

**OFFICIAL REPORT TO PROCEEDINGS.****Meeting of 23rd March, 1960.**

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**PRESENT:**HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR ROBERT BROWN BLACK, K.C.M.G., O.B.E.

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

LIEUTENANT-GENERAL SIR EDRIC MONTAGUE BASTYAN, K.B.E., C.B.

THE HONOURABLE THE COLONIAL SECRETARY

MR. CLAUDE BRAMALL BURGESS, C.M.G., O.B.E.

THE HONOURABLE THE ATTORNEY GENERAL

MR. ARTHUR HOOTON, Q.C. (*Acting*).

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

MR. PATRICK CARDINALL MASON SEDGWICK (*Acting*).

THE HONOURABLE THE FINANCIAL SECRETARY

MR. ARTHUR GRENFELL CLARKE, C.M.G.

THE HONOURABLE ALLAN INGLIS

*(Director of Public Works)*.

DR. THE HONOURABLE DAVID JAMES MASTERTON MACKENZIE, C.M.G., O.B.E.

*(Director of Medical and Health Services)*.

THE HONOURABLE COLIN GEORGE MERVYN MORRISON

*(Director of Urban Services)*.

THE HONOURABLE ROBERT MARSHALL HETHERINGTON, D.F.C.

*(Commissioner of Labour)*.

THE HONOURABLE NGAN SHING-KWAN, O.B.E.

THE HONOURABLE KWOK CHAN, O.B.E.

THE HONOURABLE JOHN DOUGLAS CLAGUE, C.B.E., M.C., T.D.

THE HONOURABLE HUGH DAVID MACEWEN BARTON, M.B.E.

THE HONOURABLE DHUN JEHANGIR RUTTONJEE, O.B.E.

THE HONOURABLE FUNG PING-FAN, O.B.E.

THE HONOURABLE RICHARD CHARLES LEE, O.B.E.

THE HONOURABLE KWAN CHO-YIU, O.B.E.

MR. ANDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*).

**MINUTES.**

The Minutes of the meeting of the Council held on 16th March, 1960, were confirmed.

**PAPERS.**

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

<i>Subject.</i>	<i>G.N. No.</i>
Sessional Paper, 1960: —	
No. 7—Annual Report by the Government Printer for the year 1958/59.	
Stamp Ordinance.	
Stamp (Bank Authorization) (No. 1) Order, 1960 .....	A. 20.

**REPORT OF THE SELECT COMMITTEE ON THE  
ESTIMATES FOR 1960-61.**

H. E. THE GOVERNOR: —Let us resume this Debate on the Select Committee's Report on the Estimates.

THE DIRECTOR OF MEDICAL AND HEALTH SERVICES: —Your Excellency, my honourable Friend the Senior Unofficial Member has touched on a number of points dealing with the Medical and Health Services which require comment. First, he can rest assured that the Department will not be discouraged by the poor response to the offer of free preventive inoculations, particularly against diphtheria and typhoid. Quite apart from the continuing health education carried on every day in the Maternal and Child Health clinics, the recently formed Inter-Departmental Committee on Health Education is giving priority to this aspect of the work. Until diphtheria and typhoid have been brought under full control all departments of Government represented on this Committee—Medical, Urban Services, Resettlement, Secretariat for Chinese Affairs, Education, Labour, New Territories Administration and Information will take every opportunity to keep before the public the fact that the desired end can be achieved only if the full co-operation of all concerned is forthcoming. In this connexion I should like to pay tribute to the Kaifong Associations, including the women's sections, for their active and increasing support in this important activity.

I certainly agree with him that we must continue to plan for expansion, within our means. To this end a five year segment of a fifteen year plan is being studied by Government at the moment. As far as hospitals are concerned it is obvious that the staff and other resources will confine us to the projects already in hand and due for

completion within this period. On the other hand, it is proposed to push on with the expansion of the clinic services so that as many as possible of the new centres of population can be served. Clinics can be built relatively quickly, can be staffed and some will provide emergency casualty facilities at strategic points. In addition, maternity beds for normal cases will be included at certain of these clinics and this will apply to the clinic proposed for Shau Kei Wan. I hope this clinic, thanks to the generosity of the Hong Kong Jockey Club, will materialize within the next 12 to 18 months. Other facilities planned for this eastern end of the Island include a clinic at Chai Wan and one later in North Point. The Shau Kei Wan general and convalescent hospital is now in Category C of the Public Works Building Programme, and schedules of accommodation are being prepared. However, construction work is unlikely to be put in hand until the Queen Elizabeth Hospital and Queen Mary Hospital extensions are completed and adequately staffed.

The need for more tuberculosis beds in Kowloon is fully appreciated and the existing Kowloon Hospital of 400 beds will be used as a Tuberculosis Hospital for Kowloon as soon as the move to the Queen Elizabeth Hospital has taken place. This I believe will be a central and convenient site for the purpose.

Reverting to clinics, the honourable Mr. FUNG Ping-fan has referred to exploitation of sections of the public by certain so-called "free" clinics. Legislation requiring the registration of medical clinics has been drafted and will be discussed shortly with representative groups in Hong Kong who are intimately concerned with this urgent problem. I hope the Bill will be before Council shortly.

My honourable Friend Mr. BARTON has referred to the birth rate and its impact on our problem of people. His comments are noted and will be given full consideration when subventions are being reviewed.

My honourable Friend Mr. RUTTONJEE has asked for information regarding the cost of maintaining beds in Government Hospitals. A standard for comparison is necessary and one must be sure that the services provided and the turnover of patients are equivalent if the comparison is going to be of any value. We are constantly being reminded of the shortfall in the ratio of services provided per 1,000 of population in Hong Kong and the modern standards quoted refer to those in the wealthy welfare states. However the standard of service provided, despite the physical shortfall, is another matter and those visitors best qualified to judge have volunteered the opinion that the Queen Mary Hospital as a Teaching Hospital for Undergraduates and a School of Nursing is the equivalent of a Teaching Hospital in the United Kingdom; further, that Kowloon Hospital provides a standard of medical and surgical care similar to that in a busy acute general hospital elsewhere.

The Scots are said to be a hard-headed and thrifty race and therefore I have taken the 1958 costings for hospitals in Scotland as a comparison. They should be studied in the light of the average length of stay of in-patients which, in the comparable Scottish hospitals, varies from 15 to 24 days. During last year the average in-patient occupied a bed in the Queen Mary Hospital, which is the equivalent of a University Teaching Hospital in Scotland, for 14.4 days; the cost of maintenance for the year was \$17,646 compared to \$18,250 in Scotland; the average stay in Kowloon Hospital was 7.3 days and the cost was \$16,626 compared to \$17,000 in Scotland. In other words twice as many patients occupied the beds in Kowloon Hospital and twice as many operations, investigations, medicines and dressings were required. For the hospitals engaged in the care of long-stay patients such as Lai Chi Kok and the Mental Hospital the costs are perhaps more related to local conditions and to certain of the hospitals operated by private people in Hong Kong. For example, the cost per annum in Lai Chi Kok is \$5,150; in the Mental Hospital it is \$5,860. I must emphasize that this refers to services provided in these institutions. The only comparable figures I have access to in hospitals maintained by voluntary and missionary bodies are \$6,270, \$5,800 and \$6,000 per bed respectively. I shall be very glad to go into this further with my honourable Friend to ensure that the bases of costing are the same and related to all the variables arising from such items as staff salaries, staff ratios, services provided and voluntary services given for which no charge is made.

I cannot close, Sir, without paying a sincere tribute to the many agencies in Hong Kong who work with Government to provide medical services, the Chinese Charitable and Welfare Boards and Associations, the Hong Kong Anti-Tuberculosis Association, the medical missionary bodies and the many welfare societies who give so much interested service. In addition the generosity of the Hong Kong Jockey Club which has provided so many fine modern institutions is gratefully acknowledged. (*Applause*).

THE DIRECTOR OF PUBLIC WORKS: —Your Excellency, there has been some welcome relief this year from remarks about delay in spending and lack of forward planning. Last year in this Council I refuted charges of "delays" and it now appears that our advance plans are sufficiently ahead of the financial means to implement them as to warrant the application of brakes.

A well planned works programme may be likened to a heavy flywheel which requires great effort and time to get it moving and once set in motion it takes equal time and effort to slow it down again. For years now we have been urged to increase the tempo. I share some of the qualms expressed by honourable Members because I have watched by means of graphs the growing momentum of the flywheel and, as everyone knows, this increasing momentum could result in an

explosion unless it is controlled by a governor—I refer of course to the mechanical appliance. You Sir, and my honourable Friend the Financial Secretary have sounded a warning on the volume of capital expenditure to which we are already committed. Nevertheless private investment is still forcing the pace towards further Government expenditure and private development cannot continue unless Government provides certain basic services.

Certain honourable Friends amongst the Unofficial Members directly and indirectly drew attention to this themselves; for example: —

I quote, the Honourable NGAN Shing-kwan, speaking of the water situation "the expansion programme . . . has not proved nearly sufficient to satisfy the demand for water."

Of Education—"It is necessary now to concentrate on the provision of more secondary schools."

Of Medical Services—"We must continue to plan for the expansion of medical services."

The Honourable FUNG Ping-fan echoed the comments on medical services with a plea for more hospitals for the Colony and the provision of more Out-Patient Departments.

The Honourable Dhun RUTTONJEE asked for the demolition and reprovisioning of the G.P.O., Fire Brigade and Marine Department buildings.

Now, as to these last items, the Town Planning Board has been charged by Your Excellency with the duty of preparing a plan for the central part of the City including the Central Reclamation and Naval Lands. It has already agreed on certain broad principles which should be followed and detailed schemes based on these principles are now in the course of preparation.

Within these outline plans now being prepared sites have been earmarked for various Government buildings including these mentioned by the Honourable Dhun RUTTONJEE.

However, the sites in question are situated on Stages II and IV of the Central Reclamation, work on which has not yet commenced. It will therefore be a number of years before the departments in question are rehoused. These remarks cover the question of planning; of course there still remains the question of funds for the buildings and in view of threatened curbs on expenditure and possible financial stringency it would be out of place for me to prognosticate.

The Honourable Mr. CLAGUE has pressed for early development of the Naval Dockyard Land and this is contiguous with development of the central area. The total area involved in Your Excellency's brief to

the Town Planning Board is some 75 acres and, being situated in the very heart of the City of Victoria, there is unique opportunity here for a magnificent contribution to proper expansion and improvement. It is imperative therefore that the matter be very carefully and thoroughly considered before any development is allowed to take place which might prejudice this.

At the best I hope that the Board may be in a position to publish their plans and proposals as required by the Town Planning Ordinance early in 1961. I urge caution because the layout of the City depends upon it and any hurried, hand-to-mouth, expediency could have far reaching and most regrettable effects. I do ask therefore for some indulgence from honourable Members on this question.

In reply to the Honourable FUNG Ping-fan urging Government to bolster tourism by encouraging the building of more modern hotels and expediting approval of plans, I would mention that tentative and approved plans for hotels submitted in 1959 will provide if built 639 beds in Victoria, 1,578 in Kowloon making a total of 2,217. These do not include potential hotel sites at Murray Parade Ground, Repulse Bay, and Waterloo Road. There are also residential sites available for which applications from hoteliers would be considered. This is purely a matter of choice for the private investor—an individual case which springs to mind is the recent sale of Glenville house which many thought was an ideal site for a first-class hotel. If the developer hopes to make more money by developing the land for flats than for an hotel I suggest it is up to him.

Finally, Sir, I and members of my Department are very conscious of our responsibilities in being charged with the Expenditure of some \$300 millions of Public funds within the next 12 months. I can assure Your Excellency and honourable Members that we shall do all in our power to ensure that this large sum of money is properly invested and not just spent. (*Applause*)

FINANCIAL SECRETARY: —Sir, in the course of my introduction of the Budget, I did say that I felt that our financial position was not bad enough for us to panic. If I might make the position even more clear, my feeling was, and is, that we would do well to mark time until the end of this year to see how things would go. But my honourable Friend, Mr. BARTON, despite my advice, seems to have become alarmed, alarmed to the extent indeed of making concrete suggestions that we should start borrowing now. I can assure him that the question of borrowing has been in our minds for a year or more. The problem in borrowing locally is, of course, the strong prejudice against fixed interest stocks, but I do not share his optimism about the prospects of borrowing in the West, and I doubt if we would be given access to the London market. I can tell him, here and now, that the answer to an

application from us for a place in the queue of borrowers would undoubtedly be that our rates of taxation are far too low; that there is plenty of money in the Colony; and that there are far more deserving applicants. I am not at all sure that, if we were to apply to the World Bank for a loan, the report of the investigators who would come here, would not be to the same effect—that Hong Kong could well afford to raise the money itself, either by local loan or by increasing taxation. A World Bank loan would probably cost us 7%, so that if they did indeed agree to lend to us, it does not seem a very sound proposition to borrow £ 30,000,000 at 7% when we have reserves of £ 30,000,000 earning less than 5%. But I am grateful to my honourable Friend for his suggestions. May I add that I do not accept my honourable Friend's conclusion that our average deficit for the next six years or so will be anything like \$200 millions a year. On the other hand, I am afraid that I can hold out little comfort to my other honourable Friend, Mr. FUNG, who expressed the hope that we would balance the budget after all. But I shall do my best, and I am grateful for the support that Members have expressed for the restrictions on spending that I propose.

Mr. CLAGUE'S statement to the effect that when the Public Works Sub-committee agreed to the grading of projects they were not in possession of the estimated costings is not quite correct. If my honourable Friend will look at his copy of the Report of the Sub-committee, he will see that estimates are shown for all Category "A" items, and I might add that the total estimated cost of them all is \$1,079 millions. The procedure for the Public Works Programme normally is that a desirable project is admitted first to Category "C", which means that it is worthy of investigation. Then when the Public Works Department gets round to this particular project, the sub-committee may approve promotion to Category "B", which means that the Public Works Department is authorized to go ahead with a full investigation and with the formulation of an estimate. It is only when the sub-committee has received the plans and an estimate of cost, that it will consider advancing the project to Category "A", which means that then, and only then, it may go ahead. All the projects which the sub-committee advanced to Category "A" did have estimates and the sub-committee saw these estimates. What the sub-committee did *not* know was the fact that the Public Works Department would be able to spend as much as \$280 millions on the programme within a period of twelve months. This is the fact that has surprised us all.

My honourable Friend, Mr. RUTTONJEE, made an obscure reference to hair-raising stories of waste of public money on Government contracts. I fear that he is a little off the rails in suggesting that a remedy for waste might be to put members of Finance Committee on the Tender Board. The Tender Board merely awards contracts.

The estimate for the job is accepted by the Public Works Sub-committee and by Finance Committee before tenders are called, and if the tendered price put up to the Tender Board is in excess of that estimate, the authority of Finance Committee is required for the estimate to be increased. Only after Finance Committee has approved the increased estimate is the contract awarded. It therefore appears that, if these hair-raising stories of waste of public money have any substance, the waste has nothing to do with the Tender Board. I would add Sir, that the largest contracts are not awarded by the Tender Board; they are awarded by Your Excellency on the advice of your Executive Council.

Before leaving the point I would plead with my honourable Friend please to communicate to us early any information he may receive about waste of public money. I can assure him, Sir, that a full investigation will be made in every case.

The question of water has been raised by several members and I am grateful to my honourable Friend, Mr. LEE, for emphasizing just how cheap water is in this place, despite the great difficulty we have in supplying it. It is correct that the great majority of the standpipes are free—the actual number of free standpipes, some of which have as many as six taps, is 460—so that the less fortunate among us still pay nothing for their water. The standard resettlement rent of \$14 a month includes \$1 for water. The Resettlement Department will have to pay the Water Authority for water at the increased rate, but the question of increasing rent has not yet been considered. I have already emphasized the fact that the increase in the cost of water for the ordinary domestic consumer is trivial.

I am sorry that I must reject Mr. LEE's suggestion for a rebate to industry in respect of their water charges. It was brought out in the Report of the Mould Commission that in Kowloon the domestic consumer of electricity was subsidizing the industrial consumer. We do not, Sir, propose to allow the same thing to happen with water; if we were to allow a rebate to the industrial user of water, we would be supplying below cost, and I see no reason at all why the taxpayer, or the domestic consumer of water, should subsidize industry, which can well afford to pay.

My honourable Friend, Mr. KWOK Chan, once again raised the question of distillation or desalting of sea water and suggested that a committee might be appointed to consider the problem, with special reference to the use of atomic power. As Your Excellency indicated at the opening of the budget debate, it is quite clear that water obtained from natural sources is cheaper by far than water produced by distillation, and that there is no prospect of this situation changing materially in the foreseeable future. I am informed that the best distillation results so far achieved have produced water costing one American

dollar per thousand American gallons—six times the price we will charge. We went into the possibility of an atomic station which would produce both electricity and water, but the estimated cost of such a station was in excess of \$800 millions, and would produce only 50 million gallons of water a day. Expenditure on that scale is not to be thought of at present in the light of the probable costs of the schemes for Plover Cove and Hebe Haven. Finance Committee is being consulted in the very near future on proposals for large scale development of these two schemes, and it is probable that the total cost will be between \$600 and \$700 millions and that the daily yield will be not 50 million, but 100 million gallons of water a day, at a cost of under two Hong Kong dollars per thousand imperial gallons. Government must therefore Sir reject my honourable Friend's proposal for a committee to go into the question. If the population continues to increase as it has been doing, and if water consumption also continues to increase at the same rate as during the past few years, I foresee that all the new sources now becoming available—Shek Pik, Plover Cove, Hebe Haven, and across the border—will within twenty years prove inadequate, and then our successors will be driven to the use of distilled water, whatever the cost. Let us Sir leave it to them.

My honourable Friend, Mr. RUTTONJEE, sought some assurances. He wanted me to assure him there is no evasion of earnings and profits tax. I think, Sir, that in asking me for this assurance he was quite serious of course I am quite unable to give any such assurance. There is no tax in any part of the world that is 100% effective. But I can tell him that when evaders are caught, they receive rough treatment. If my honourable Friend will refer to the Annual Report of the Commissioner of Inland Revenue for the financial year 1958/59 he will see from Schedule C to that Report that penalties imposed for various offences during that year alone totalled over \$433,000, including penalties of over \$117,000 for what is described as "wilful evasion". These figures are for cases which do not go to court, and doubtless my honourable Friend will have seen a number of court cases reported recently in the newspapers. It is too much to expect that tax will not be evaded. Indeed it is perfectly natural that people will evade if they think they can get away with it. Yet further, the wiser among them will so order their affairs as to avoid tax legally as much as they can. But I can assure honourable Members that the department is alive to the fact of evasion. For example, now that they are up to date in their work, steps are being taken to track down unregistered businesses. The number of such businesses being found is quite considerable, and they are being gathered into the net. One might expect much more revenue as a result, but the fact of the matter is that many of these businesses are very small, and their profits are under the taxable limit, so that the time and labour involved in going into their accounts is wasted. Some of them, of course, prove to be most rewarding.

I am sure that we are in full agreement with my honourable Friend, Mr. CLAGUE, that we would prefer to increase the number of clients of the Inland Revenue Department rather than that the rate of tax should go up, but I am far from clear what additional statistics he would like. If, after reference to the Report of the Inland Revenue Department to which I have referred, he would let me know what additional figures he wants, I shall be happy to do my best to meet his wishes.

Here I might perhaps refer to a rather foolish criticism, not, I am glad to say, voiced in this Council, that many people who are able to run motor cars pay no tax, the inference being that they are evading tax.

It must be remembered that we have no full personal income tax. We have a series of direct taxes ranging from Corporation Profits tax to Salaries tax. Our rates of tax are very light, and it is the case that a married man with a family need pay no Salaries tax unless he is earning something over \$20,000 a year. And if he has income from investments, it is tax free also because the corporation has already borne the tax. It is therefore possible for any salaried man to have quite a large tax-free income, and with \$20,000 a year or more it is not impossible, with hire purchase facilities, to run a motor car to take the family out on week-ends. It is therefore a little silly to lay accusations of inefficiency or incompetence against the Inland Revenue Department because a man runs a motor car but pays no tax. At least Sir now he pays rather more in petrol duty.

I would Sir take this opportunity to invite honourable Members, and indeed any member of the public, to tell us at once of any instances where they have grounds for suspicion that tax is being evaded. The information will be treated as confidential and will be followed up.

The question of costing of public services has been raised. This is a point that we have had in mind for many years, but we have been up against the plain blunt fact that without the people qualified to undertake costings we were unable to do anything. Some year ago we took advantage of the fact that we had a qualified accountant available, to put our water accounts on a proper basis, with lasting results, but when this officer left the service we were unable to make further progress until the Salaries Commission reported. I hope that now we have approval for recruitment of qualified Treasury accountants we may make some progress, and I have already asked the Accountant General to see what he can do, with the few men that he has at his disposal, to produce accounts for such semi-commercial undertakings as the Sand Monopoly, the Furniture Workshop, the Post Office and the Railway. I am particularly interested in the furniture workshop because I suspect that we would find it much more economical to put all our new furniture out to contract rather than to make it ourselves. Further steps in this direction will be taken as soon as the staff become available for the purpose.

My honourable Friend, Mr. NGAN, raised the question of resettlement rents. It is quite correct that the rent of \$14 a month now charged has been worked out on the basis of amortising land, at \$10 per square foot, and buildings, over 40 years at 3½%, charging \$1 a month for water, and adding in the cost of maintenance and of staff. So far, the income from rents has just covered the expenses worked out in this way, but with the 25% increase in the price of water, and with the increase in personal emoluments following on the Salaries Commission, it looks as if there will be a loss of between a dollar and two dollars a month on each room in the future. And I may say that a good part of this loss is probably due to very heavy consumption of water; the dollar charge does not nearly cover the actual cost of the water used. My honourable Friend stated that he would be reluctant to see rents increased, and we shall bear this in mind in reviewing the position, as we shall have to do. I am assured that the buildings will last for forty years.

The question of our future economic policy has been touched upon by Mr. CLAGUE and Mr. BARTON, and the latter's answer to the problem with which we are faced is that the Hongkong and Shanghai Banking Corporation should take the lead in refusing finance for certain types of expansion. I think Sir that my honourable Friend overestimates the influence which the Hong Kong Bank, or any of the leading banks, may have in such matters. For example, it was not so long ago that the Hong Kong Bank moved to discourage speculation on the Stock Exchange, with little lasting effect. Money for industry is readily available from sources other than the leading banks, admittedly at rates of interest higher than leading banks would charge, but at rates which are still attractive to industrialists.

The alternative proposal by my honourable Friend, Mr. CLAGUE, that special consideration should be given by way of grants of land, and of finance, to pioneer industries, raises an old problem which has bedevilled us for many years. Conditions here are nothing like those in other countries in that land is a scarce and precious commodity. If land is to be granted to anybody at a price below its economic level, then every measure must be taken to ensure that the lucky person who gets it uses it honestly for its proper purpose, and does not dispose of it, directly or indirectly, at a profit. We have been caught too often in the past with this sort of thing, and we have been subjected to much criticism. His right even to mortgage it in order to obtain finance for his factory would be severely restricted. I imagine that my honourable Friend's answer would be that the finance should be provided by his proposed development corporation. We have had for some months a committee sitting on the question of an Industrial Bank and I am glad to say that the committee has now reached its conclusions and hopes to furnish us with its report before very long. Meanwhile, as was

mentioned in another assembly recently, a certain amount of the diversification desired by my honourable Friend appears to be coming about, without, be it noted, any artificial stimulants. Perhaps Sir really we are in the position of not being able to see the wood for the trees. Is it not really the case that the history of industry in Hong Kong since the war has been a history of steady diversification? All our big industries here are post-war developments; textiles, plastics, and shipbreaking are examples.

On the question of making more industrial sites available, I am inclined to agree that something might be done, and something should be done. There should be twenty five more sites available at Kwun Tong very soon. Sites on the old airport should begin to be available by the end of this year, and scattered sites are available elsewhere in the Colony. But we are Sir a little concerned at the length of time it seems to take for a site to be put up for sale after an application has been made, and we are looking into the possibility of shortening it. We are also thinking in terms of allocating priorities to applications for land. The idea is that if a pioneer industry should apply for a site, then the disposal of that site should have top priority: it would follow that an application for land from an over-expanded industry, such as, at present, the garment industry, would go to the bottom of the priority list.

Several members have raised the question of goodwill missions abroad. This is a project with which Government, despite the cost, has a great deal of sympathy, but it must be remembered that the organization of a mission is not the simplest of matters. It is the keen desire of the Director of Commerce and Industry to send a mission to Australia this year, but it looks very much now as if this will have to be postponed. We are suffering acute staffing problems. The Commerce and Industry Department will be short, not only of Trade Officers, but, in common with other departments, including my own, of Administrative Officers also, and the Director tells me that his difficulties are such that it is extremely unlikely that the mission will eventuate this year. I hope that in future years things will not be so bad, but until we can make up our staff deficiencies, I am afraid that the question must rest there. It is not only a question of deficiencies of Government staff, for this year we were not represented at the E.C.A.F.E. Conference in Bangkok. This was not because of lack of any desire to be represented; in this case the basic reason was that no member of the Trade and Industry Advisory Board could afford the time to go.

When I presented the Estimates four weeks ago, I said that, even though we face a record deficit, we would do well not to panic. When I started to speak this afternoon, I repeated that advice. I would now Sir emphasize it again. There is no need for us to go round with gloomy faces, imagining that we are on the verge of bankruptcy,

cutting down completely on our public works, and generally showing ourselves to be unworthy to be representatives of this rich and prosperous Colony, whose people have built it up to its present outstanding position by their own unaided efforts. Let us be sensible. We must get on with the task of providing our people with their needs; we should be failing in our duty if we were to stop all development merely because we may have to draw on our savings rather heavily during next year. What are savings for? Let us press on to the limit of our capacity, with confidence in the present, and with faith in the future. (*Applause*).

COLONIAL SECRETARY: —Your Excellency, interwoven throughout the earlier speeches in this debate, there was a variety of comment on the Public Service. I detected some criticism, some warnings—and some bouquets which I am sure the Service would wish me to acknowledge with gratitude. But all in all, I got the impression that Honourable Members were throwing down a sort of challenge; —a challenge that might be worded something like this: The Colony has voted a very large sum of money in an effort to ensure that its Public Service has good salaries, good prospects and good working and living conditions. It has done this at a time when it is virtually certain that revenue can no longer meet expenditure. In return for this concern for, and confidence in, its Public Service, the Colony demands four things:

- First: That the Service should organize itself on the most efficient and economical lines, with the result that each single officer is fully occupied on productive and essential work.
- Second: That inefficient officers and those who have outlived their usefulness should be removed; and that merit rather than mere seniority should be the criterion for promotion.
- Third: That the fight against corrupt practices in the Public Service should continue with renewed vigour.
- Fourth: That not only should posts in the Public Service be given wherever possible to local men and women, but that facilities should be provided for training local men and women for posts for which they do not qualify without special training.

Well, if that was the sort of challenge that Honourable Members intended, I will say at once that Government accepts it. Perhaps I might take the four points which I have just enumerated one by one. First, efficiency and economy in organization. Honourable Members will recall the emphasis that the Salaries Commission's Report placed on this very matter. We were urged to seek advice and guidance from acknowledged experts in the field of organization outside the Colony. This was as a matter of fact one of the first of what I may call the "general" recommendations of the Commission which we tackled, and

I would like to acknowledge publicly the enthusiastic help and advice which we received from Mr. PLATT. His first, and very promising, suggestion had to be abandoned for reasons which were beyond our control. But we now have another proposal and I shall be putting this to Unofficial Members in Finance Committee very shortly. The scheme will, I think, meet honourable Members' views very closely, for it proposes that we should make a start by examining the organization of the larger departments in the hope that we shall not only gain specific benefits in relation to those departments, but that the exercise itself will teach us much in relation to general problems outside the particular subject of inquiry. I have heard it said that we should have done all this earlier and that we should have done it from our own resources. But in Hong Kong pressure never eases. A man who is running a race cannot pause to study either his pace or his style. We are still running the race, and I hope that we shall run it better with an expert coach who has time to criticize and advise us.

The second point related to the clearing of "dead wood" and the selection of the promising saplings. I will simply say that we have already put our hand to this delicate task and that the work of refining the forest will continue, though I do not think that any honourable Member would expect to see dramatic results. We cannot afford, nor would I advocate, a heavy purge; and promising youngsters must still be thoroughly tried and tested, —for a deep experience of Hong Kong's peculiar ambience is still the most crucial item in a senior officer's equipment.

The third point, raised by my honourable Friend Mr. J. D. CLAGUE, was Corruption. I was glad to hear my honourable Friend's tribute to the work that has already been done. It is true that there has been an official Committee in existence for some time. That Committee did useful work, but it certainly had bitter experience of the difficulties with which this whole problem is beset. Basic rights of the individual, the underlying principles of British justice, are not matters which can be impugned, however remorseless the determination to eradicate an evil may be. Corruption of course could be cut right back within a few months if "gestapo" methods could be used. But they cannot be used, and the basic problem is how to defeat one of the most secret of all evils by methods which are open and manifestly just. As honourable Members are aware the official Committee produced a particularly striking suggestion which has now been put into effect. Very briefly, this new proposal gives Your Excellency power to inquire into the case of an officer who is clearly living above his known resources and who is unable to explain this in a satisfactory manner. We understood from the Secretary of State that this line of action had never before been tried in any territory for which he was responsible, and I can assure honourable Members that it was not finally cleared without much

argument and concern. But what is even more striking is the fact that, novel and grave as this development certainly is, it was welcomed and firmly endorsed by both the European and the Chinese Civil Servants Associations. It is sometimes, I fear, assumed that there are no more than three parties concerned in the question of corruption in the Public Service. First, the corrupt receiver; second, the corrupt giver (for he is equally corrupt) and third, an outraged public. But there is a fourth party that is very much concerned, that has very strong views on the subject, and virtually no opportunity of ventilating these views in public. I refer, Sir, to the large body of public servants who are honest men and women, who take a pride in the Colony and the Service and who resent the wholesale disparagement of either.

We have for a long time been conscious of the difficulties which inhibit an easy solution to this old and endemic problem. Some weeks ago Your Excellency informed the Secretary of State that it was proposed to strengthen the existing committee by the inclusion of Unofficial Members of Council in the committee, and Your Excellency later decided that the Chairmanship should be assumed by the Attorney General himself. On 16th March Your Excellency appointed the Attorney General, The Honourable H. D. M. BARTON, The Honourable R. C. LEE, the Establishment Officer and the Deputy Commissioner of Police to be members of a new committee with the following terms of reference: —

"To consider and keep under review the incidence of, and problems presented by, corruption in relation to the Public Service of Hong Kong, and to make recommendations from time to time."

I think that both anticipates and answers Mr. CLAGUE'S question; but I cannot pass on from his remarks without one further observation. In speaking of Corruption in the Public Service my honourable Friend gave three "examples", as he called them, and the third was the abolition of the tax on toilet preparations. Honourable Members will I am sure be interested and pleased to learn that careful inquiries show that there was virtually no corruption of public officials involved in the administration of this tax, which has now been repealed—though not, of course, as might be inferred from my honourable Friend's speech, for reasons connected with corruption. The boot, this time, is on another foot. There were abuses, certainly, but to the best of my information, these abuses were committed by certain traders behind the backs, as it were, of the Preventive Service which was fully extended at that time on more important matters. I mention this partly, of course, to get the record straight, and partly to illustrate two propositions: first, that abuses or evasion of the law do not always, or necessarily, involve the public servants concerned with the administration of that law, and second, that the incidence of corrupt practice goes far beyond the limits of the

public service. Indeed, in my personal view, it is impractical to think of a completely honest public service until there is a very significant change in the general standards by which personal conduct is judged in Hong Kong, and in the attitude of the ordinary man in the street to the taking and giving of presents—which are, in effect, considerations. My honourable Friend also referred to the matter of taxi licences. I will deal with that in another connexion.

I turn now to the fourth point in what I have called the challenge: posts for local officers, and their training. The policy of training local officers for posts of higher responsibility has been consistently followed, and there is statistical evidence to show that the policy is being successfully implemented. In 1950 out of 502 officers in professional and administrative grades and in more senior posts 54 of 10.8% were local officers. By the beginning of this year when the total number of officers in this group had increased to 1,297, 501 were local officers and the percentage had risen to 38.6. It is perhaps worth mentioning that the Public Services Commission advised in 1952 that 14.6% of all vacancies within its purview should be filled by overseas recruitment; by 1959, the proportion had fallen to 3.8%.

In April of last year, a Report on the Training of Government Servants during the years 1952-1958, giving a factual account of what had been done, was circulated to Members of Council and to departments, with more limited circulation outside Government, although notes on salient features of the report appeared in the press. The conclusion reached was that a great deal of training was being done, but that further impetus and more central direction were required. The Salaries Commission, aware of the report, gave the matter much thought, and recommended that a training unit be set up in the Establishment Office under a senior officer. The unit would be responsible for supervision, co-ordination, and advice on training throughout all Government departments. Plans for the building up of this unit are well in hand, and in the course of the next few months, Finance Committee will be asked to approve the necessary additional funds to bring it into being.

There are two main problems, in-service training on the one hand and courses of instruction leading to a basic professional or administrative qualification on the other. In-service training, in the form of training on the job and special departmental courses, is already extensively used. In addition, training at local institutions or overseas training for acquisition of secondary or specialized qualifications is encouraged; it is for this type of training that \$1,400,000 has been provided in the draft Estimates, as compared with \$1,100,000 in the current year. It is worthy of note that the number of local officers sent overseas on courses of instruction has increased from 22 in 1956 to 70 in 1959.

Whereas it is now not proving too difficult to recruit local officers in the professions which parents normally encourage their children to follow, it is quite a different matter to find satisfactory local candidates for more specialized professional appointments and for administrative grades. Something can be done by in-service training, but the only way to tackle this problem effectively is by some scheme of scholarships at overseas universities or technical institutions for young people who have matriculated locally and have shown genuine promise, probably during a period of employment in the Public Service. The idea is being examined; it will take time to work out. What is certain is that if anything is to be done on a large scale it would be initially very expensive; there would inevitably be some wastage; and it would be perhaps five years from the date of inception of a scheme before its benefits would be reflected in economies in the votes for leave, passages and housing.

Several Members referred to the continued growth of the Government establishment, but perhaps the *present* financial year would have provided a more corpulent target than that on the threshold of which we now stand. The estimates now before Honourable Members in fact show a reduction in new posts of 436 as compared with the estimates for 1959/60. I am not sure that some Honourable Members appreciate the degree to which departmental estimates are scrutinized, and the relative severity with which they are pruned, in the Secretariat. This exhausting process of re-assessment and re-examination continues from October to the end of January each year. This year the Secretariat cut down the demands of the departments by no less than 2,652 new posts. The Honourable NGAN Shing-kwan asked for more time for the Unofficial Members to examine the proposed increases in staff. We shall certainly consider any proposals he may make to extend the three weeks at present allowed for the Select Committee's deliberations; but I think that the Select Committee could be expected to improve on the 40% cut already achieved by the Secretariat only on one of two assumptions: it must be assumed either that approved policy could be drastically amended, or that the staff increases proposed by departments were altogether outrageous. If the annual estimates are studied carefully it will be seen that the major increases are accounted for by a relatively small number of departments. These departments, Agriculture (which includes Fisheries & Forestry), Education, Fire Brigade, Medical & Health, Police, Public Works, Urban Services and Resettlement, eight departments in all, were responsible for 3,863 of the additional 5,117 posts in the 1959/60 draft estimates and, together with a temporary newcomer, the Census Department, are responsible for 3,687 of the additional 4,681 posts for 1960/61. This is part of the price the Colony must pay, as an expanding community, for law and order, for protection against fire and disease, for more education and medical care, for development of agriculture, fisheries and forestry, for resettling squatters

and persons living in dilapidated tenements, and for the vast range of buildings and other projects listed in the public works programme. If a *substantial* curb is to be placed upon the growth of the Government establishment it can only be as the result of decisions taken deliberately to restrict, or to lower the standards of, the service which Government offers to the community, —a community whose numbers were estimated at the end of 1959 to be approaching three millions.

There are many facets, Sir, to this question of the growth of the Public Service. That Service undoubtedly covers a much wider field in Hong Kong than in some other countries. It is indeed the integration of a huge municipality with a central Government, —and even then large sections of its staff are engaged in work, such as Resettlement, which is unique to our time and place. It is surely axiomatic that Public Works of the size and variety to which we are now accustomed in Hong Kong, cannot be undertaken without substantial staff increases *in that department*. What is not perhaps realized is the diversity of the *contingent* staff increases that arise in other departments. I will give just one example of this: almost the first requirement in connection with our great water schemes in the New Territories is not engineering staff, but more experienced and trained staff for the District Administration to study and settle all the matters connected with land tenure, land usage and reprovisioning which must be completed before the engineers can enter upon the land. At all events it can be said with some certainty that staff increases over the last ten years have followed a recognizable and consistent pattern in relation to total expenditure. The cost of the Public Service in relation to total expenditure has been remarkably stable. For the last three years it has varied by only 0.1% over the present figure of 34.7%. Ten years ago it was 37.3%. I know that economists would say that this is not the whole story. Nevertheless it is perhaps sufficient to show that matters have not got out of hand.

I apologize, Sir, for having taken up so much time on matters connected with the Public Service. But the Salaries Commission's Report is a major policy document to which some reference is necessary, and Honourable Members themselves have this year shown a particular, and understandable, interest in establishment matters.

But though I must now finish with the Public Service I cannot yet leave my honourable Friend, Mr. CLAGUE. "Illegal Taxis". The Police traffic specialists have long felt that this misnomer, for they regard it as such, is itself responsible for some of the confused thinking that has engrossed this very difficult problem. It is perhaps less open to misconstruction if this particular phenomenon is defined as 99.9% of the population in fact define it, namely, the Pak Pai Che. The Pak Pai Che is not characteristically hired by a single individual for time or distance, and is not, therefore, a taxi. It might best be described, in the language appropriate to this Chamber, as a small bus, a small bus

of convenience, an unlicensed small bus of convenience. It is hired either by a party for an agreed rate for the journey, or by a number of single individuals by the seat. Because it is unlicensed it is uninsured, and it constitutes a shocking menace both to those who ride in it and to those other travellers whose path it crosses. But for reasons which I have just given it is not a taxi, and an increase in the number of taxis in the urban areas would not, emphatically not, supersede the demand which keeps it in being. The remedy lies, not in more taxis, but in improved bus services, in the licensing of "hire cars", and in providing for "public car" services to fill any needs which cannot be met by the bus services. The expressions "hire car" and "public car" now have a special connotation. This is defined in the Road Traffic Ordinance of 1957.

Honourable Members are aware of the two ordinances which were recently enacted to govern the operation of the bus companies. Two important features of these ordinances are that it will now be possible to license "public cars" as school buses and buses for the carriage of workers, and that it will also be possible to arrange for "public cars" to be run on routes which the bus companies are unable to cover. Another important step forward was made yesterday when new Road Traffic (Taxis and Hire Cars) Regulations were made. These will be published in the *Gazette* on Friday and will enable the Commissioner of Police to receive applications for "hire car" licences, thus meeting another urgent need.

We have also recently called for applications for taxi licences in the New Territories where the Pak Pai Che is particularly prevalent. It was necessary to call for applications for *taxi* licences because the regulations governing "public cars" and "hire cars" were not yet in being. A large number of applications has been received, but it is hope that many of these applicants will in the event re-apply under the new regulations for "hire car" licences, which are in many cases more appropriate to the particular needs of the New Territories. As soon as these applications have been dealt with arrangements will be made for the licensing of "public cars" in the New Territories.

I am afraid that all this is very complicated, but it would need far more time than I have available to explain the position in more detail. There is no single simple solution to the problem of public transport, but the need can be met if we continue to advance calmly and logically on a broad front as we are now doing, and if we arrange to provide the precise types of transport that are, in fact, needed. But I am sure that it would not be wise, as Mr. CLAGUE has suggested, to license vehicles to operate indiscriminately in the way that these unlicensed vehicles are operating at present. The Commissioner of Police will, therefore, continue to exert pressure against them as and when he is able to obtain sufficient evidence, —and here I must point out that

it is one thing to suspect that one of these vehicles is operating illegally, and it is quite another thing to obtain the evidence necessary for a conviction. I would emphasize that the proposals which I have outlined above have been plotted by the Traffic Branch of the Police after several years' study of this serious problem. A broad range of different types of passenger vehicle to suit varying needs can now be licensed, and once vehicles in these categories are in operation, we shall, I hope, see considerable improvement in the present situation.

The Honourable J. D. CLAGUE raised three further points concerning transportation. First, he referred to a Highway Authority, or some such body, and asked for a statement on the position. All I can say at present is that, as was announced in June 1959, a Committee has been appointed by Your Excellency, under the Chairmanship of the Director of Public Works and including both official and unofficial representation. Its terms of reference in general terms are to advise Government on the desirability of establishing a single organization or authority on the lines mentioned by Mr. CLAGUE and to make recommendations on its composition and its powers and functions. I understand that this Committee has nearly completed its study of the problem and that it will be presenting its report to Government shortly.

Second, Mr. CLAGUE referred to the delay in providing a permanent second vehicular ferry service. I do not think I need go into the past history of this matter. It was indeed fully reported upon by myself in the Budget Debate in 1958 and by the Acting Colonial Secretary in 1959. I would refer Mr. CLAGUE to page 152 of the 1958 Hansard and to page 114 of the 1959 volume. Since December 1958 when the final decision as to the sites for the new terminals was taken, I think I can say that no time has been lost. The position now is that the tender for the operation of the service has been awarded to the Yaumati Ferry Company and that the Consulting Engineer has recently called for tenders for the ramps and hoisting gear which are the most important part of the piers. This equipment has to be specially designed and it seems unlikely that it will be ready for installation before June 1961. On this basis, the new piers should be completed and in operation by about September 1961.

Meanwhile construction of the ferry vessels for the new service is proceeding, and it is hoped that one of these will be completed in September and one in October of this year. These will be used to augment the temporary service which was introduced in January this year, and since the new vessels are longer and designed for the carriage of vehicles only, the capacity of the present service will be increased substantially. By introducing new vessels on this service as and when they are completed, it is hoped to continue to reduce the delays in harbour crossings until the new piers are completed.

The third point raised by my honourable Friend covered a somewhat wider field. He proposed a committee to co-ordinate the activities of the public utilities. I suggest that the co-ordination of all the activities of all the public utility companies would constitute a pretty heavy task, but perhaps Mr. CLAGUE had something more modest in mind. A committee to study and advise upon complaints by members of the public might be a possibility—but I am not sure that it was with this aspect of the matter that the Honourable Member was concerned. If however he would let me have his suggestions in somewhat greater detail I will certainly give them careful consideration.

I hope that no Honourable Member will entertain any illusions as to the value that Government sets upon the promotion of Tourism. It is already our most profitable single industry and whether or not its potential is, as some enthusiasts suggest, unlimited, it is certainly a potential on which Hong Kong may have to rely more and more in the future. But it *is* an industry and its incentive is the profit-motive, and it is for this reason that Government has resolutely refused to give or to subsidize land for a tourist hotel. Perhaps, Sir, I should make our position on this recurrent issue clear once and for all. Land is our most valuable asset; indeed I might go so far as to say that it is one of the few assets of value that we have. Land more than any other commodity is susceptible to precedent; and it would be difficult indeed to justify, or to maintain the justification for, a land subsidy for one industry today when tomorrow some other industry might have a comparable significance and potential. The criterion must lie in the use to which the land is put. If that use involves uncontrolled profit and unrestricted competition then the price paid for land must be the competitive price. I admit that the concessions to Industry as a whole at Kwun Tong do not lie four square within these principles, but these concessions have not been repeated and I must confess that they have not in practice worked out entirely satisfactorily. The restrictions on the use to which land is put is a rather different matter, and it is of some interest to recall that the conditions which have been imposed on the sale of the Murray Parade Ground site include its use for the purposes of an hotel but exclude its use for industry.

But certain Members have pointed to other attitudes, which look to them like restrictive attitudes, to Tourism. First, the question of visas. I am inclined to doubt whether any bona fide tourist, travelling on a recognized national passport, is put to any significant inconvenience by his obligation to obtain a visitor's visa. Such visas, I should add, may be granted without reference to Hong Kong by any Consular post. It is true, of course, that multiple entry visas, which derive from reciprocal agreements between the governments of the nationals concerned, are not available to many tourists as yet, although we are arranging to extend the system shortly. But once a visitor has entered

the Colony, it is a straightforward matter for him to secure a re-entry visa which will enable him to return within a stated period.

The position is rather different where stateless persons are concerned. It is an unfortunate fact—and one which we should be most unwise to overlook—that certain territories seek to discriminate between their own nationals and those stateless persons, including many Chinese, who have made their homes within the countries concerned. As a result a large number of stateless Chinese, far larger than Hong Kong could ever hope to absorb, are anxious to establish permanent residence in this Colony. Once they have obtained entry into Hong Kong it can be most difficult to enforce their removal, for one reason because their country of domicile may well be reluctant to re-admit them if they should commit the slightest irregularity—for example, any over-stay of their permitted period. For this reason I can hold out little hope to the Honourable FUNG Ping-fan that our present selective system can safely be modified in the foreseeable future.

Against this background, however, Government has introduced, during the past year, certain revised procedures, in particular relating to entry from the Philippine Islands, which have achieved a considerable degree of improvement and liberalization. I might also say that Government is at present undertaking, with the assistance of an officer with specialized immigration experience, an inquiry into the whole question of the future of the Immigration Service and of our immigration policies and procedures.

A further restraint on Tourism, in the Honourable J. D. CLAGUE's view, is the introduction of a service fee on passengers leaving the Airport. Mr. CLAGUE pointed out, correctly, that the Unofficial Members of this Council were not consulted before this regulation was made. This fee was in fact imposed by means of Regulations made by Your Excellency in person under the Colonial Air Navigation Order 1955. The sole discretion in this matter lies with Your Excellency, but before that discretion was exercised the Air Advisory Board was consulted. That Board has unofficial membership—including one honourable Member of this Council.

As to the fee itself, honourable Members will have observed that it will be chargeable by Government upon the airlines, and not upon individual passengers. Government would naturally have no objection to the fee being absorbed by the airlines themselves. If, as I understand to be the case, there is some I.A.T.A. objection to including this charge in the fare, then I must point out that I.A.T.A. is in fact an organization of the airlines themselves. It is my understanding, however, that those airlines which propose to pass on the charge to their passengers are now consulting the Director of Civil Aviation to ascertain the manner in which this can be done with the minimum of inconvenience to all concerned.

Several Honourable Members mentioned the desirability of increasing Hong Kong representation abroad for the dissemination of accurate information and, in particular, for the promotion of export trade. I should like, in the first place, to pay tribute to the work already being done abroad on our behalf by the staff of Her Majesty's Foreign Service and of the Board of Trade. Hong Kong's development has from time to time thrown a very considerable burden of extra work on them and they have always been ready to give us their assistance and advice. But I am sure that they would be the first to agree that they are handicapped in the work they do for us by lack of first-hand experience of Hong Kong, and that they would be the first to welcome direct Hong Kong representation.

I can say that Government agrees as a matter of policy that it is desirable to increase representation abroad. But this development must proceed within the strict limits of the resources we can make available, particularly those of suitable manpower; and we shall have to choose the countries in which we are to be represented with great care to ensure that we do not squander these resources.

The Honourable R. C. LEE suggested in particular the opening of a regional office in West Africa. No doubt this proposal will be mentioned in the report of the recently returned Trade Mission to West Africa of which Mr. LEE was leader, and I would prefer to withhold comment until the advice of the Trade and Industry Advisory Board has been received.

Both the Honourable Dhun RUTTONJEE and the Honourable KWOK Chan commented on the delay in opening our trade office in Sydney, which was I admit agreed to in principle by Finance Committee in October 1958. I would emphasize that this is purely a matter of finding, and persuading, the right man for the job—having regard, of course, for our existing commitments. We had hoped that the office would have been at least in being, even if not a fully going concern, by the beginning of this year. A series of misfortunes and some delay, which was unavoidable on our part, has left us not much nearer achievement than we were twelve months ago. The first candidate declined the appointment on the terms offered, which were not ungenerous by any standards, and the second potential candidate also fell by the way.

I think it is important that our representatives abroad should, as far as possible, be career officers in the Hong Kong Civil Service, —as is the case in other territories. We have therefore sought assistance from the Secretary of State in recruiting a well-experienced Senior Trade Officer for the Commerce and Industry Department. This officer may himself be sent later to Sydney, or he may relieve a senior officer in the department, thus permitting the departmental officer to be sent to

Australia to open the office. By this time next year, unless there are any further unforeseen setbacks, our Trade Representative in Australia will, I hope, be fully in business.

As to Public Relations work, I can assure Honourable Members that Government has no doubts whatever as to the advantages that can accrue, in present circumstances, in this particular field. But it is a specialized field, and once again difficulties and delays have centred in the recruitment of suitable qualified staff. On paper the staff of the Information Services Department will be increased in the next financial year from 53 posts to 95 posts, but I would not wish, even now, to underestimate the difficulty of recruiting staff for this particular work.

Nevertheless, having regard for limitations of existing staff, much work is being done on the production of publicity material suitable for overseas distribution, in many cases through the medium of British Information Services. With improved facilities the Department should be able to produce more in the way of pamphlets and documentary films, and so on. It might be mentioned that 190,000 copies of the Hong Kong booklet have been issued in the last six years, and it is hoped to produce a revised edition shortly with a wider distribution. The opening chapter of the 1956 Annual Report entitled "A Problem of People" has been issued as a separate pamphlet and widely distributed. A revised version of this, also, will be ready in about two weeks' time. The Annual Report itself which was referred to, although it has publicity value, is principally a work of reference and as such its overseas distribution is confined very largely to official circles, United Nations offices and the overseas branches of British Information Services. It may interest Members to know 7,000 copies are printed annually. We hope soon to have our own film of Hong Kong ready for distribution. I saw the rough version of this film, the first draft so to speak, a few days ago, and I must say that I was very impressed. I am sure that it will obtain a wide showing.

But in thinking of channels of distribution, I do not think we should overlook the work that is done here in Hong Kong. Throughout the year the Information Services Department supplies all kind of information on the Colony, and distributes copies of the Annual Report, to a very large number of visiting newspaper editors, correspondents, broadcasting and television personalities and other influential visitors to the Colony. I think one could say that all this eventually achieves a considerably wider distribution than the hand into which it is put.

I have given some account, Sir, of what is being done, but I fully agree with Honourable Members that this is not enough. We need more staff—and when we have that we should be able to meet our other needs, more ideas and a more positive and dynamic approach. The Director of Information Services himself is at present in the United

States discussing our publicity problems there. He will later go on to the United Kingdom and I hope that something new and profitable will emerge from both these visits.

This might be an appropriate point at which to mention the Honourable J. D. CLAGUE'S suggestion that a delegation of Unofficials should go to the United Kingdom. I need hardly say that the Government would welcome anything which contributed to a close mutual understanding between Hong Kong and the United Kingdom. If Mr. CLAGUE'S suggestion commends itself to his unofficial Colleagues, they will no doubt let Your Excellency know and the matter will be taken up in the appropriate quarters.

The Honourable NGAN Shing-kwan commented on the formidable problem facing the Resettlement Department and suggested that Government is fighting a losing battle in this field. He inquired where it would all end and what assurance could be given to Council that there would not be another half million persons awaiting resettlement in five years' time. The latest estimate of the squatter population certainly underlines the magnitude of our task in this field, but I should explain that the survey in October, 1959, which produced this estimate, was the first physical survey since 1955, the figures then quoted being rough estimates; the best we could do at the time. It is now clear that those earlier figures were serious under-estimates.

The progress made in squatter clearance cannot be properly assessed until a further survey is undertaken, and it is planned to do this towards the end of this year. We hope, of course, to obtain even more accurate information from the forthcoming Census. In the meantime we must carry on as at present—if for no other reason because the Resettlement Department's clearance operations are confined to areas which must be freed to let permanent development proceed. A glance at the Public Works programme will indicate just how much clearance has to be done. The Department's Squatter Patrols prevent the erection of new squatter structures, and to this extent we have a firm grip on the problem in the urban areas and are extending control in the New Territories; but what we cannot prevent is the ever increasing use being made of existing buildings by packing into them many more families than they housed in the past. The problem is, as has been said many times, a formidable one, but we are confident that we can keep the rate of clearance sufficiently high so as not to impede permanent development.

Both the Senior Unofficial Member and the Honourable FUNG Ping-fan suggested that preference in the allocation of resettlement accommodation should be given to the older residents of the Colony. As I have pointed out, the primary object of clearance operations is to free land for permanent development, and all persons affected by

such clearances are, in fact, offered resettlement regardless of how long they have lived in Hong Kong. This is a long standing policy and one which in my opinion it would be both difficult and dangerous to modify. It is sometimes too readily assumed that all persons cleared in such operations are refugees or recent immigrants. All too often they include, I am afraid, large numbers of old residents of the Colony forced into this way of life by the shortage of reasonable accommodation in existing tenements or attracted to it by the prospect of resettlement.

The Honourable FUNG Ping-fan suggested that we should, in any event, build more cheap houses to reduce our reliance on the large number of dilapidated tenements in the Colony, and that, for this type of housing, and indeed for all forms of amenities, old residents again should have preference. The claims of old residents are, I think, well recognized by the selection system used by the Housing Authority and the Housing Society in allocating their flats. Moreover Government has already announced its intentions of providing a new kind of low cost housing (of an improved resettlement type) to cater for persons cleared from dangerous buildings, and for occupants of tenements vacated to make way for Government development schemes. Eventually when these two priority needs have been met, the scheme will be extended to other residents on a strict housing need and length-of-residence basis, provided of course that the family income is not more than \$300 a month. I am afraid, however, that this new type of accommodation will be fully taken up by the first two categories for some years to come.

I think it would be convenient, Sir, if I were to take together the various points on Education raised by Honourable Members. As regards the University, the Honourable C. Y. KWAN regretted that the proposed new total of students could not be raised from 1,800 to 3,000. The Honourable KWOK Chan on the other hand urged that numerical expansion of the University should not be achieved at the expense of quality. I think I can summarize the position with a brevity that Honourable Members will perhaps appreciate at this stage by saying that Mr. KWAN's point was, in fact, the earnest desire of the University, and that Mr. KWOK Chan's point was, in fact, the reason why Government urged a more cautious approach to an expansion which, all of us, including the University would wish to see.

The Honourable KWOK Chan also referred to the recognition of our University's degrees in other countries, and particularly within the Commonwealth. I assume that he was thinking of recognition of degrees for professional purposes, rather than the academic recognition of one University's degrees by another. This is a matter which is not within the control of the Government. It must be—and in fact it is, —pursued by the University authorities, as far as possible. For instance, in connexion with the re-establishment of degree courses in Electrical

and Mechanical Engineering, the University has done all it can to ensure that these degrees will obtain recognition from the appropriate professional institutions in the United Kingdom, but final recognition cannot be achieved before the courses are established and examinations are held.

The University's degrees in Civil Engineering are of course already so accepted, and its degrees in Medicine and Surgery have long been recognized by the General Medical Council in England and by the majority of other members of the Commonwealth.

While the University authorities will, I am sure, take note of Mr. Kwok Chan's remarks and will do their best to establish and maintain the necessary standards, and to obtain recognition for their degrees, I must, nevertheless, point out that it will be a long time—even if it ever happens at all—before these degrees achieve recognition throughout the world. If, therefore, parents wish to avoid the frustration to which Mr. Kwok Chan referred they should satisfy themselves, before their children embark on degree courses, whether here or elsewhere, that their prospective degrees will be recognized in the country or countries where they hope to practise their profession. I know that the Director of Education is concerned at the number of students who go abroad for higher education without taking this simple precaution.

Mr. Kwok Chan thought that it was necessary that graduates of the new Chinese University (when it is established) should have the same status as graduates of the University of Hong Kong. Well the whole object of Government's policy towards the post-secondary colleges is to help them to achieve real University standards and University status. We shall continue to do our best so to help them, but the final responsibility will be theirs: the recognition accorded to their degrees will depend on the reputation that they make for themselves.

The Senior Unofficial Member referred to the slow progress that has been made with the new Northcote Training College and hoped that we should see substantial progress in the coming year. I think I can say that we may expect this. Site formation has been difficult but work is proceeding on it now. Building should start this summer and be completed by the end of August, 1961.

The situation is not perhaps quite as gloomy as it may seem, since the Director of Education has arranged to expand the intake of the present College without waiting for the completion of the new building. There are now 392 full time students, and next year there will be nearly 440. This has been made possible by using temporary accommodation in the Yu To Sang Memorial School.

But it remains true that we are short of trained teachers—a consequence of course of the success of the primary school expansion programme. It is for this reason that Honourable Members were asked recently to approve the inclusion of a third teacher training college in category C of the Public Works programme, with the further request that this third college should start in September this year in temporary accommodation which will be available in the Lo Fu Ngarn Primary School.

Mr. NGAN referred also to the pressing problem of providing more secondary schools. As you, Sir, indicated in your review of the year, this problem has in fact arisen largely through the very success of the Primary School Expansion Programme, and you confirmed that we must now give more attention to the expansion of secondary education. Mr. NGAN said that he thought that the urgency of the problem was not adequately reflected in the school building programme. I quite agree that the present programme appears unbalanced; but that is because of a deliberate decision that we took some years ago, for reasons which I am sure Honourable Members appreciate, to concentrate on the expansion of primary education, with the aim of providing primary school places for all children of primary school age. We decided that while we concentrated on that aim we must leave most of the expansion of secondary education to others. During the past five years there has, in fact, been an increase of 20,000 secondary school places of which 6,000 were in Government-aided schools.

The Director of Education is, however, fully conscious of the need for further expansion, and, in connexion with the Estimates now before us, he put forward plans to provide 6 new Government secondary schools and two extensions of existing schools. Because however of the very heavy programme of Public Works already in hand, the Public Works Sub-Committee felt compelled to recommend that these proposals be placed in Category C until staff is available to produce a standard plan. I have no doubt that the Director of Education will not be content to let the matter rest there, and that these proposals will perhaps be coming before us again during the coming year.

But that is not to say that no expansion at all is in hand. During the past year the extension of King's College has been completed, and in the coming year work will proceed on the re-provisioning (and expansion) of Belilios Public School and Clementi Middle School. Moreover, World Refugee Year funds have been made available for building the first of the new secondary modern schools, and we have accepted an offer from the Hong Kong Jockey Club to build another such school. Each of these schools, which it is intended to open in temporary premises next September, will accommodate 1,920 students in two sessions.

Mr. NGAN also spoke of the claims of the New Territories as regards the location of new secondary schools. There is indeed a demand for secondary education, particularly in English, in the New Territories; and to meet it the Director of Education's plans, to which I have already referred, include proposals for new schools at Tsuen Wan and Fan Ling.

It is proposed that these schools should provide, as Mr. NGAN has suggested, parallel streams in the two media of Chinese and English. Steps are also being taken to introduce courses in the medium of English in the existing Government and aided secondary schools in the New Territories.

I was glad to hear that Mr. NGAN supports the new experiment of secondary modern schools, and to note his concern that part-time courses should be available to provide the students with an opportunity of continuing their education after their three-year course is completed and they have, one hopes, entered employment. The Education Department is of course constantly expanding its evening courses to meet the constantly increasing demand, and I do not doubt that the Director will be grateful for Mr. NGAN's suggestion.

I am afraid Sir that time will allow me to refer only very briefly to the Honourable R. C. LEE's point about inadequate Post Office facilities. There is of course little more that can be done with the General Post Office until the time comes to rebuild it on a site on the Central Reclamation. Alterations are, however, at present being made to the counters to provide more space for the handling of parcels. And it is of course the case that the strain on the General Post Office will be relieved by the new Branch Offices which are being constructed in many parts of the Colony. New offices were opened in Mong Kok, Kowloon City and Shek Wu Hui in October last year. A new Central Post Office for Kowloon is in the planning stage, and no less than six Branch Post Offices are to be included in buildings now under construction or projected. A new Air Mail Centre at Kai Tak will be completed at the end of April. While therefore I accept Mr. LEE's point, I doubt whether our resources will allow us to move very much faster than is in fact projected.

The Honourable R. C. LEE and the Honourable C. Y. KWAN referred to the Landlord and Tenant Ordinance and they proposed its amendment to allow contracting out from its provisions to a much greater degree than is at present permissible. Government is of the view that *some* modification in this direction may now be justifiable and if Honourable Members are generally of the same mind these particular proposals will be examined in more detail.

Indeed following upon last year's debate when the Senior Unofficial Member suggested that the time was ripe for a review of the Ordinance, there has been close consultation between Government and Honourable Members on various of its provisions, including those referred to by my honourable Friends and also upon the possible desirability of setting up Fair Rent Tribunals.

I enter upon my next subject with a deep sigh of trepidation; not, Sir, because of the length of time for which I have been talking but because of the delicacy of the question which I must now discuss—Equal Pay for Women. It is necessary, I am afraid, to speak bluntly, and, bluntly, Government's position is this. On financial grounds alone it is out of the question, here and now, to equate the salaries of all men and women officers. For one thing the existing system is too engrained both in our economic structure and in general usage to be inverted at the stroke of a pen. I think the expedient adopted in the United Kingdom would reinforce that. We had, as Honourable Members are aware, a certain course of action presented to us by the Salaries Commission. It was not an open door, nor yet a half open door. Could one even say that it was ajar? That was certainly how we read it. And the more one looked at the possibility of a wider opening—subject always to the one prohibition that I have laid down—the more one became conscious of discrepancies and of injustices that were neither defensible nor intended. Finally, and, I may say, with regret, we decided to stand on precisely what the Commission had in fact recommended and no more. The Commission had the whole scene laid out before it; it had percipience and authority. That is where we take our stand today and where, after detailed consideration that you yourself, Sir, have given to this problem, I am afraid that we must continue to take our stand for the time being.

Finally, Sir, the Honourable C. Y. KWAN asked for a statement on the position with regard to the Report of the Electricity Supply Companies Commission. Before the Mould Commission was set up Government had made it clear that the existing situation, under which the operations of the two electricity companies are entirely free from statutory control, could not continue. I can say that, following on publication of the Report, the two electricity supply companies made an informal approach to Government, and with Government's consent are now exploring all possibilities to find a formula which might cover most of the recommendations of the Commission short of nationalization; the aim being to ensure that Government is given the maximum degree of control consistent with the retention by the companies of incentive to efficiency and expansion. Government has indicated that any such formula must be presented against a background of ultimate amalgamation of the two companies and integration of their generating capacity.

Pending the receipt of proposals from the companies, Government intends to delay action on the Commission's recommendations for as long as necessary, up to a period not exceeding one year.

Sir, I now move that the Resolution be adopted. (*Applause*).

THE FINANCIAL SECRETARY seconded.

The question was put and agreed to.

### **RESOLUTION REGARDING THE ESTIMATES OF REVENUE AND EXPENDITURE FOR 1960-61.**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Estimates of Revenue and Expenditure for 1960-61 as amended by the Report of the Select Committee be approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

### **APPROPRIATION (1960-61) BILL, 1960.**

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding nine hundred and thirty-eight million, two hundred and seventy thousand, six hundred and ten dollars to the Public Service of the Financial year ending the 31st day of March, 1961."

He said: Sir, the purpose of this bill is to provide formal legislative sanction for the Estimates of Expenditure which have just been approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

THE FINANCIAL SECRETARY: —Sir, this will be the last meeting of Council before the close of the financial year, and to provide the necessary authority for making payments as from the 1st April, it is essential that this bill should pass through all its stages today. If, Sir, you are of the opinion, I would beg leave therefore to move suspension of Standing Orders for this purpose.

H. E. THE GOVERNOR: —I am of that opinion.

THE FINANCIAL SECRETARY moved the suspension of Standing Orders to the extent necessary to allow the Appropriation (1960-61) Bill to be taken through all its stages today.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

Standing Orders were suspended.

THE FINANCIAL SECRETARY moved the Second reading of the Appropriation (1960-61) Bill, 1960.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 and 2, the Schedule and the Preamble, were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Appropriation (1960-61) Bill, 1960 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

### **INLAND REVENUE (AMENDMENT) (RATES OF DEPRECIATION) RULES, 1960.**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Inland Revenue (Amendment) (Rates of Depreciation) Rules, 1960, made by the Board of Inland Revenue on the 9th day of March, 1960 under section 85 of the Inland Revenue Ordinance, Chapter 112, be approved.

He said: It was in January, 1953, that the Hong Kong General Chamber of Commerce addressed the Inland Revenue Ordinance Committee, which was sitting at that time, suggesting that the list of depreciation rates contained in the Inland Revenue Rules should be extended

and enlarged. The Committee considered the letter, but decided that the matter was hardly within its terms of reference and that a question such as this should be decided by the Board of Inland Revenue.

Subsequently the whole question of depreciation rates was considered by the Inland Revenue Department, and finally in 1958 the Board of Inland Revenue approved a new schedule. This schedule is before Honourable Members to-day. For some reason or other the drafting of the Rules bringing the schedule into force seems to have been greatly delayed, and the Rules were in fact only approved by the Board a month ago. This resolution seeks the formal approval of this Council for these Rules.

It will be observed that the table is in two parts. The first part contains a long list of items coming under the classification of "machinery or plant" which qualify for depreciation allowances under the normal procedure laid down in the Inland Revenue Ordinance. The second part lists items, described in Section 16 of the Ordinance as "implements, utensils, or articles employed in production of the profits", which are not eligible for allowances. In the case of these items, the assets when purchased are treated as capital expenditure and the cost is not allowable as a deduction from profits. But when these assets have to be renewed or replaced the cost of renewal or replacement is permitted as a deduction in full.

I would finally Sir draw attention to the final sentences in both Section 37 and 37a of the Inland Revenue Ordinance which lay down that the Commissioner may in his discretion allow a rate of depreciation higher than that prescribed by the Board of Inland Revenue.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

### **DANGEROUS DRUGS (AMENDMENT) BILL, 1960.**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Dangerous Drugs Ordinance, Chapter 134."

He said: In the White Paper laid before Council last November it was stated that there was need for legislative action to block existing loopholes in the law in order to ensure the more effective imposition of sanctions against traffickers in, and consumers of, dangerous drugs and that various amendments to the Dangerous Drugs Ordinance were being considered.

This Bill has accordingly been prepared and the amendments contained in it may be summarized as follows.

Firstly, the Bill proposes the revision of the offences section of the Ordinance. The main change here is the provision that it shall in future be an offence, not only to smoke opium or heroin in a divan but to smoke any of the dangerous drugs to which the Ordinance applies, and further that it will be an offence to take such drugs by means other than smoking, for example, orally or by injection, unless in accordance with medical direction. Similarly, it will be an offence not only to be in possession of a pipe fit and intended for the smoking of heroin or opium but to be in possession of any pipe, equipment or apparatus fit and intended for the smoking or consumption by other means of any dangerous drug.

Secondly, the Bill proposes the revision of the penalties section of the Ordinance in an upward direction, raising the maximum sentence for offence against the Ordinance from imprisonment for 10 years and a fine of \$50,000 to imprisonment for 15 years and a fine of \$100,000.

Thirdly, the Bill proposes the revision of section 15 of the Ordinance which creates a presumption of possession of dangerous drugs in certain circumstances, by widening and clarifying the circumstances in which such presumption arises.

Fourthly, it includes provision for the joint trial of persons committing offences in the same place and at about the same time.

Finally, it proposes amendments to the First Schedule which lists the dangerous drugs to which the Ordinance applies, in order to provide comprehensive description of drugs of the morphine group.

It is thought that this amending Bill, if enacted, will materially assist the authorities in the intense drive which is being waged against narcotics.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

*Objects and Reasons.*

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

The object of this Bill is to amend the Dangerous Drugs Ordinance, Chapter 134.

2. In the existing Ordinance reference is made to heroin and opium divans, the smoking of heroin and opium in such divans, and also the possession of pipes fit and intended for the smoking of heroin or opium. One change affected by this amending Bill is the deletion

of the words heroin and opium from the existing Ordinance and the substitution thereof of the expression "dangerous drugs" thus making the offence not one of smoking any one of two dangerous drugs in a divan but of smoking any dangerous drug anywhere in the Colony. Under the amending Bill offences of this nature will not now be limited to smoking only; it will also be an offence to consume, ingest or inject any dangerous drug otherwise than under medical direction or supervision. The provisions of the existing Ordinance creating it an offence to be in possession of a pipe fit and intended for the smoking of heroin or opium have now been enlarged to include possession of any pipe equipment or apparatus fit and intended for the smoking, consumption, ingestion or injection of any dangerous drug.

3. Further amendments also provide *inter alia* for heavier penalties for the contravention of the provisions of the Ordinance and regulations, and for persons to be tried jointly although they have committed distinct offences, where such offences are committed in the same place and at about the same time.

4. The attached comparative table gives in detail the amendments made by this Bill and where necessary appropriate observations are inserted in the remarks column.

#### **J. E. JOSEPH TRUST FUND (AMENDMENT) BILL, 1960.**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the J. E. Joseph Trust Fund Ordinance, 1954."

He said: Sir, the Director of Audit has drawn attention to difficulties experienced as a result of variations in the wording of the sections relating to accounts and audit in various Ordinances and regulations making provision for the administration of Trust and other similar funds, and has suggested the desirability of standardizing such provisions. This Bill accordingly proposes to that end the amendment of the relevant section in the J. E. Joseph Trust Fund Ordinance, 1954.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

#### *Objects and Reasons.*

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

The purpose of this Bill is to amend the J. E. Joseph Trust Fund Ordinance, 1954, in order to standardize, so far as may be, with those of other similar funds the provisions relating to the preparation, auditing and submission of the annual statement of account.

2. The existing section 7 fails to specify the period in respect of which the accounts must be drawn or to require that the accounts be signed by the trustee before being audited and tabled.

### **LEGAL OFFICERS (AMENDMENT) BILL, 1960.**

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to amend the Legal Officers Ordinance, Chapter 87."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 and 2 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Legal Officers (Amendment) Bill, 1960, had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

### **ADJOURNMENT.**

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

ATTORNEY GENERAL: —Sir, may I suggest this day fortnight.

H. E. THE GOVERNOR: —Council stands adjourned until this day fortnight.