GRESSON.

MR. C. CLEMENTI (Clerk of Councils).

Minutes.

The minutes of the previous meeting were read, and confirmed.

Financial Minutes.

THE COLONIAL SECRETARY, by command of His Excellency the Governor, laid on the table Financial minutes Nos. 39 and 41 and moved that they be referred to the Finance Committee.

THE COLONIAL TREASURER seconded, and the motion was agreed do.

Financial.

THE COLONIAL SECRETARY, by command of His Excellency the Governor, laid on the table the report of the Finance Committee (No. 13), and moved its adoption.

THE COLONIAL TREASURER seconded.

HON. MR. SLADE—Before this motion is put I should like to ask for information on one point. It is with reference to the vote of \$186,500 for the typhoon refuge for small craft. That, I understand, includes the cost of the dredger "St. Enoch," £15,000. I was not here at the last meeting, and did not hear the explanations given in Finance Committee, but since my return to the Colony I have seen a statement in a prominent position in one of the morning papers in which it is stated that the purchase of the "St. Enoch" for £15,000 has cost the taxpayers \$100,000 more than it might have done. I presume that means that the Government might have bought the dredger "Canton River" at a cost of £5,000, which is the difference between the two amounts. I can hardly see how that is possible, because I happen to know myself about the cost of the "Canton River" to the present owners, and I cannot conceive that they would be willing to part with the vessel at such a price. But the statement was given a very prominent position, and I think, Sir, that an explanation is due this Council before the report on the Finance Committee is adopted, as to how this statement could have been made. There are other points which are raised in that particular article with reference to the comparison and capabilities of the two dredgers. I am not an expert myself, and cannot comment on that, but I presume that the Government