

3rd October, 1935.

PRESENT:—

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT (MR. N. L. SMITH).

HIS EXCELLENCY THE GENERAL OFFICER COMMANDING THE TROOPS (LIEUTENANT-GENERAL O. C. BORRETT, C.B., C.M.G., C.B.E., D.S.O.).

THE COLONIAL SECRETARY (HON. MR. R. A. D. FORREST, *Acting*).

THE ATTORNEY GENERAL (HON. MR. C. G. ALABASTER, O.B.E., K.C.).

THE SECRETARY FOR CHINESE AFFAIRS (HON. MR. E. H. WILLIAMS, *Acting*).

THE COLONIAL TREASURER (HON. MR. E. TAYLOR).

HON. COMMANDER G. F. HOLE, R.N., (Retired) (Harbour Master).

HON. MR. R. M. HENDERSON, (Director of Public Works).

HON. DR. W. B. A. MOORE, (Acting Director of Medical and Sanitary Services).

HON. MR. M. J. BREEN, (Postmaster General).

HON. SIR HENRY POLLOCK, KT., K.C., LL.D.

HON. SIR WILLIAM SHENTON, KT.

HON. MR. R. H. KOTEWALL, C.M.G., LL.D.

HON. MR. J. P. BRAGA, O.B.E.

HON. MR. S. W. TS'O, C.B.E., LL.D.

HON. MR. T. N. CHAU.

HON. MR. J. J. PATERSON.

MR. A. W. G. H. GRANTHAM, (Deputy Clerk of Councils).

ABSENT:—

HON. MR. W. H. BELL.

MINUTES.

The Minutes of the previous meeting of the Council were confirmed.

NEW MEMBER.

THE HON. MR. R. A. D. Forrest, Acting Colonial Secretary, took the Oath of Allegiance and assumed his seat as a member of the Council.

PAPERS.

THE COLONIAL SECRETARY, by command of H.E. the Officer Administering the Government, laid upon the table the following papers:

Amendment to regulation 23 in Table M in the Scheme to Merchant Shipping Ordinance, 1899.

Amendment to Pension Regulations A and B.

Regulations under the Public Places Regulation Ordinance, 1870.

Merchant Shipping Ordinance, 1899,—Bangkok declared an infected place.

Order under section 49 (2) of the Rating Ordinance, 1901, declaring the villages of Tai Po Market and Yuen Long, etc., to be urban areas.

Order under section 7 of the Rating Ordinance, 1901, directing the District Officer, North, to make valuation of the tenements.

Order under section 49 (4) of the Rating Ordinance, 1901, fixing the date as from which the rates will be payable.

Order under section 7 of the Rating Ordinance, 1901.

Administration Report, 1934:—

VI.—Public Works:—

Report of the Director of Public Works.

Report on Education in Hong Kong by E. Burney, M.C.

Mui Tsai in Hong Kong. Report of the Committee appointed by His Excellency the Governor Sir William Peel, K.C.M.G., K.B.E. (Sessional Paper No. 8 of 1935).

DEFENCE CONTRIBUTION AMENDMENT ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to amend the Defence Contribution

Ordinance, 1901". He said: The object of this Bill is to set out clearly the sources of revenue which have to be deducted before the percentage of the Defence Contribution is assessed. The Bill represents the result of three years correspondence with the Secretary of State and military authorities at the War Office.

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. This Amendment Bill when enacted will repeal sections 2 and 3 of the principal Ordinance and substitute two sections which represent their effect as modified by agreement contained in instructions received from the Secretary of State.

2. The new section 2 corresponds with section 2 of the Straits Settlements Ordinance No. 64 (Defence Contribution) and also with the first paragraph of the repealed section 3 of the principal Ordinance.

3. The new section 3 (1) corresponds with section 3 (1) of the Straits Settlements Ordinance and with the repealed section 2 of the principal Ordinance with the exception of the inclusion of a saving reference to sub-section (2), (3) and (4) and of the omission of the reference to land sales, premia on leases and statutory land grants which are now included in sub-section (2) of the new section 3.

4. The new section 3 (2) gives a list of sources of revenue excluded.

Paragraph (i), relating to land sales, comes from the latter part of the repealed section 2.

Paragraph (ii), relating to condemned stores, appears in Appendix II of the draft Estimates for 1934 as authorised by C. O. despatch 129 of 29th April, 1922.

Paragraph (iii), relating to Gap Rock Lighthouse, expresses the agreement by the Army Council in paragraph 4 of the War Office letter of the 25th April, 1932, enclosed with the Secretary of State's despatch of the 3rd June, 1932.

Paragraph (iv), relating to anti-piracy escorts, and paragraph (v) relating to overpayments, expresses the agreement by the Army Council in paragraph 5 of the said letter.

Paragraphs (vi) and (vii), relating to transfers to revenue under Colonial Regulation 275 formerly numbered 291 and to profits from the appreciation of investments when realised, represent the understanding referred to in Colonial Office letter of 14th October,

1932, to the War Office enclosed with the Secretary of State's despatch of the 22nd October, 1932.

Paragraph (viii) refers to section 5 of the Widows and Orphans Pension Ordinance, No. 15 of 1908, the consolidation of which with its amending ordinances is in course of preparation.

Paragraph (ix) refers to the War Loan Ordinance, 1916, (No. 12 of 1916), which has not been repealed although the loan authorised and raised thereunder has been repaid, to the Public Works Loan Redemption Ordinance, 1933, (No. 15 of 1933), and to the Hong Kong Dollar Loan Ordinance, 1934, (No. 11 of 1934), under which a sum not exceeding \$25,000,000 is to be raised by borrowing for various projects, including the redemption last year, at a cost of \$3,864,943 of the balance of the Hong Kong 3 $\frac{1}{2}$ % Inscribed Stock 1918/43.

Paragraph (x) refers to section 9 (8) of Ordinance No. 41 of 1912, the operation of which Ordinance is, however, suspended by Proclamation No. 3 in the *Hong Kong Government Gazette* of the 7th February, 1913.

Paragraph (xi) refers to routine realisations dealt with in paragraphs 12 and 13 of the Governor's despatch No. 400 of 10th September, 1929, and agreed to in paragraph 11 of the War Office letter to the Colonial Office of the 25th April, 1932.

5. The new section 3 (3) (i) represents the first proviso to the repealed section 3 of the principal Ordinance, with the words "already established or" added after the words "similar character" as directed by the Secretary of State's telegrams of the 18th October and 27th October, 1933.

The new section 3 (3) (ii) sets out the productive undertakings other than railways and telephones which have been recognised as entitled to similar treatment. The Opium Monopoly appears in Appendix II of the draft Estimates for 1934 as recognised under Colonial Office despatch No. 173 of 10th July, 1914. The Government Wireless Telegraphy Services were recognised in paragraph 2 of the War Office letter of 25th April, 1932, enclosed with the Secretary of State's despatch of 3rd June, 1932. The Government Motor Meat Van Services and the Water Installation (House Service) Account were recognised in paragraphs 3 and 5 of the same letter.

6. The new section 3 (4) relates to the deduction at the rate of 5 $\frac{1}{2}$ per cent. in respect of the capital expenditure on the Government Wireless Telegraphy Services for the years 1915 to 1932 referred to in paragraph 2 of the War Office letter of 25th April, 1932, enclosed with the Secretary of State's despatch of 3rd June, 1932, and in paragraph 3 of the War Office letter of 25th February, 1933, enclosed with the Secretary of State's despatch of 7th March, 1933. It has been redrafted to comply with the Secretary of State's despatch of

the 27th February, 1934, enclosing the War Office letter of the 30th January, 1934.

7. The Bill for this Ordinance in its present form (except for the necessary change of date in the Short title and for the change of number in section 3 (2) (vi) from 291 to 275 necessitated by the renumbering of the relevant Colonial Regulation in the 1935 edition of such regulations) was submitted to the Secretary of State with the Governor's despatch of the 19th July, 1934, and approved by the Secretary of State's telegram of the 9th September, 1935.

PREVENTION OF CRUELTY TO ANIMALS ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the first reading of a Bill intituled "An Ordinance to provide for the Prevention of Cruelty to Animals." He said: Although this is a Government measure we are indebted to the Honourable learned Member who represents the Justices of the Peace for having prepared the first draft, which follows very closely recent Straits Settlements legislation set out in the tables of correspondence.

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. This Bill, dealing with cruelty to animals, as defined by Clause 2, is founded in the main upon the provisions of the Straits Settlements Ordinance No. 10 of 1930, and upon the by-laws made under that Ordinance on the 27th March, 1931.

2. In the interpretation Clause 2 the definition of Colonial Veterinary Surgeon is copied from section 2 (1) (f) of Ordinance No. 16 of 1935, the definition of Food Officer is adapted from section 2 of Ordinance No. 13 of 1935 and the definition of vessel is copied from the definition in section 2 (i) of Ordinance No. 2 of 1933.

3. Paragraph (1) (d) of Clause 3 has no counterpart in the Straits Settlements Ordinance, but is obviously needed in order to prevent cruelty in the loading or discharging of animals.

Paragraph (1) (g) of Clause 3 is copied (omitting the words "or other creatures") from the slightly amended version of Section 53 of Ordinance 1 of 1903, which appears in Section 72 of the recent Public Health (Sanitation) Ordinance, 1935, and seems appropriate for insertion in a cruelty to animals bill, like the present.

Sub-section (4) of Clause 4 of this Bill supplements the Straits Settlements Ordinance by granting a power of search to the officers mentioned in sub-section (1) of that clause.

For reasons of economy in administration the present Bill does not follow Straits Settlements legislation in regard to the Government providing infirmaries for animals (as is done by section 6 of the Straits Ordinance), nor is it thought necessary to provide (as is done in section 8 of the Straits Ordinance) for the recovery of the expenses of the burial and removal of animals destroyed.

Clauses 5, 6 and 7 of this Bill follow, *mutatis mutandis*, the provisions of sections 5, 7 and 9 of the Straits Settlements Ordinance.

Clause 8 (1) of this Bill re-enacts the substance of Section eleven of the Straits Settlements Ordinance, with the important exception that it is not thought necessary to provide for the licensing of animal shops, because it is realised that the introduction of such a new provision in this Colony might inflict hardship upon the owners of bird-shops by compelling them to reconstruct their premises at considerable expense. It has, however, been found necessary to include in Part I of the Schedule to this Bill, regulations which are based to a great extent upon the conditions attached to the licences of animal and bird-shops in the Straits Settlements. This part of the Schedule lays down certain obviously humane conditions under which animals and birds ought to be kept and carried.

Clause 9 (1) of the Bill is based upon the provisions of section 4 of the Live Stock Import and Export Ordinance, 1903, which Ordinance, with the Regulations made thereunder, is repealed by this Bill. Clause 9 (3) is copied from No. 11 of those regulations.

Clause 10 of this Bill repeals sub-section (6) of Section 7 of the Summary Offences Ordinance, 1932, because the provisions of that sub-section in regard to cruelty are amply covered by Clause 3 of this Bill. It also repeals section 72 of the Public Health (Sanitation) Ordinance, 1935, because the provisions of that section are covered by Clause 3 (1) (8) of this Bill, and likewise repeals the Live Stock Import and Export Ordinance, 1903, and the Regulations made thereunder, because they are in effect provisions for the prevention of cruelty to animals whilst being imported to or exported from the Colony, and are revised and re-enacted in Clause 9 of this Bill and in Part II of the Schedule.

THE BUDGET.

THE COLONIAL SECRETARY moved the second reading of a Bill intituled "An Ordinance to apply a sum not exceeding \$23,840,416 to the Public Service of the year 1936."

THE COLONIAL TREASURER seconded.

HON. SIR HENRY POLLOCK.—Your Excellency,—As the Senior Unofficial Member I have been asked by my colleagues to express our joint views upon the Budget for 1936.

At the outset we congratulate the Colonial Secretary and Mr. Grantham (whose impending departure from the Colony we very much regret) upon the able and clear statement which has been laid before us regarding the Budget. We also thank the Colonial Treasurer for his lucid and informative Memorandum on our financial position, and the Director of Public Works for his notes on Public Works Extraordinary for 1936 and also for the information which he and his Staff kindly gave us in Public Works Committee.

The Estimates contain little contentious matter, and it is fully realised that, in view of the estimated revenue for 1936 being so much lower than that for 1935, it is essential that the Government should refrain from starting expenditure on new Public Works of magnitude.

At the same time we regret that many useful Public Works, over 100 in number, in the list marked "considered but not included in the draft estimates" (with which the Government kindly supplied us) have had to be postponed owing to present financial stress.

It is satisfactory to note that, for the time being, no new taxation is being imposed, and we are glad to see that the Government is reducing the charges for excess water.

It is also satisfactory that, notwithstanding the need for drastic economy, the Queen Mary Hospital is being vigorously proceeded with, whilst the 75-foot road from Causeway Bay to Ming Yuen (now known as King's Road), the Central British School and the new Kowloon Magistracy will be completed next year.

Regarding retrenchment of Staffs, we are glad to learn that the Government is carefully considering whether it is absolutely necessary to fill up Posts as vacancies occur. Our Staff of Civil Servants is a very large one, even after making the fullest allowance for the fact that the Government has also to perform the duties of a Municipality. Indeed it is considered by some that we have too many Regulations in this Colony and too large a staff of Subordinate Officers fussing about and worrying people regarding the meticulous observance of the Regulations.

Also the prevalent notion that Police Officers and Sanitary Inspectors acquire merit by prosecuting people is apt to render the Government unpopular and to make the man in the street consider that we could do with fewer of such Officers.

We approve of the additional Police defences which are being erected on the frontier and of the extra Police engaged for that purpose. The growing population of the New Territories justifies better Police protection against raids by bandits.

We agree to the new Posts in the Treasury and to the proposed Aviation Meteorological Officers for the Government Observatory, and, on the ground of economy, we agree to the proposed engagement locally of ten Asiatic Sanitary Inspectors, to replace sterling-paid Officers.

We approve of the two new Postal kiosks and of the improved postal deliveries in outside parts of the Colony, and also of the short-wave telephone transmitter which was recommended by the Economic Commission.

Under Public Works Department, we agree that in these times of depression, it is advisable to retain as many employees as possible on a temporary basis.

In regard to Government House and City Development, we consider that the Government is wise to call a halt for the time being, to a scheme of this expensive nature which originated in more prosperous times.

With reference to the Shing Mun Dam, we note with pleasure the highly satisfactory progress which has been made, enabling some water to be impounded from the first of last month. We congratulate Mr. Gifford Hull and his Staff upon being so well forward with this important scheme.

Shing Mun reminds us of the excellent anti-malarial work which has been done by Dr. R. B. Jackson and his Staff not only in that neighbourhood but also in the Peak District which is now more free from mosquitoes than it has been for very many years past. Also much good anti-malarial work has been and is being done in Kowloon Tong, Stanley, Shek O and elsewhere.

A full report by Dr. Jackson on anti-malarial measures during 1934 appears on pages 116 to 158 of the Report of the Acting Director of Medical and Sanitary Services for 1934, and induces us to urge that, if possible, more money should be devoted to anti-malarial work than is at present included in the Estimates for 1936.

We trust that the forthcoming cemetery extension at Hammer Hill will, in the course of the next ten years, enable the Central Cemetery at Kowloon to be released for building and other development purposes—a very necessary step forward in the town-planning of Kowloon.

The Unofficial Members now proceed to deal with one part of the Colonial Secretary's Budget speech, to which they take the strongest exception.

The passage in question reads as follows:—

"In spite of all this, however, the Government would be failing in its duty if it did not contemplate in advance the steps that will have to be taken in 1936 if there should either be a sharp drop in the dollar rate or a serious decline in revenue or possibly both. As I have said, no additional taxation has been imposed in the existing circumstances; but it is as well that a warning should now be given that this may be necessary if the state of the public finances in 1936 should show some serious deterioration. It is also desirable that a warning should be given that a temporary levy on all Government Salaries, both dollars and sterling, may be necessary before the end of 1936 in the circumstances referred to, and that the Secretary of State has already given his sanction to action on these lines. It is unnecessary at the moment to go into details of proposals which will only be required in the event of a contingency which we hope will not arise".

Whilst the Unofficial Members cordially echo the hope expressed by the Colonial Secretary that such a contingency will not arise, and that our Budget for 1936 will not become unbalanced, we strongly object to any additional taxation being imposed to meet any such deficit in our finances, if it should unfortunately occur.

Our contention is that such deficit ought to be made good exclusively by cuts in the salaries of Civil Servants.

In support of this contention of ours, we beg leave to remind the Government of certain facts, which preceded the considerable increase in salaries which came into force on the 1st January, 1931.

These facts are:—

(1) That the Unofficial Members, in June, 1930, very strongly opposed such increases of salaries, and that it was then pointed out by Mr. John Owen Hughes, the then Senior European Unofficial Member (see Hansard for 1930, at p. 77) that, at the exchange of 1s. 10d. such increases of salaries would result in the Colony having to pay two million dollars extra for the increases in sterling and dollar salaries.

(2) That the direct consequences were (see Hansard for 1930 at pages 176 and 177) that the Government were compelled, in order to balance their Budget for 1931, to impose the following additional taxation, namely:—

- (1) An amusement Tax, to produce 3 lakhs of dollars.
- (2) Increases in light dues and in fees for Government Buoys, and in other items of revenue affecting shipping, estimated to bring in \$364,000.

- (3) The increase of the General Assessment Rate by 4%, from 13 to 17%, to bring in about one million four hundred thousand dollars.

Those additional taxes, imposed to meet those increases of salaries, are still with us, and in times of depression like the present, they are even less popular than when they were first imposed.

Accordingly the Unofficial Members contend that the taxpayers of this Colony are already paying amply for those increases of salaries (which are still in force) and that, to make the taxpayers pay more in 1936, if a sharp drop in the dollar should unbalance the Budget, is a palpable injustice to the taxpayers of this Colony.

In such an event, as already stated, the Civil Servants ought solely to bear the burden of such a drop, to the exclusion of the taxpayers, who have already been sufficiently mulcted.

At this point somebody may ask:—

"Why do the Unofficial Members raise this protest just now, instead of waiting for the contingency to occur?"

Our answer to that, Sir, is that we gather, from the above-quoted passage in the Colonial Secretary's speech, that the Government has already been in communication with the Secretary of State on the subject of the possible deficit, and that the Secretary of State has, already, without the Unofficial Members or the Finance Committee of this Council being consulted in any way, "sanctioned" a scheme whereby such deficit is to be met partly by additional taxation and partly by cuts in the salaries of Government Civil Servants.

That procedure of the Government we object to as being unconstitutional.

We are painfully aware of the fact that the Unofficial Members of this Council are in all matters of voting in a hopeless minority, but surely that fact makes it all the more imperative that they should at least be consulted before any definite arrangement is come to with the Secretary of State for meeting a possible deficit in the finances of the Colony by means of additional taxation.

Perhaps we may be told that we Unofficials shall be consulted, if the emergency in question should arise, but what a farce any such consultation must be, in view of the passage in the above-quoted speech of the Colonial Secretary, in which he says:—

"The Secretary of State has already given his sanction to action on these lines" i.e. on the lines of partly meeting such a deficit by additional taxation.

In further support of our contention, that, in the event of such a deficit unfortunately arising, the taxpayers should not share the burden with the Civil Servants, we would point out that

- (i) Civil Servants possess the following very valuable privileges, namely, pensions, passages for themselves and family, housing or rent allowance, privileged rates for medical attendance, continuity of employment, safety of employment and protection against arbitrary dismissal.
- (ii) That, as the result of the present depression, very drastic cuts have already been made in the salaries of their employees, by many business houses in this Colony, and
- (iii) That, in many British Colonies, in order to meet bad times, cuts in salaries or in allowances have already been made and are still in force.

To pass on.—We have no doubt that the residents of this Colony will continue to face up to the present difficult situation with resolute courage, but we most strongly deprecate their being saddled with additional taxation.

We are convinced that a low exchange would much benefit our local industries, and would also, by causing an influx of capital for investment, tend to relieve the present abnormal stagnation in business conditions. Incidentally, too, a low dollar would improve our tourist traffic.

In conclusion we would add that we place great reliance upon that close co-operation between all sections of this Community which has been of such marked assistance to Hong Kong's progress in the past. (Applause.)

HON. SIR WILLIAM SHENTON.—Sir,—On a careful consideration of the Estimates, I am unable to take, in a measure, the same view of this Colony's financial position as my colleagues. In the preparation of a Colonial Budget the following principles are, I think, fundamental:—(1) The Budget must be balanced; (2) where actual balancing is impracticable no effort must be neglected to reduce the annual deficit; (3) in framing estimates of revenue and expenditure regard should be had not only to the conditions of the moment but also to the general probabilities over a cycle of years; (4) while every effort should be made by Government to assist the recovery of trade it would not be proper to assume that recovery will be sufficiently rapid to justify regarding the present emergency as one of a purely temporary nature which can legitimately be tided over by the use of surplus balances; (5) estimates should be drawn up on the assumption that the present conditions are likely to prevail for some time to come.

I accept these principles as immutable as the laws of the Medes and Persians and I am gravely perturbed at the prospect of an estimated deficit of \$830,000, after taking from our surplus balances the sum of \$2,095,789, thereby in one year reducing our surplus balances to the minimum figure permitted by the Secretary of State; particularly as it follows the year 1935 in which we have already an estimated deficit of \$152,966, and the year 1934 which had an actual deficit of \$1,574,870. This dipping, year after year, into our surplus balances must stop, or we shall inevitably find ourselves in a most difficult position.

In 1934 we budgeted at 1s. 3d. and were fortunate in getting an average rate of 1s. 6.1/16d., whilst in 1935 we budgeted at 1s. 4d., and were lucky to experience an average rate of 2s. 0.13/16d. Notwithstanding these favourable rates, substantial deficits followed. To-day we are budgeting at 1s. 8d. and who will venture to foretell the future? The exchange factor is always a problem in budgeting—to-day it is more than a problem; it is a menace.

The economic position which this Colony faces to-day is not only peculiar but, I believe, novel in its history. The difficulties are not the known factors, for these can be met by counter-measures, but it is the nebulous uncertainty, the sword of Damocles that hangs suspended which may or may not fall; probably it will, but when no-one can tell. In the past we have always had a sound currency basis to work on for the purpose of budgeting, as there has existed a solid and natural value of silver. To-day no-one can predict what to-morrow will bring forth.

For years past the currency policy of this Colony has been to keep the value of our dollar in line with that of China. To-day the margin is such that trading becomes almost impossible. The currency of China at the moment is, I believe, no longer on silver but is a managed currency and who knows what the next move will be? The value of silver has, we are told, been artificially enhanced by the policy of the United States of America and that a continuance of this policy will provide them with most of the available stocks of this metal. Who will venture to prophesy how long this policy will be maintained?

I should like to draw attention to an extract from the City Notes of the London *Times* of the 15th August last which states as follows:—"Monetary disturbance was caused in the East when America was busy forcing up the price of silver, and now a great disturbance is being caused by a reversal of that policy. Hong Kong is faced with an awkward problem for yesterday her exchange fell one penny to 1s. 11³/₄d. being the rate below export point. Ordinarily the Hong Kong authorities by modest operations in silver would have been able to correct this position, but with one large buyer exercising absolute predominance over the silver market it is impossible for the authorities to resort with the same confidence to the usual adjusting operations".

I believe the above position has arisen on more than one occasion when a flight of currency from this Colony might have taken place, but for the action of the Chief Manager of the Hong Kong and Shanghai Banking Corporation. The able way in which he has controlled our currency position has met with universal appreciation.

A survey of the Colony's trade figures is hardly encouraging and one knows only too well the difficult times through which all mercantile concerns are passing. But for the favourable movements in exchange in the years 1934 and 1935 the deficits, substantial as they were, would have been considerably larger and revenue raising devices or curtailment of expenditure would have become essential.

The Honourable Colonial Treasurer, in his able and lucid Memorandum, indicates under the heading "1936" the general falling off of revenue and the possibility of further shrinkage in various directions. The Honourable Colonial Secretary has also drawn our notice to the same possibility. Personally I take an even less hopeful view; in fact, I am of the opinion that there must be a further dwindling of our revenue.

The principal items of the Public Works Extraordinary which we have on hand are essential to the Colony and had already been too long delayed—chief of these are the Queen Mary Hospital, the Central British School, the Magistracy at Kowloon, the New Gaol and, most important of all, our water schemes. Of these the water schemes and the new gaol are loan works but the others have to be paid for out of current revenue.

No-one will deny the importance and absolute necessity of these works, nor will anyone cavil at the money judiciously spent on them, but the most scrupulous care must be taken to ensure that they are provisioned in a manner suitable for the purposes for which they have been provided and that misguided enthusiasm or individual sentiment is not allowed to run riot in luxury and extravagance. Care must be taken that we are not providing an El Dorado for those less fortunately circumstanced in South China, or creating a standard which will be an undue strain on our resources to maintain.

Before proceeding further I think a short survey of the local position is not out of place to enable us to get a correct perspective of business conditions as they in fact exist to-day. The stock market is a fair barometer and I have obtained the market values of various popular shares, taking the highest prices in the year 1933 and the approximate values to-day.

In 1933 the share of the Dairy Farm, Ice and Cold Storage Company Limited touched 291/4; to-day they stand at 121/4.

In 1933 the shares of the Hong Kong Electric Company Limited touched 78: to-day they stand at 52 $\frac{1}{4}$.

In 1933 the shares of the Hong Kong & Kowloon Wharf & Godown Company Limited touched 145: to-day they stand at 73.

In 1933 the shares of the Hong Kong Land Investment & Agency Company Limited touched 80: to-day they stand at 22.

In 1933 the shares of the Hong Kong & Shanghai Hotels Limited touched 10.90: to-day they stand at 3.

In 1933 the shares of the Hong Kong Tramways Company Limited touched 23 $\frac{1}{2}$: to-day they stand at 10.65.

These shares represent a part of the life-blood of this Colony and it is on the security of their values that much business is transacted.

Since preparation of this speech there has been a slight appreciation in values, so that the figures quoted for this year should be regarded as the lowest touched this year.

Perhaps our most solid asset is our landed property. Here the values cause us to think seriously. Rents on an average have fallen somewhere in the neighbourhood of 30 to 35 per cent. in the past two years and the value of property about 40 per cent. These percentages are worked out on a broad basis for the whole Colony and are intended to represent middle figures. I have obtained them from two of our leading architects.

From the merchants we hear on all sides complaints of lack of business, and who is there who has not written down his balance sheet by something in the neighbourhood of 50 per cent? Who have not made efforts to reorganise, reduce staffs, made cuts in salaries and generally attempted to economise in all directions? In view of the circumstances prevailing how can Government expect to collect revenue to anything like the extent it did in more prosperous times? It cannot, and it will not.

Bearing in mind these facts, and taking into consideration the great uncertainty of the exchange, what should be done? I am not for a moment suggesting that present conditions are permanent: they are a passing phase of very uncertain duration which, like similar cycles of depression in the past, have had to be faced. The Colony has no public debt worth speaking of, its speculative position is moderate compared with many other places and the general situation is that of a cash position. Under these circumstances the Colony will easily adjust itself and when recovery comes, it will come quickly.

We must not, however, be forgetful of the fact that undoubtedly some of the entrepot trade which formerly came through Hong Kong now goes direct to China and probably will not return to this Colony.

I am not unmindful of the fact that in the 1934 Estimates of Public Works Recurrent there was a reduction of \$78,750 and in 1935 of \$143,100, but these drops in the ocean are quite inadequate if we are going to ensure a balanced budget and not continue to draw further on our surplus balances. We must have a 10 per cent. reduction on the Colony's total expenditure, which would mean reducing the estimated total expenditure to \$26,638,334 and would balance the budget with a small margin in hand. How this is to be done I am not in a position to say as I have not the special knowledge of Government Departments, but I do know, that if I have £100 in the Bank I can't spend £120. Government only has the knowledge of how it can be done, and done it must be, otherwise Sir William Peel's successor will find a position far more difficult to tackle than it is to-day.

It can only be done by a careful survey of every branch of Government Service with a view to effecting substantial economies, and as a hint I would suggest that Government might, with advantage, turn its eyes on the Medical, Education and Harbour Departments where some substantial economies might be made.

Government servants so far have been more fortunate than their colleagues in other Colonies as regards cuts in their salaries, although it cannot be denied a rising dollar automatically produces to the recipient fewer dollars on a sterling salary and thereby costs the Government less. But, as far as Government servants in this Colony are concerned, they receive their salaries at the rate of the day, up to 2s. If the dollar rises above 2s. they are paid at 2s. Acting allowances, travelling allowances, house allowances and rents should receive attention. I think it is the unanimous view of the public that increased taxation is out of the question at the present time.

Should Government be of the opinion that an immediate reduction of 10 per cent. in the Colony's total expenditure is absolutely impossible then I must press for a reduction of 5 per cent. and the taking of \$1,000,000 only from the surplus balances, leaving a further \$1,000,000 to assist us in tiding over the year 1937. Any other course would in my opinion be financially indefensible and fraught with the gravest danger.

These proposals should place no undue strain on the Government administration as it is always open to Government to come to the Finance Committee for a supplemental vote in case of absolute necessity.

My experience of life is that if there is money in the till it will surely be spent, whilst a deterrent such as the necessity for a supplemental vote compels the Head of the Department concerned to think twice before he comes before the Finance Committee and applies for more money. As it is not my desire to force this issue to a division, I can only express the pious hope that what I have said will not fall on deaf ears or barren earth, but that a great effort will be made to balance the Budget. (Applause.)

HON. MR. R. H. KOTEWALL.—Sir,—I shall, as I did last year, abstain from comments on individual items in the Estimates, but confine myself to broad principles of budgeting and general policy of administration. In my observations on these points my Chinese colleagues have expressed concurrence.

The Honourable Senior Unofficial Member has voiced the united and strong views of the unofficial body on the subject of possible new taxation. As the Chinese community pays over 90 per cent. of the Colony's taxes, I make no apology for offering a few additional remarks on this important subject. The statement in this regard, which Your Excellency considered it necessary to make at the last meeting of this Council, has caused the community grave concern; for it is already taxed to capacity, if not beyond it, and any new tax-burdens may be the last straw.

I am aware that there are not wanting people who believe that Hong Kong is lightly taxed, compared with other parts of the Empire. This belief is, as I have more than once pointed out, based on faulty premises. So much of our population is of a migratory character that to compare our tax-burdens per head with those of other places is fallacious and futile. It is on the settled portion of the community that the preponderating part of the burden falls, as it is with them that the mainsprings of our economic activity are to be found.

In my opinion, formed after careful study of the prevailing conditions, the Government, instead of contemplating new taxation, should devise means of positive amelioration. Our trade is more than ever depressed, but so far only negative fiscal measures have been taken, and now even the policy of avoiding fresh taxes may go by the board. Surely it would be wise statesmanship to venture upon a positive fiscal policy, not of new taxation, but of lightening the burden of the people.

Speaking in the Budget debate last year, I strongly urged a reduction of the Assessed Tax by four per cent. as a temporary expedient. I need not repeat at length the argument which I then adduced, and which, I have reason to believe, had and has the support of a large proportion of the community. I am more than ever convinced that, as a means of restoring prosperity, a reduction in the Tax is essential. Not for a moment, however, do I delude myself with the belief that there would then be no further obstacles in the way

of recovery, but I do say that there is imperative need for a stimulus of this nature to induce a favourable turn of trade.

In order to meet the loss of revenue, which I believe would be only temporary, I advocated last year that we should draw upon the Colony's surplus balances. Even more strongly do I now believe that such a recourse to our balances would be not only justified, but a wise and constructive policy. If the pressure of costs upon our trade is alleviated in this way, can anyone say that no impetus would thereby be given to that trade? The impetus would, I believe, be emphatic; profits would become possible; and trade would increase. As trade increased public revenues would expand, and the Colony's surplus, if not left intact, would at all events not suffer the attenuation that some fear. I have already expressed the view that to keep a reserve with the avowed object of enabling the Colony to meet emergencies, and then so to define emergencies as to exclude all conceivable conjunctures, is illogical. Are not the times through which we are passing times of emergency? Are we not suffering from the greatest economic depression the Colony has ever experienced? A reserve which is eternally inviolate is a useless excrescence. By using it, in circumstances like the present, we lighten the burden of trade and industry, and, what is more important, give positive aid and stimulus to their revival, which would, in turn, benefit our revenue. I would even go to the length of saying that if we try to conserve the surplus without taking any constructive action, we may, as things go, lose it; but if we use it wisely, we may still have it.

There is one form of economy which, in my view, has not been exercised to the extent it should be. I refer to the employment of "local men" in the Government Service. By throwing open to them many of the posts now held by Europeans, a considerable saving in the cost of administration would be effected without loss of efficiency. In times past the lack of suitable recruiting material might have been pleaded against this proposition, but that plea can no longer stand. From the University, from the high schools, there is a steady flow of well-educated young men, many of whom, in these hard times, can find no employment, and thus are unable to make use of the knowledge they have acquired. The Government may well utilize this splendid material for the more responsible offices as far as possible. I am aware that the Government have in recent years adopted a more liberal policy in this matter; but that policy does not go far enough; nor are its results likely to be other than negligible in comparison with the actual needs. In other parts of the Empire—I need only instance India and Ceylon—where, as here, the beneficent rule of Great Britain is grounded upon co-operative endeavour, employment of the natives of the land in administrative posts of all grades, has proceeded far. Here in Hong Kong we lag behind. The present policy does not conduce to the best interests of the Colony, for, apart from financial reasons, good men will not commit their life career to a Service in which there is for them very little scope for betterment in spite of the highest qualities and qualifications.

The Government are to be congratulated upon the official aid and encouragement they have given to the project for promoting our "tourist trade", a project which holds out the hope of better things to come. This scheme is the outcome of suggestions made by the Hon. Mr. Mackie and myself in the Budget debate last year, and it is gratifying to see the promptness with which those suggestions have been taken up by the Government. In this matter, it seems that the Government have been more appreciative of the public's need and interests than the public itself. I say this because I am informed that the response of the community to the appeal made by the Travel Association for funds has been disappointing. Of the amount that has been subscribed, the bulk comes from public companies and European firms. Although these companies represent Chinese capital to no small extent it is a pity that the direct response from the Chinese community has been so meagre. I should like to see a much more individual and direct encouragement from that quarter. I avail myself of the opportunity which this meeting affords, to impress upon all that this project is one which will undoubtedly bring very valuable results. Some may think that the benefits will accrue only to certain classes of the community; but I assure them that a large influx of visitors and the development of the Colony as a resort cannot but be, directly or indirectly, of value to everyone, whether he be the head of a large firm, or a small tradesman, or even a rickshaw-puller. It is to be hoped that everyone will realise the great potentialities of this organisation, and support it to the best of his ability.

In some ways connected with this project are the bathing-pavilions at North Point, which are a distinct attraction to visitors from Canton and other neighbouring regions. At the risk of appearing importunate, I would once more urge the Government to conserve, as long as possible, these pavilions which are also a very necessary means of recreation and health to large numbers of our inhabitants. Meanwhile, with a view to maintaining and enhancing the amenities of the Colony, it would be wise for Government to look for and reserve other sites which would serve the same purpose, and be easy of access to people of the middle and lower classes.

The amenities of the Colony can further be enhanced by the provision of a public recreation ground open to all sections of the community, where golf, tennis and other forms of recreation would be available at small fees to those for whom private sports clubs are too expensive. There is no need to point out how such facilities would add to the attractiveness of Hong Kong. The municipal resorts of England and other countries depend to a great extent on the provision of such recreation grounds. From time to time during the last fifteen years, there have been spasmodic attempts here to initiate such a scheme by private enterprise, but for one reason or another, they fell through. I am informed that Government are prepared to consider applications for this purpose with regard to an available site at Aberdeen, but it is difficult in these times for private enterprise to undertake a project of this magnitude. Yet the scheme is one which

may well be considered as a public necessity from the point of view of the health and fitness of the community, as well as of the material profits to the Colony which I have mentioned. It would therefore be good policy for the Government to undertake the financial outlay required, much of which might be expected to be reimbursed in course of time through fees.

I should like, if I may, to dwell for a moment on the relationship between Hong Kong and Canton. That it is essential to maintain good relations with our neighbour all recognise. That the relations now subsisting are cordial and sympathetic, everyone will also admit. But the exchange of friendly visits from time to time, necessary and gratifying as it is, is not enough. We should endeavour to assist and to co-operate with each other in the active promotion of interport trade, for the interests of the two places are inter-dependent, and the fortunes of the one are bound up with those of the other. I am convinced that much could be achieved in this direction, were serious steps taken towards formulating a common policy, and it is my earnest hope that Government will give this matter the consideration which its importance deserves.

Now, reverting to the direct subject of the Budget, I put forward for Your Excellency's consideration a suggestion relating to the discussion of the annual Estimates in Council. Hitherto, with one or two exceptions, the practice has been to pass the second and third readings of the Appropriation Bill at one sitting. The debate on the Budget is an occasion of great importance to the community. Speeches are made by almost every individual member, and the point raised by them are numerous and varied. It is well-nigh impossible, even though advance copies of the Unofficial members' speeches are furnished to the Government a day or two beforehand, for all the criticisms and suggestions to be given adequate consideration. Furthermore, no opportunity whatsoever is afforded the public to formulate and express their views on the points raised before they are disposed of for good or ill. It is a recognised rule of good administration everywhere to ascertain the trend of public opinion upon debatable issues before proceeding to action. I would therefore make the suggestion that in future a separate date, say a week later, may be set aside for the third reading.

I apologise for having spoken so long; but as this is my last appearance in this Honourable Council, I trust that you, Sir, and my honourable colleagues will be indulgent. It is to me a striking coincidence that my last utterance in this assembly should be on the Budget, an instrument which has been almost my constant concern since 1903. For thirteen years in the Colonial Secretary's Office it was my duty to assist in the preparation of the Estimates; even after my resignation from the Government Service, I still performed this duty for the Government for a year—during the war, in 1916, to be precise; and from 1923 until now the Budget has ever occupied my close attention, as a "member of opposition". So, as it is thirty-two

years since I first directed my mind to the annual Estimates, it is perhaps fitting that my last word here should be of them.

May I, in conclusion, associate myself with the Honourable Senior Unofficial member in his expression of congratulations and thanks to all those responsible for the production of the Budget before us—to Sir Thomas Southorn and Mr. D. W. Tratman, to the Hon. Colonial Treasurer and the Hon. Director of Public Works, and to Mr. A. W. G. H. Grantham, to whom I also offer sincere felicitations on his well-merited promotion. It is a matter of great regret to all of us that illness overtook Sir Thomas Southorn and Mr. Tratman just on the completion of their arduous labour on the Estimates. I offer them my deepest sympathy, and wish them a speedy and complete recovery. I desire also to congratulate Your Excellency on your lucid and comprehensive presentation of the Budget, and on the statesmanlike commentary which accompanied your exposition. The Colony is fortunate that at a time when it is deprived of the able guidance of both the senior officials in the civil administration, the temporary control of its affairs should rest in such capable hands. (Applause.)

HON. MR. J. P. BRAGA.—Your Excellency,—Two statements in the Colonial Secretary's Budget Speech appear to me to conflict; they call for some explanation. The first is that "on the instructions of the Secretary of State six more opium shops would be opened." There are at present seven such shops. The Colonial Treasurer disputes the forecast of the revenue derivable from the sale of opium. He asserts that the opium monopoly still declines and the estimate for 1936 is perhaps "rather optimistically placed at \$300,000." It is regrettable that the Colony is going to increase the number of its opium shops. It is a decision that, in the opinion of many, is indefensible on any grounds whatsoever. The increase might be accompanied by some satisfactory explanation of the attitude adopted by the Secretary of State since there exist serious doubts as to the wisdom of the continuance of a contentious policy.

A telegram from Geneva, dated the 6th September, 1935, informs the Far Eastern world that the League Council paid a tribute to the Chinese Government in the matter of opium suppression, and expressed the hope that it would finally rid China of the drug evil. On the ground of expediency alone, the Colony should, to my mind, forego an item of revenue for the great beneficial results which the extinguishment of the opium monopoly would bring about in the Colony. Hong Kong has acted in the past at the behest of the League of Nations on the question of one of its features of the social evil, and it may well now forestall the indicated "necessity of tightening up regulations" with regard to opium. Support is lent to this suggestion by the Colonial Secretary's remark—the conflicting statement—that "this Colony must carry out its international obligations as regards opium."

The wisdom of refraining from reducing expenditure for social services will commend itself to most citizens. An important

factor of the question of these services has, I am afraid, never been emphasized in the past. Unstinted praise and credit cannot fairly be withheld from the various religious associations, irrespective of their denominations, for establishing institutions for philanthropic work and maintaining large staffs for whose services the Colonial contributions represent a very small part of the capital involved, part of which is from abroad, in the erection of buildings and the upkeep of the special personnel who form such an important amongst our important assets.

It is with regret that I note a proposal to effect a reduction in the Medical Department of the salary of one Nursing Sister. I have had the benefit for some time of personal acquaintance with the duties demanded and cheerfully rendered in this important Government department. Personally, I would recommend that Government retain the Nursing Sister, in addition to the departmental requirement of another assistant Matron, on the staff of the Medical Department, instead of dispensing with her next year, although I am not unmindful that the Sister will be replaced by two midwives on a dollar salary. It is not the wisest step to pursue on the ground of economy, consonant with the efficiency of the hospitals.

Unfeigned appreciation must be expressed of the Government's experiment in the substitution of Sterling-paid men whose duties can be efficiently performed by Asiatic members of the staff. I have repeatedly urged the scheme to Government in the past; it can be profitably repeated to-day. The proposal to broaden this successful trial, which has passed its experimental stage, is one that is commendable both from the point of view of economy and the absorption of local men for employment. To my sorrow I can observe the growing tendency of the local unemployment problem, and it behoves those in authority whose duty it is effectively to check this undesirable growth to adopt remedial measures for its prevention.

The Colonial Secretary refers to the Treasurer's lucid memorandum to explain the decrease in Railway receipts. One of the reasons given for this decrease is a reduction in "the passenger traffic to Shumchun." I do not regard the diminution of the Shum-chun traffic with any regret or misgiving. Frankly, I would say that the stimulation of that traffic is as unwise as it is undesirable. I know that I am treading on thin ice when I say that the facilities afforded in conspicuous public places for drawing attention to the "amusements" in question such as exist beyond our border are, to put it mildly, in bad form. Is it too much to hope that they may be removed?

Up to this stage I have dealt with a few of the more salient features, as they appear to me, of the Colonial Secretary's statement that invites comments.

I now approach more familiar subjects nearer my home ground. They deal with questions affecting Kowloon.

The re-laying of the untidy open space by the Railway fence on Chatham Road involves a very slight expenditure for the improvement which the site will offer to residents in the vicinity and to visitors to the Colony. To take in hand one section is praiseworthy in itself. This partial improvement has become very noticeable. Kowloon residents will appreciate prosecution of the work to include the entire strip of land as soon as any savings can be made in the expenditure of the Public Works Department. There is all to commend the beautifying of open spaces on the Peninsula. On aesthetic grounds it is highly desirable, and, added to that recommendation, in the absence of public parks improvements are called for in the interests of public convenience and necessity. Let us hope that it will not be long before the finances of the Colony will permit of the erection of a public band-stand on this magnificent ground by the sea where music can be discoursed of an evening in the warm summer time.

A small public work of much utility commends itself for the benefit of those who have to resort to the Kowloon Hospital for medical attention and advice and to bus patrons also. To the ordinary observer it will be seen that no shelter or waiting place for the buses is provided for those who make use of the Hospital. I feel sure a suitable cover or shelter can be erected in the open space at the junction of Argyle and Waterloo Roads, at comparatively small cost, that would be greatly appreciated.

The cutting down of expenditure for lighting both on the Island and on the mainland is greatly to be deplored. Accidents occur through poor and insufficient lighting, more so in public thoroughfares so dimly lighted as at Kowloon. The obligation is imposed upon Government, in presence of recommendations by Coroner's Jury during the year, to improve the lighting rather than to reduce it. It is noticed that on the Hong Kong side a saving of \$15,000 is proposed for 1936, and at New Kowloon a saving of \$1,000, \$16,000 in all. Whether the economy is a wise one remains to be proved, but public opinion strongly advocates better and improved lighting for the personal safety of pedestrians and motor car drivers. Owners of motor vehicles contribute quite an appreciable amount of the revenue in the petrol they consume and for the licences they pay.

Neglected Homuntin clamours for some minor favours as a despised child of a paternal Government. The locality is favoured as the home of quite a number of families. Having nowhere else to play, dozens of children living in the district have of necessity to use the street as playgrounds. Residents justly claim for some reserved open space nearby for the children to play in. The oft-repeated complaint of the prevalence of malarial mosquitoes in the district since the early days of its settlement continues to persist. It is alleged that the presence of market gardens in the vicinity is to be held partly responsible for malaria; it is worth inquiring into. This last summer cases of malaria have been very numerous. Despite complaints in the columns of the local newspapers urging anti-malarial

measures, the district has been comparatively neglected, and nothing much has been done to eradicate the evil. Flushing facilities, due to the lack of drainage improvement, are conspicuous by their absence. The devious route and infrequency of the buses, especially during business hours, causes considerable inconvenience to a large number of residents, and to those who have to visit the Kowloon Hospital. Public convenience demands attention to the inadequacy of the service. Finally, Homuntin taxpayers make a point of the inequity of the public amenities they obtain on the whole from a Government to which they pay the same proportional rates and taxes as residents in other parts of the Colony. This is a problem to which it appears difficult to turn a deaf ear, and one whose urgency demands immediate and satisfactory solution.

For the marketing of New Territory produce it is satisfactory to note that provision has been made for increased *lan* facilities in Kowloon for the sale in bulk of vegetables. This was recommended by the 1933 New Territories Produce Marketing Committee. The scheme appears to be doing much good, and in the opinion of the District Officer (North) it is stimulating local vegetable production. In this connection I have received a Chinese letter from the Executive Committee of the New Territories Agricultural Association, who seek permission from the Government for the farmers to erect separate sheds on sites on which they could sell in the day time, and in which they could sleep at night, to avoid the necessity and expense of constant travelling. The Agricultural Association will be glad of permission for the erection of matsheds for the disposal of the farmers' produce in the manner suggested. Where the provision of cheaper perishable produce can be obtained without any infringement of the Sanitary regulations, there is every reason to hope that Government might see fit to provide the desired facilities.

The District Officer (North) records in his annual report that "development in lay-out areas involves Government in a recurrent expenditure for the maintenance of roads, etc.," and the growth of the Yuen Long Market is stated as being most striking. These statements lead to the conclusion that the development of the New Territories is proceeding apace. With such development, contractors may anticipate the necessity for transporting larger and bulkier structural materials, principally steel, to outlying districts. With heavier loads, the strengthening of roads and bridges is almost imperative if the Police exercise, as we know they do, their vigilance in preventing the use of roads by trucks and lorries exceeding a certain maximum specified weight. It should also be noted that some of the bridges were constructed many years ago, and the time seems to have arrived when their safety might be looked into before any serious mishap occurs.

Some disappointment must be expressed at the absence of reference to the matter of pig breeding and poultry farming on

the mainland. This disappointment is emphasised by the fact that a Committee of a few of Hong Kong's leading residents and businessmen have devoted much time and thought in collating evidence and in the formulation of recommendations for adoption by the Government. The failure to let the public into Government confidence of any projected scheme under consideration with regard to this matter is much to be regretted. Mr. C. F. Strickland's report, of the 29th June, 1935, tabled at the last meeting of the Council, does not deal specifically with the industries in question. Some assurance might be forthcoming from the Government that an enterprise of so much potential value and the trade to be created thereby in the Colony has not been lost sight of and that implementation of the Committee's recommendations will be brought nearer the stage of accomplished facts in the immediate future.

The formation and inauguration of the Equine Sports Club at Shatin re-opens the vision of a large international park and playground in that district. When funds are available the starting of the first section of the circular road from Ngau Shi Wan to Saikung, round to Shatin might be commenced. The first section is the small stretch from beyond the Kai Tack Aerodrome to Ma Yue Tong. The idea should commend itself for the scenic beauties of the country and their attractions to tourists and motor car owners in Hong Kong.

The recurrence of armed robberies in the New Territories has been giving residents cause for anxiety and alarm. The situation is, I am happy to think, engaging the attention of Government, and the step proposed, among others, for increasing the strength of the Police to combat the growing evils of robbery and banditry should help to restore confidence which has been badly shaken through the prevalence of robbery with violence in far-off districts in the Territories.

Government's decision to prosecute advanced public works of great magnitude to their conclusion is gratifying and must be endorsed as entirely satisfactory. There need be no abandonment of hope for the future when it is realised that Government pursues its policy of the judicious and discriminate employment of labour, preferably in works of a reproductive character, and for the benefit of the public in whose safekeeping its destiny partly lies.

Instead of a timidity that might have dictated the holding up of works of great public utility and for the protection of Society, the Government is continuing major public works at an expenditure in the aggregate of more than 18 million dollars. This can be set down to its credit. Added to these large public works are such as have been projected, initiated and completed by private enterprise with subscribed money. Only a few of the most important ones need be mentioned, like the deepening of the port, the electric supply schemes on both sides of the harbour, and the bulk

transportation services on land and by water. These public and private achievements reflect creditably on the skill and exemplary spirit both of the Government and of its inhabitants, and proclaim that Hong Kong and its dependencies, despite extraneous influences, continue to retain their vitality and a spirit of courage and enterprise that cannot easily be subdued.

In conclusion, I wish to make no more than a brief reference to Exchange and to the financial distress evident on all sides in the Colony, accentuated and, to some considerable extent, even brought about by the high Exchange. To justify this association of acute financial distress with a high Exchange I have only to point to the languishing state of our industries and the frozen condition of our capital investments which have come to a crisis in the course of the last twelve months—a period which everybody recognises has synchronised with a high Exchange and abnormally high in relation to China.

Owing to the arrival of Sir Frederick Leith-Ross in China, I realise that this matter is, so to speak, *sub judice*.

But it is evident that the level of Exchange in the Colony in relation to China's Exchange and to world prices generally, is an important factor in the commercial and industrial prosperity of Hong Kong and plays an important part in any budget not only in regard to expenditure but even more so, in the long run, in regard to revenue. I therefore hope that the benefits of Sir Frederick Leith-Ross's expert advice and great experience will be made available for this Colony as well as China and that he will in due time be invited to visit Hong Kong in person. (Applause.)

HON. MR. J. J. PATERSON.—Sir,—In the absence from the Colony of the Hon. Mr. Bell I have been asked to say on behalf of the Committee of the Chamber of Commerce, which he represents, that the Committee finds itself in general agreement with the observations made in this debate by the Hon. Sir William Shenton.

The speech of the Honourable Colonial Secretary, in introducing the Budget, indicated that the policy of the Government at present is to curtail expenditure: the only question is whether the proposed reductions go far enough. We agree with Sir William Shenton that they do not.

Economic nationalism all over the world restricts the free flow of trade, and while the disease continues with its present virulence Hong Kong, which has been built up on the opposite policy, is bound to suffer. Circumstances compel us to reconsider from top to bottom the scale of an administration which has grown up in more prosperous days.

The Committee of the Chamber of Commerce fully appreciate the Government's unwillingness to sacrifice any source of revenue in times like these, nevertheless they hope that opportunity will be taken to make such readjustments as will lead to a reduction in charges on shipping. Although still severely depressed, shipping is likely to be our mainstay in the years immediately ahead and should be encouraged as much as possible. The danger that work might be driven away from this port on account of charges higher than are levied elsewhere is obvious to everybody.

The Chamber of Commerce also hopes to see a reduction in postal charges. High exchange recently has not helped business but it has helped the Government to meet its liabilities to other Administrations for postal services. Some readjustment seems to be due.

Looking around, as everyone is doing, for possibilities of economising, the Committee of the Chamber of Commerce also suggests that abolition of the Government telephone system might be considered. It scarcely seems an economic proposition to maintain a separate system to serve subscribers whose names occupy six pages in the Telephone Directory and it might be cheaper in the long run to add them to the system which serves 270 pages of subscribers. In the search for ways and means of reducing the cost of administration which must, I think, occupy a great deal of attention in the next few years, perhaps the Government will consider this suggestion. (Applause.)

I should perhaps say, your Excellency, that I have no telephone shares (laughter).

THE COLONIAL SECRETARY.—Sir,—The task of replying to the speeches on the Budget by the Unofficial Members has been considerably lightened for me by their appreciation of the difficulties of the Government and by their sympathetic realisation of the regret with which Government has found itself compelled to postpone many important items of public works. General satisfaction has been expressed at the Government's decision to avoid fresh burden on the community, even at the cost of leaving undone many things which, as is the case of the town planning scheme for the City of Victoria and the sewer scheme for Yaumati area, may be considered to be long overdue.

In dealing with the comments I leave aside for the moment two major points which Your Excellency has reserved for a more detailed answer.

The Senior Unofficial Member has referred in terms of eulogy to the anti-malarial work already accomplished, and Government is grateful for this appreciation. In this, and in so many other ways, Government depends for the success of any task

on the enlightened co-operation of the public, and, while Government agrees readily that it is possible for officials to show excessive zeal in enforcing regulations, it will be readily understood how much a successful campaign against the mosquito menace must depend on enforcement of regulations designed to that end. It has always been the policy of Government to regard its work in matters of hygiene as primarily educative and only secondarily coercive; but it must be evident that the greater the extent to which tact and persuasion replace prosecution for breaches of regulations, the greater the demands on the administrative department and its staff.

Passing now to the criticism made by the Honourable Sir William Shenton, I would deprecate the more pessimistic view which he seems to take of the Colony's future. While it may be true that it would, in its immediate effect, rather add to the Government's financial difficulties than otherwise, a fall in dollar exchange, if it occurred, would be likely in the long run to attract more business to the Colony and thus to broaden the basis of present revenue contributions. While our trade figures give no scope for facile optimism, it may not be out of place to remark that the decline is largely a matter of exchange, and that the amount of goods handled has in many cases actually increased. In sterling value the figures for the first seven months of this year showed an increase of 32% over the corresponding period for 1934. It may not be out of place also to remark that there is a tendency for local share prices to vary inversely with the dollar exchange rate, a tendency which is reinforced when the exchange market shows simultaneously increased activity; and that much of what appears as a slump in values is in reality the obverse of the late years of overtrading, when capital appreciation was a stronger factor in the determination of market price than investment yield.

Hon. Sir William Shenton may be assured that the question of rates of allowances to Government servants has already received attention, and that wherever the rates of allowances have been found to be capable of reduction they have been reduced. In particular, although by reason of its geographical situation, the item Transport of Government must continue to be a heavy one in this Colony, economies have been sought by reduction of the grade of passage provided. It has not been found possible on financial grounds, to adopt here in more than a trifling measure the recommendations for increased privileges made by the Plymouth Commission. The rates of travelling allowance inside the Colony have recently been reduced by General Order, and every effort is made to secure that they do no more than reimburse the officers with the minimum necessary expenses. Subsistence allowance rates have also been reviewed and reduced. Rent allowances, being on a sliding scale depending ultimately on the rents actually paid, have also been automatically reduced in those parts of the Colony where rents have fallen.

A reduction in expenditure without loss of efficiency is possible only when the expenditure has been in the past unnecessarily high; and, while Government is reconciled to some departure from the high standard of efficiency set, it is obvious that the extent to which efficiency can be sacrificed is severely limited. It is therefore that vacancies are in many cases left unfilled, and that every effort is being made to substitute as quickly as it can be absorbed local for European labour.

The suggestion, put forward by my honourable friend, Dr. Kotewall, of a reduction in assessment tax was fully dealt with by His Excellency the Governor on the second reading of the 1935 Budget last year, and there is nothing that can be usefully added, Government's policy not having changed since then. It seems clear that this tax, as well as our indirect taxation, is borne proportionately by the migratory as well as by the settled population of the Colony.

The Government has fully and frankly accepted that policy of replacing wherever possible European by Asiatic employees, but it must be evident that such a policy can show its full effect only gradually.

Government whole-heartedly concurs in the hope of a greater response to the appeal for funds to aid in popularising Hong Kong as a place of resort. Referring to the bathing pavilions whose retention is urged in connection with this scheme, I would say that it is Government's intention to allow them to remain as long as may possibly be, but that it will be appreciated that shipping and industrial development must have first claim on the North Point area. The opening up of other areas suitable for bathing has not been lost sight of, and any application from swimming clubs or similar societies for the use of such places will be considered sympathetically.

I cannot agree, however, that it is in accordance with Government's general policy to provide recreation grounds on commercial lines. I think it will be generally agreed that the profitability of such enterprises can safely be left to the judgment of the investing community, and I am advised that when a reasonable prospect of a profitable investment exists the capital is rarely lacking.

The fostering of good relationships with Canton is necessarily a matter of much concern to this Government, and Government has, so far as lies in its power, taken the initiative by encouraging the exchange of visits between its officials and those in similar positions in Canton. It notes also with gratification a similar action, sponsored by the Honourable Mr. W. H. Bell, on the part of the Hong Kong General Chamber of Commerce, which, as

commercial understanding is of prime importance, is even more a move in the right direction and merits all possible aid and encouragement from the Government.

The Honourable Member's suggestion regarding procedure on the presentation of future budgets deserves full consideration, and the helpful spirit in which it is offered is highly appreciated.

The contradiction in the Budget speech to which Honourable Mr. J. P. Braga draws attention in his opening paragraphs is apparent rather than real. The opening, on Secretary of State's instructions, of seven more opium shops does not imply that the Colony will thereby increase even its gross revenue from the sale of opium, or even that it aims to do so. Rather it is to be interpreted as a further attempt to secure stricter control of a traffic recognised as undesirable with a view to its ultimate extinction; the shops to be opened are to take the place of thirteen licensed retailers, whose licences will be simultaneously terminated. It must be obvious that the termination of the monopoly would, so long as a demand exists, have the effect merely of handing over the trade entirely to illegitimate dealers, who already present a sufficiently formidable problem.

The reduction in the Medical Department's European staff—one nursing sister—is in consonance with Government's declared policy of utilising the services of Asiatics wherever possible.

The Honourable Member's claim for further expenditure on the Railway frontage in Kowloon has already been dealt with in the introductory speech on the first reading (under the head of the Botanical and Forestry Department) and seems to call for no further comment.

The erection of shelters outside the Kowloon Hospital is a matter rather for the Bus Company than the Government, and it is in any case to be doubted whether the traffic would justify the expense.

The reduction in expenditure on street lighting is not to be interpreted that Government contemplates cutting down the amount of light, but merely that it has secured more favourable terms. In point of fact, experiments are, I am advised, at present in progress, and it is hoped to improve street lighting at very little additional cost.

The drainage of the Yaumati and Homuntin areas has long been a recognised desideratum, but has, like more desirable projects, been postponed for better times. It involves works of considerable magnitude, and it is not considered that the number of persons likely to derive benefit from such a project justifies such expense at the present.

The Hon. Member will also have noted that a sum has been allocated for anti-malarial work on the Mainland, and an effort will be made to secure to Homuntin its due share of attention. In addition, the attention of the Head of the Sanitary Department will be directed to the problem; my information is to the effect that the only recent complaint of mosquito nuisance in Homuntin was traced to breeding on the premises of one of the residents, which again illustrates the need of co-operation on the part of the public.

The schedules for bus services are drawn up by the Inspector General of Police in consultation with the Companies concerned, and as the Honourable Member has been good enough to draw Government's attention to the inconvenience caused in this respect to Homuntin residents, the Inspector General of Police will be instructed to investigate the question.

The application of the New Territories Agricultural Association for further facilities for the marketing of New Territories produce in Kowloon is assured of sympathetic attention as soon as it is referred to Government; but any construction of matsheds for residence in an urban area would be regarded as a retrograde step with nothing to recommend it, and permission could hardly be granted. If, however, what is ultimately intended is that producers should be by some means brought into direct touch with consumers, any suggestions to that effect will be welcome.

The improvement of the roads and bridges in the New Territories is undoubtedly a matter of much importance, and it is with great regret that Government finds it impracticable to allot to this item the funds which would permit it to be treated on an adequate scale. The urgency of the matter may, however, have been somewhat overstated by the Honourable Member, for the increased development of the New Territories which he envisages implies a degree of economic recovery in the Colony which would go far towards making available the requisite funds.

It is the intention of Government to proceed with the scheme, or rather with the schemes, for expansion of pig and poultry breeding in New Territories as and when funds permit. Mr. C. F. Strickland's report, to which the Honourable Member makes reference, though it does not refer specifically to these two activities, is closely concerned with them. At the present moment Government is engaged in exploring the possibility of obtaining locally an expert of the type required, an instance of the type of economy which, I am confident, will meet with the approval of all Honourable Members.

The Honourable Mr. Paterson has rightly called attention to the extent to which Hong Kong's difficulties are not of its own making, and Government is fully alive, as has been made abundantly clear, to the necessity for economy.

Shipping, as the ultimate basis of the Colony's wealth and of Government's revenue, is naturally a constant concern; and I am advised that the charges for dues and services in Hong Kong are based on the Board of Trade rates, and compare very favourably with those of competing ports in the Far East. Reference might also be made to the fuller answer given by the Colonial Secretary in connection with the 1935 Budget, as recorded on page 180 of Hansard 1934. Every care is taken to ensure that competitive advantages shall not operate to the detriment of Hong Kong.

Turning now to the suggested review of postal charges, it must be remembered that three fifths of the outpayments in respect of carriage of mails are in local currency and are unaffected by exchange. The remaining two fifths are paid not in sterling but in international gold francs; the Hong Kong dollar has not during the past three years appreciated much in terms of this currency. Of the domestic expenditure of the department in wages and salaries only one fifth is based on sterling. The remainder is in local currency unaffected by exchange.

The denominations of stamps used for the Empire and the Foreign letter rates, namely 10 cents and 20 cents are specially designed Jubilee stamps. Throughout the Empire it has been decided to use these issues until December 31st of this year and any local alteration of rates would involve a departure from this uniform policy. The 5 cent rate to China which is also served by a Jubilee stamp cannot be altered without reference to the Chinese Administration as the rate which is the same in both directions has been fixed by mutual agreement.

While these considerations affect the possibility of the reduction asked for, I would invite the Honourable Member's attention to the concession already granted this year in respect of air mail charges, a concession made at the cost of direct loss to Government, inasmuch as the stamp revenue recovered fails to cover the direct expense of transit charges. It is proposed, nevertheless, that the question shall be brought up for further consideration early in 1936 in the light of the exchange situation as then existing.

The question of the maintenance of an independent Government telephone exchange was fully discussed in 1932 by the Retrenchment Commission, and I would invite the Honourable Member's attention to pages 7 and 36 of the Commission's Report. The position has not altered since then, and the peculiar situation of the Government system, with its constant intercommunication requiring something in the nature of a sub-exchange, and its very long connecting wires, render it extremely unlikely that the proposal to abandon the independent system would be economic.

The dominant note of the speeches of the Unofficial Members has been the demand for economy, and although ample evidence of

Government's concurrence in this wish was given in the speech with which the Budget was introduced, and although I have replied in that sense to specific criticisms in the speeches of the Honourable Members with which I have dealt, it seems, Sir, appropriate to conclude with an assurance reinforcing, if there be any need for reinforcement, the Government's intention to spare no effort to effect economies wherever practicable. Opportunities for economies occur not only in connection with the Appropriation Law but throughout the working year, and the necessity for utilising these to the full has been impressed on all departments of the service, and from day to day not a few items of expenditure which might have received sanction in normal times are postponed or definitely rejected. These efforts will not be relaxed, and, conservatively as the Estimates have been framed, it may yet be that expenditure will be kept within even narrower bounds.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—Gentlemen,—It is, I hope, unnecessary for me to crave again for your indulgence as I did when I introduced the Budget three weeks ago. Everyone in this room is aware of the further lamentable circumstances which have led to my occupation to-day of this seat and it is our earnest hope that we shall see the early return to duty both of Sir Thomas Southorn and of Mr. Tratman.

I should like, if I may be allowed, to express on behalf of the Council our great admiration for the fortitude with which Sir Thomas, although obviously in considerable physical pain at our last meeting and only a few hours before undergoing his operation, remained in this chair until the end of a meeting of more than ordinary length.

I desire at the outset to thank the Unofficial members for their careful and generally kindly criticism of the Budget for 1936 as regards both the details and the larger principles. The acting Colonial Secretary, whom I venture to congratulate on the very able maiden speech which you have just heard, has covered most of the points at issue and it only remains for me at this final stage of the debate to touch upon a few questions which have not been covered already.

On the principle of swallowing first what is the most unpalatable of the doses I should like to say that I am very sorry to think that Sir Henry Pollock, whose long service on this Council and intimate knowledge of procedure give very great weight to any considered judgment which he may express here, should apply the term "unconstitutional" to any action on the part of the Government leading up to the speech which I delivered three weeks ago in introducing the Budget. I should doubt whether the whole Colonial service contains any Administrator who is more jealous of the rights of the Legislative Council, and particularly of the Unofficial members of that Council, than Sir Thomas Southorn whose

absence to-day we so deeply deplore. In saying this I have no desire to shirk my own share in the responsibility, as I was acting as Colonial Secretary at the time when the action now criticized was decided upon.

What happened was this. When the final figures for the 1936 Estimates were available it became clear that a deficit must be anticipated at the agreed exchange rate of 1s. 8d. It then became immediately necessary to decide whether or not a salary cut should be forthwith recommended as from 1st January, 1936, and the Estimates of Expenditure revised and reprinted on that basis; and it was finally decided that a summary of the whole situation should be reported by telegraph to the Secretary of State and his sanction requested for mention to be made in the introductory speech of the possible necessity of such a salary revision in certain contingencies. Action on these lines was in due course approved by the Secretary of State who added, however, that the possibility of additional taxation, on the principle of equalising sacrifices, should in his opinion be foreshadowed in the same speech. I trust that Honourable Members will agree with me that such prior reference of a matter of principle to the Secretary of State is in no way either a usurpation or an abridgement of the constitutional powers of this Council.

Having said this it is clearly impossible for me to attempt to foretell the principle upon which any system of salary cuts, if such become necessary, may have to be based.

Secondly there is the general question of the use of surplus balances for the purpose of balancing annual Budgets. On this point there appears to be some disagreement among the Unofficial Members as the Honourable Sir William Shenton thinks that we are encroaching too deeply upon these reserves while the Honourable Dr. Kotewall holds the view that we should use more of them.

The fixing of the round figure of ten million dollars, gentlemen, was no doubt to some extent arbitrary; but once that figure is fixed the principles are simply those upon which any ordinary business would be prudently conducted. The recurrent services of Government, including Military contribution, must normally be met by the recurrent revenue that comes by way of taxation. If this shows a profit and taxes are reasonably light the balance can properly be used for non-recurrent expenditure, particularly the more important items of Public Works Extraordinary. Land Sales, if I may use an analogy familiar to many, are the equivalent of the Entrance Fees in a social club, and should go direct to Capital Account (so to speak) and not to Working Account; but apart from these it is simply a question of retrenchment or expansion, increase or decrease of taxation, as each seems proper to the Government and to this Council. The fact that in the past many years the Colony has been able to finance large non-recurrent schemes from income has perhaps tended to cloud the above general principles.

The Reserve Account, or Surplus Balances as we call it, should thus never be reduced to a dangerous level; but on the other hand it would be an improper sacrifice of the present taxpayer to posterity to build up excessive balances when either desirable public works remain undone or taxation could be reduced; and we thus arrive at the position, which may sound paradoxical at first sight, that to possess large surplus balances on the year's working is an eminently desirable thing; but to budget for such is generally improper.

The third question, which has not been touched upon in to-day's speeches, is the desirability of fixing exchange to cover the Government's sterling commitments. I suppose that every business man in the Colony must have thought, on hearing that the 1936 Budget could probably be balanced at a 1/10 1/2 dollar, that here was a simple way of insuring against loss. The subject is not an easy one to discuss in open debate but I would only say that the proposal was given the earnest consideration of the Government before it was decided that such a course, to which there are certain objections at any time, would be particularly undesirable at the present moment.

I would conclude by once more thanking both the Official and Unofficial Members of this Council for their tolerance and for their valuable assistance.

It has been proposed and seconded that a Bill intituled "An Ordinance to apply a sum not exceeding Twenty-three million eight hundred and forty thousand four hundred and sixteen Dollars to the Public Service of the year 1936" be read a second time.

The Bill was read a second time.

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

Upon Council resuming,

THE COLONIAL SECRETARY reported that the Bill had passed through Committee without amendment, and moved the third reading.

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

MEDICAL REGISTRATION ORDINANCE, 1935.

THE ATTORNEY GENERAL moved the second reading of a Bill intituled "An Ordinance to consolidate and amend the law regulating the registration of practitioners in medicine and surgery."

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

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

Upon Council resuming,

THE ATTORNEY GENERAL reported that the Bill had passed through Committee without amendment, and moved the third reading.

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

**FAREWELLS TO H.E. THE GENERAL OFFICER COMMANDING,
LIEUTENANT GENERAL O. C. BORRETT, C.B., C.M.G., C.B.E.,
D.S.O., AND HON. MR. R. H. KOTEWALL, C.M.G., LL.D.**

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—

Gentlemen,—Before we adjourn I ask leave to make a personal statement. To-day's meeting is the last at which we shall have the benefit of the attendance of two members who in their respective spheres have won the esteem both of this Council and of the community at large. I refer to His Excellency Lieutenant-General Borrett and to the Honourable Dr. Kotewall. Of General Borrett I do not wish to say more than that we all genuinely regret that this Council and the Colony are to lose him after nearly three years of service here. General Officers Commanding come and go almost like the precession of the equinoxes, but I think it must be very long since the Colony had one who was more universally admired and more popular than General Borrett (Applause). We wish him all success and happiness in the future that lies before him.

As regards Dr. Kotewall, it has been laid down, as Honourable Members are aware, that Unofficial Members of this Council are not to retain their seats beyond the period of two terms of four years except in very exceptional circumstances.

The Honourable Dr. Kotewall first assumed his seat on the Legislative Council as long ago as 4th October, 1923, and was reappointed for a further term of four years in 1927. On the expiration of that second term on 4th October, 1931, a special dispensation was obtained from the Secretary of State and as a consequence Dr. Kotewall is, until to-morrow morning, still a member of this Council.

It is hardly necessary for me to say how much I personally and, I am sure, this Council as a whole regret that the time has now come

for him to leave it. I will not weary you, gentlemen, with a recital of the Boards and the Courts and the Commissions to which Dr. Kotewall has given his always valuable assistance. Until a week or two ago I was Secretary for Chinese Affairs in which post, as is natural, it is chiefly possible to assess the value of his services to the community. For those services I should like to express my own gratitude and the gratitude of the Government.

Eight years ago Dr. Kotewall received the signal honour from His Majesty of being made a Companion of the Most Distinguished Order of Saint Michael and Saint George. He is at present acting as a member of the Executive Council during the absence of Sir Shouson Chow, having already acted in a similar capacity on no less than six previous occasions.

In making a speech like this I feel rather like one who delivers a funeral oration over someone who is still in perfect health. If so I hope that Dr. Kotewall will believe that, although the exigencies of our constitution deprive us of his further presence in this Council, it is the earnest wish of all of us that he will consider himself to be hardly more than at the outset of his public career (Applause).

HON. SIR HENRY POLLOCK.—Sir,—On behalf of the Unofficial Members I desire to indorse all that you have said in regard to General Borrett.

We are very sorry that he is leaving us and wish him every success in his future career. (Hear, Hear).

As Senior Unofficial Member I also indorse all that has been said by Your Excellency in praise of Dr. Kotewall's services to this Colony.

As you have pointed out, Dr. Kotewall has been a Member of this Council since 1923, having received the exceptional honour of nomination to an Unofficial seat on this Council for a third term.

In February, 1927, following on the bestowal of Knighthood on Sir Joseph Kemp, and the Companionship of the Order of St. Michael and St. George on Dr. Kotewall, the then Governor, Sir Cecil Clementi, congratulated the two recipients of the New Year Honours jointly, in the following terms:—

"His Majesty's gracious act has evoked much pleasure throughout the Colony, but especially in this Council where we, who are colleagues of Sir Joseph Kemp and Dr. Kotewall, appreciate most fully how well these Honours have been won by distinguished merit, painstaking industry, sterling worth of character and very loyal and devoted services to Hong Kong."

As Senior Unofficial Member, I then said:—

"Dr. Kotewall has been the means of giving advice not only to the Government Officials of this Colony but also to many members of the Chinese Community who have sought his counsel. I myself have often experienced the benefit of the sound judgment I have had from him on various matters affecting the Chinese Community."

On the present occasion I can only repeat what I then stated, except to add that, in the years which have intervened, I have learned to appreciate yet more fully Dr. Kotewall's abilities and his services to the Colony both in and outside of this Council and also in the Executive Council where so much responsible hard work is put in by the Official and Unofficial Members alike.

As you have pointed out, Sir, Dr. Kotewall has several times acted as a Member of the Executive Council, and I hope that I may be permitted on behalf of all those who are acquainted with his record and his talents to express the hope that ere long Dr. Kotewall will attain to the dignity of a permanent seat upon the Executive Council. (Applause.)

HON. MR. S. W. TS'O.—My colleague, the Hon. Mr. T. N. Chau and I desire to associate ourselves with the remarks which have fallen from Your Excellency and the Senior Unofficial Member of this Council about H.E. Lieutenant General Borrett and my Senior colleague Hon. Dr. Kotewall, who are vacating their seats on this Council.

I have been privileged to work with Dr. Kotewall on this Council during the last seven years and have served with him on other Committees for many years. I can, therefore, claim that I am in a position to appreciate his services to the public more than any of his friends. His untiring energy, his clearness of perception and his masterly knowledge of the English language have rendered him invaluable in interpreting the sentiments of the Chinese community to the Government and the aims and ideals of the Government to the Chinese people. He possesses to an extraordinary degree the power of persuasiveness, and thus when a difficult position arises he succeeds in helping to find a solution for many a difficult problem.

His public services are well known by both the public and the Government. I take advantage of this occasion to express to him the appreciation and thanks of the Chinese people which we have the honour to represent on this Council.

Although retiring from this Council, I am glad to say that Dr. Kotewall's great ability and energy are still available in an even higher sphere of power and influence, for his services to the Chinese public.

In bidding him farewell to this Assembly, I am sure that all the Honourable members will join with me in wishing Dr. Kotewall future success and prosperity.

HON. MR. R. H. KOTEWALL.—I am deeply touched by the kind reference to myself made by Your Excellency, Sir Henry Pollock and the Hon. Mr. S. W. Ts'o. I thank you all.

ADJOURNMENT.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT.—Council stands adjourned *sine die*.
