

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 27th February 1963****PRESENT:**HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR ROBERT BROWN BLACK, GCMG, OBE

HIS EXCELLENCY LIEUTENANT-GENERAL SIR REGINALD HACKETT HEWETSON,
KCB, CBE, DSO

COMMANDER BRITISH FORCES

THE HONOURABLE CLAUDE BRAMALL BURGESS, CMG, OBE
COLONIAL SECRETARYTHE HONOURABLE MAURICE HEENAN, QC
ATTORNEY GENERALTHE HONOURABLE JOHN CRICHTON McDOUALL
SECRETARY FOR CHINESE AFFAIRSTHE HONOURABLE JOHN JAMES COWPERTHWAITTE, OBE
FINANCIAL SECRETARYTHE HONOURABLE ALLAN INGLIS, CMG
DIRECTOR OF PUBLIC WORKSDR THE HONOURABLE DAVID JAMES MASTERTON MacKENZIE, CMG, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICESTHE HONOURABLE KENNETH STRATHMORE KINGHORN
DIRECTOR OF URBAN SERVICESTHE HONOURABLE PETER DONGHUE
DIRECTOR OF EDUCATION

THE HONOURABLE DHUN JEHANGIR RUTTONJEE, OBE

THE HONOURABLE FUNG PING-FAN, OBE

THE HONOURABLE RICHARD CHARLES LEE, OBE

THE HONOURABLE KWAN CHO-YIU, OBE

THE HONOURABLE KAN YUET-KEUNG, OBE

THE HONOURABLE WILLIAM CHARLES GODDARD KNOWLES

THE HONOURABLE SIDNEY SAMUEL GORDON

THE HONOURABLE LI FOOK-SHU, O.B.E.

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

MINUTES

The Minutes of the meeting of the Council held on 13th February 1963 were confirmed.

PAPERS

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

<i>Subject</i>	<i>LN No</i>
Sessional Paper, 1963: —	
No 10—Annual Report by the Commissioner of Police for the year 1961-62.	
Draft Estimates of Revenue and Expenditure for the year ending 31st March 1964.	
Memorandum on the Estimates, 1963-64.	
Report of the Sub-committee of Finance Committee on the Public Works Programme for the year 1962-63.	
Hong Kong Annual Report, 1962.	
Resettlement Ordinance, 1958.	
Resettlement (Amendment) Regulations, 1963	13
Registration of Persons Ordinance, 1960.	
Registration of Persons (Re-registration) (No. 7) Order, 1963.	14
Road Traffic Ordinance, 1957.	
Road Traffic (Parking and Waiting) (Amendment) Regulations, 1963	15
Post Office Ordinance.	
Post Office (Amendment) Regulations, 1963	16
Registration of Persons Ordinance. 1960.	
Registration of Persons (Re-registration) (No 8) Order, 1963.	17

QUESTIONS

MR KAN YUET-KEUNG, pursuant to notice, asked the following question: —

In view of the public's reaction to the installation of parking meters in Kowloon, will Government give an assurance that their operation will be kept under close review in the light of day to day experience?

THE COLONIAL SECRETARY replied as follows: —

The reply to this question is very definitely in the affirmative. Some adjustment of the new arrangements—on Hong Kong island as well as in Kowloon—may very well be found to be desirable, and the whole position will accordingly be kept under close review. Initially, this review will be undertaken by the sub-departments concerned—the Police Traffic Branch and the Traffic Engineering section of the Public Works Department, in close consultation.

My honourable Friend, the Financial Secretary, later this afternoon, will be speaking at some length on the general subject of car parking, with particular reference to the financial implications, so that I need not, at this stage, make reference to the wider issues which are involved.

ADDRESS BY HIS EXCELLENCY THE GOVERNOR

Honourable Members: previously, I have said that the scope of Hong Kong's activities is now so wide that it is quite impossible to review these in the space of time which I should occupy before the Financial Secretary introduces his Budget. They multiply and become more complex and I shall be better employed principally in describing the problems we faced in 1962 and how we met these, rather than in cataloguing all our achievements.

In the last year we have walked cautiously along our high ridge, moving upwards but with one eye cocked at the storm clouds banking up. We have seen in them the threat of bad weather which would have wrought damage to our economy. The storm has not, in fact, broken; the negotiations for Britain's entry into the Common Market have come to a curious ending for the time being at least, and, in consequence, our future relationship with that Community remains undefined. Our anxiety however has not stifled the resource or slackened the energy of the people of Hong Kong. We have enjoyed a most prosperous year. Last February I said that our aim must be to increase our export trade by at least 10% a year. Well, the signs of an up-turn in the closing weeks of 1961 have been amply fulfilled; 1962 has been a most encouraging year in many ways, and, in terms of the value of trade, it has reached a new summit. Total imports were up by 11.5% on 1961 and are the highest ever recorded. Total exports have risen by 11.6%, representing a figure only \$46 million less than that for 1951 when the Korean War so heavily inflated the figures. It is a healthy sign that, while re-exports have almost exactly recovered the ground lost last year, the value of our domestic exports has continued to grow and at \$3,317.4 million is nearly 13% greater than in

1961, and higher than ever before. Some of this increase is due to higher prices, but these, in turn, reflect improved terms of trade and, as such, they are greater in value to us than an increased volume. If the adverse balance of our visible trade has, at the same time, risen to more than \$2,269 million, this need not be a matter of immediate concern; indeed, the widening of the gap betokens our increasing invisible earnings, particularly from tourism.

The export figures are most encouraging, and I congratulate our merchants and industrialists on the sterling endeavours which have made them possible. An interesting feature of the pattern of Hong Kong's domestic exports has been the expansion in the more highly developed countries of the world. Compared with last year we have sent goods to Britain and the United States worth respectively 21% and 29% more. Our domestic exports to the Common Market countries as a whole were up by 34%. How do we assess these results? I think we can say that, in spite of the temporary setback which American restrictions early in the year imposed on the greater part of the textile industry, our economy has climbed on its upward course at a satisfactory pace, appearing to accelerate in the latter half of the year, both in foreign commerce and in internal economic activity. We do not yet have statistics of national income, but the evidence available suggests that the rate of growth has been substantially greater than the increase of population, although probably not by so wide a margin as in recent years, and this in spite of the pressure of illegal immigrants whom we have striven to absorb into our society and economy without major dislocation. The rate of growth of income has possibly been the more remarkable in 1962, because of the exceptional number of illegal immigrants, because of the temporary disruption of our textile industry, and because of the uncertainty created by Britain's application to join the European Economic Community.

The improvement in export prices in some sectors of the economy is notable. I am told that profit margins have increased, and it seems likely that the proportion of exports being retained in Hong Kong has been increasing significantly. For this there may be two main reasons. First, the textile quota restrictions administered here, while they have set certain limits on the volume of exports to our main markets (with a speed and to an extent which is hardly consistent with the declared objective of the Long-Term Agreement), these restrictions have induced a rise in export prices because of the change in bargaining position. Secondly, our remarkable degree of full employment—dramatically revealed by the Census—has caused wages to rise. Both of these factors have reduced our internal self-competition which has so often forced our prices below the level at which we can still sell without difficulty.

But this brings two lessons with it. First, there is the oft-repeated plea for diversification. I am not exactly happy about that word although I have used it frequently myself; maybe "innovation" is better, maybe just the word "enterprise". In any case our major industry, textiles, is more and more stunted in growth from the effect of international restrictions, which offer a growth rate of no more than 5% a year (enough to allow us to maintain our living standards but not to raise them); in order to expand, therefore, we must find new products. These are likely to require complicated manufacturing processes and a large amount of capital investment, and, as industry becomes "capital-intensified", the rate of growth of exports essential to maintain employment also increases, although, of course, not in the same proportion, since purely local employment should rise as our income rises.

Secondly, as increasing wages put up our costs close to the maximum competitive level (a level which is always in danger of erosion from the action of tariff increases in our export markets, a level which Britain's application to join the European Economic Community has put in particular danger), as this happens we can only gain scope for further increases in wages and living standards if we raise our productivity. This does not mean mechanization for its own sake, since we must maintain the level of employment; it means rather that we must deploy and employ our existing resources of capital, labour, managerial skill and so on, in the most effective possible way in order to increase to the maximum the return to the whole community in wages, profits and other forms of income. Productivity means the use at the maximum of all the resources which are elements in production, right through to distribution. A section of our industry is already making advances in this direction and the Federation of Hong Kong Industries and its child, the Management Association, have been active; nevertheless, a large part of industry, and other parts of our economy, are still lacking in appreciation of the need for a positive approach to productivity. In the meantime, I have appointed a Working Committee, under the Chairmanship of Mr. SEDGWICK, to examine the need for improved management training and productivity and to advise on further necessary steps. The Committee will consider whether a productivity council and a productivity centre embracing all aspects of management and productivity should be set up and, if so, the functions, organization and finance of such institutions. On the committee are representatives of the Federation of Hong Kong Industries, the Hong Kong General Chamber of Commerce, the Chinese Manufacturers' Association, the Management Association and the University of Hong Kong, and they will join with members of interested Government Departments in making this study.

Since, with the same labour force, we shall, I hope, be producing more goods, we cannot slacken in, but must rather intensify, our search for markets, and we have received within the last few days a report from the most recent of our trade missions abroad, that which carried out a strenuous tour in the Middle East. This report points out that the markets there are not just marginal; they provide for large populations with expanding resources and the need for consumer goods which, because of the people's limited individual means, must be serviceable and inexpensive. We shall require, in the future, every market we can develop, and I hope that our merchants and manufacturers will employ still further the method of going abroad to look for markets. I believe that the visits which representatives of Executive and Legislative Councils and leading businessmen of the community paid to London and Europe last summer and autumn were both timely and efficacious. They found great ignorance about Hong Kong and we certainly ought to maintain these visits to establish understanding and friendly relationships with European businessmen.

I should now like to turn to certain spheres of social service and of public works construction activity.

In the field of education, the number of students now attending schools and colleges in Hong Kong has risen to well over three quarters of a million. Our problem in Hong Kong is very much a youth problem. Over 40% of us are below the age of 15 and there are half a million children under the age of 5. These figures speak volumes. In Government and registered primary schools the number of pupils has now risen to the impressive figure of 540,000. There are over 100,000 of our primary school places filled by children who are either under or over the ages of 6 to 11; on the other hand, 60,000 of the children without primary school places are in some kind of unregistered school. Secondary day school places have risen by 21,000 to 113,000, and private enterprise has contributed the lion's share, namely, 76,000 of these places. At this time last year I said we had reached a stage at which we must review primary and secondary education in Hong Kong, and that the Board of Education would have the chance to study our appreciation of this problem, which must cover, to some extent, facilities for children between primary school age and the statutory age of employment. This has been done now; Government has already approved a statement of policy on this question; it has been tabled in this Chamber and is now public knowledge. I have been in close touch with the development of these proposals which, I might say, began with a simple recommendation to provide more secondary education within the existing pattern. This recommendation, however, presented too heavy a drain on our financial resources and offered no solution to the social problem arising from the gap between the normal school leaving age of 12 years and the minimum statutory

age of industrial employment of 14 years. The proposals which we have now accepted take account not only of these realities but also of the need for secondary education and of the continuing need for primary education. I believe that they are a realistic attempt to meet Hong Kong conditions and they acknowledge our responsibility in our unique circumstances over a wide-ranging and expensive array of social and economic engagements. While on this subject, I wish to commend our Director of Education and his staff for their work on these proposals. Mr DONOHUE's part in the planning goes back a number of years now to a time in the Department before he became Director.

I do not propose to comment on its task this afternoon, but you will know that an Education Commission from Britain is at present in Hong Kong, and its purpose is to advise on our system.

Progress continues in technical education. The Technical College has 750 full-time students, with 8,400 in part-time and evening classes. This represents a total increase of more than 1,000 students over the previous year. The College's standards are high and have received recognition abroad. An important expansion of facilities now to be undertaken is the erection of a five-floor workshop block and we are indebted to the United States Government for HK\$1½ million to make this possible.

Our concern, of course, extends to secondary technical schools; and it is our intention to convert the present secondary modern schools into secondary technical schools as soon as possible.

As you will recollect, a Commission representative of University experts, headed by Mr J. S. FULTON, Vice-Chancellor of the University of Sussex, visited the grant post-secondary colleges last summer. I would have liked to have been able to say more today about progress towards University status for these colleges, but the Commission's report is not yet in my hands, although I expect to receive it shortly.

I have made two public statements recently regarding our plans for hospitals and clinics, and it is scarcely necessary to go over this ground again today. With the knowledge that the present large natural increase in population from year to year may accelerate from 1966 onwards, we must face the consequent health situation squarely, and one of our aims is to integrate the curative and preventative services so as to detect disease, to treat it and also prevent it. Now we include maternal and child health centres in all new clinics, and I hope that another development will be the school Medical Service, for which the intention is that doctors from the service make periodical physical examinations of school children and treat their ailments, while Government continues to be responsible for immunization against and control of communicable diseases and also for the maintenance of school hygiene.

1962 saw a marked increase in poliomyelitis, the highest incidence since 1958, and, as you may know, we recently engaged on the first phase of a campaign to give a Sabin oral vaccine to 427,400 children between the ages of six months and five years. Co-operation on the part of parents has been very encouraging. The second phase begins this week.

Cholera appeared again, and, while the incidence was low, it is still active in neighbouring countries, so there may be further risks this summer and we must maintain the co-operation which has been so good in the last two years.

The fall in the rate of deaths from tuberculosis has been marked—8% below that of the previous year and only just over one-third of the rate in 1952. The percentage of deaths in children under five years has fallen to 5.74%, which is about one-sixth of the rate ten years ago.

During the year we invited two experts of international reputation to come from Britain to review and assess our problem and to make recommendations. Professor HEAF reviewed community aspects related to the policy for detection of the disease, the present facilities for its management both in clinics and in hospitals, and the provision of hospital beds. Dr Wallace Fox examined the system of ambulatory treatment in use at the Government Chest Clinics, the problem of the resistance of local strains of tubercle bacilli to modern drugs, and the possible methods of research to define the local problems accurately and to hasten the means of control. Government has studied their reports and accepted them in principle, subject to an examination of the details, which the Medical Advisory Board is carrying out, and also subject to an examination of the policy and financial issues involved. One recommendation of the Report was that there should be established in Hong Kong a project to undertake a co-ordinated programme of scientific research into the major problems of the prevalence of the disease, the pattern of its spread, the influence of drug resistance and the extension of the protection which B.C.G. affords to school children and adolescents. We therefore invited a Medical Research Council group to come out and advise us on a programme of work, and the report of this group has been received and is now also undergoing examination. We have, of course, to take into account important financial considerations when determining how much we can do and, with our means, how best we can do it; but one thing is certain: we cannot relax in our efforts to attack this most dangerous enemy of the community's health.

During the year the Social Welfare Department, with the aid of its three consultants, was engaged in planning, reassessing and preparing for an improved, more efficient and flexible service. Much thought has been devoted to future policy. The setting is only too familiar. We

have to spend so much on social services—health, housing, education—that available finance imposes limitations on welfare work, for which, in Hong Kong, the scope is boundless. We have to take account of the valuable work of the many voluntary agencies and to ensure that we do not duplicate our efforts; we have also to acknowledge the traditional role of the Chinese family in welfare matters. Our aim, apart from relief work, must be to help individuals by rehabilitation, that is to say, by restoring to each his dignity as a human being. We can achieve this through training in self-support to the extent to which a handicapped person is capable, and, in this work, of course, there is a return to the community as a whole. Our policy, must always, nevertheless, provide for a flexibility sufficient to meet the many new demands which present themselves from time to time.

I now turn to housing.

With our great press of people added to the task before us in the form of the thoroughly unsatisfactory accommodation in which such a large number live, it will be many years before we are able to say that the position in respect of domestic accommodation in Hong Kong is satisfactory. In the meantime, we have to go on to the limit of our financial and building capacity. During the year the Resettlement Department cleared and resettled 95,000 persons, including 13,419 transferred from cottage areas, and this represents an increase of more than 25,000 over the previous year. The Public Works Department constructed 40 resettlement blocks which brought the total number under the resettlement programme to a figure of 200. Because of the difficulty of finding new sites in the urban area and the need to exploit to the full such land as there is, Government has decided to introduce, where practicable, blocks of 16 stories on all estates. Lifts, never previously installed in resettlement blocks, will now be required for the higher floors, and it is intended to build schools in five-storey annexes connected with the high blocks and to provide larger areas for recreational space between the blocks. The gap in quality between resettlement accommodation and low cost housing has been progressively reduced, and we are making every effort to integrate the settlers fully into the life of the community.

The Housing Society and the Hong Kong Housing Authority continue their excellent work. The former has built 6,632 flats to accommodate 40,448 persons, and the management and accommodation are first-class for the lower and middle income groups for which they provide, and the rents are reasonable. The Housing Authority, having completed 9,908 flats and 135 shops housing 61,000 people, had, at the end of the year, 10,998 flats under construction. Last summer Government approved an increase to \$180 million in the revolving loan fund on which the Authority operates and expressed its intention to give,

subject to review from time to time, a further \$80 million in instalments up to 1970 for further schemes. This is to assist the Authority, already engaged on a self-financing programme, to undertake a 10-year programme of development. The Authority's other responsibility is low-cost housing, and this is under way with the construction of buildings by the Public Works Department on five different estates.

Government received an interesting report in the course of the year on subdivided buildings. It deals comprehensively with the problems arising from the sale of flats in multi-storey buildings and with a possible solution for their management in the form of a "factor" who would be recognized as the agent of the joint owners. This calls for careful study, because it is an attempt to get to the root of some of the circumstances which create slums. Adequate planning and building control may make it impossible to build slums, but mismanagement and neglect may soon convert such buildings into slums; and it is to counter this type of deterioration that we look for safeguards.

The Town Planners have been busy. Tenders have been called for the first major stage of the Kwai Chung reclamation, and work should start soon on what will eventually become, with Tsuen Wan, a city of over 1 million souls. Government has approved the Central District Comprehensive Redevelopment Plan—a most unfortunate title—and we intend to put this scheme out to tender; the outline Development Plan for Tsuen Wan and District is now in its final stages; an outline Development Plan for Aberdeen has been published; and the Town Planning Board is studying a Statutory Plan for the Tsim Sha Tsui District. We shall have to recruit staff for the preparation of a Colony Outline Development Plan. This is necessary as satellite towns are costly, and we must study expertly the full economic and social implications of each proposal and its relationship both with the existing urban areas and with other proposals. The rapid increase of population in the urban areas and the associated evils of overcrowding and of the overloading of the public services have made the planning of these satellite towns imperative. Such planning covers the means of communication, and these should include a new road to join Cheung Sha Wan, Kwai Chung and Tsuen Wan by way of a bridge over Lai Chi Kok bay. In addition we hope to start soon on a new road to link the Castle Peak and Tai Po roads and proceed, by way of the Lung Cheung Road, to Kwun Tong. These motor roads, together with the tunnel through Beacon Hill to Sha Tin, now under construction, will become vital arteries.

There have been several notable Government buildings completed during the year, but undoubtedly the most impressive were the City Hall and the Airport Terminal Building. If there were any doubts previously about the value of the City Hall project, experience has dispelled them and the doubters have been routed. I commend the

Urban Council and its various advisers on their interest and forethought which have contributed so much both to the effective development of the project before it was open and to its direction and administration ever since. Apart from the concerts, theatre performances and art exhibitions, there has been great interest in the library, which now has 30,000 registered borrowers and more than 100,000 volumes. The handsome Airport Terminal Building crowns a remarkable engineering achievement at Kai Tak, both in terms of air navigational requirements and airport construction. Before I leave the subject of buildings I should record that the value of new buildings completed by private development during the year was \$330 million.

We cannot, in any year, banish the subject of water from our consideration, can we? There was a marked increase in the demand for it in 1962, and it is estimated that the average consumption during the summer months would now be in excess of 120 million gallons a day; if we maintain the present rate of expansion then, in two years' time, the demand could well exceed 200 million gallons a day. It is essential to get on with our schemes for fresh supplies in order to meet our domestic and industrial needs. The Tai Lam Chung scheme has now been completed; and there has been such good progress at Shek Pik that we expect at least some water to become available later this year. We are committed, of course, to the Plover Cove scheme, the first phase being already in hand, namely, provision for the treatment and storage of water, both from our neighbour and from our own additional sources in the north. We have, furthermore, accepted the second phase of the scheme, which consists of the construction of the Plover Cove dam itself with associated channels, catch waters and pipelines. But we have to remember that, even if the work begins early next year after tenders have been received, it is unlikely that water will flow from this source before the end of 1969. When it comes, it will increase our storage by 30,000 million gallons which is nearly three times the present total capacity of all reservoirs; and it will mean that we can catch and hold most of the summer rains from an area of about 24,000 acres during the winter months. The cost of these large water schemes is formidable. It is an obligation we must accept, but it will have to be paid for, and the Financial Secretary is bound to examine water rates in relation to costings.

This has been a difficult year both for farmers and fishermen. For the former the spring droughts were followed by Typhoon *Wanda*. Economic circumstances improved slightly towards the end of the year, but prices were depressed, and those working on a small margin of capital were in difficulties. The efforts of the farming community, which is so hard-working, have been typically courageous in the face of difficulties, and I hope that this year will see a restoration to better economic conditions for them.

In the case of the fishing community, favourable weather produced a record quantity of over 55,000 tons of marine fish, but again prices were substantially lower and, in terms of reward, fishermen generally did not have an easy year. Nevertheless, there was notable progress in the mechanization of the fleet. Over 900 additional vessels joined the mechanized fleet, which now represents a total of 5,200 vessels, well over half the total engaged in the industry.

A thorny problem which attracted great public attention last year, and called for Government intervention, arose from the very marked rise in rents during the early part of the year for property which was not subject to the Landlord and Tenant Ordinance. Government took steps, by law, to give a period of respite during which we could collect and examine properly information on the situation which had developed. On the agenda of today's meeting there is a Bill down for its First Reading, designed to deal with the problem in so far as it affects domestic premises. I need not dwell on the details of this measure here; it is sufficient for me to say that, in the early part of 1962, there were marked and widespread increases in rents for property of post-war construction which were bringing in their train a degree of demonstrable hardship and that this called for specific Government intervention. The problem is a ticklish one; landlord and tenant problems always are and, in our case, they are rendered more difficult by the distinction drawn between pre-war and post-war property and also by the overlapping of domestic and business premises in terms of their usage.

The record of 1962 includes the visitation of Typhoon *Wanda*, which hit the Colony with winds reaching a maximum gust of 177 miles an hour and that was on 1st September. It caused tragic loss of life and also widespread damage to crops and farm property and, in the Tolo Harbour and Sha Tau Kok areas, to the land by flooding with sea water. Losses were particularly severe in the town of Sha Tin. A notable feature, following on this tragic event, was the response of the public in subscribing for relief a sum of almost \$5 million, all of which was committed to assist the victims of the typhoon to restore their homes and livelihood.

To the outside world the most notable occurrence with which the name of Hong Kong was associated in 1962 was the great influx across frontier last April and May. It is described elsewhere—you will find it in the Annual Report—and a statement on Government policy was made in this Chamber last year. Illegal immigration is no new phenomenon for us, but what happened in April and May illuminated this grave problem, with which the people of Hong Kong have been living for some years. Government had no choice but to take the action it did at the time, because there is a limit to the number of people we can absorb if we are to make our declared policy of integration successful;

we must not damp out Hong Kong's vital spark; we must not destroy its personality and identity as a purposeful self-reliant community for whose members we have social services designed to secure freedom from want, protection under the law, employment, health and education. When faced with the great inroad, Government took its decision on compassion for the people here already either by birth or by earlier immigration, and I have no doubt that we directed our compassion and our sentiment in the right direction, no matter how disagreeable and thoroughly uncomfortable a task it was; and I pay tribute to the humane and patient way in which the Police and the Armed Services in support fulfilled their responsibilities. While this is the position and this is our problem (and let us not forget that we acquired no less than 142,000 illegal immigrants in the course of the year), the opportunity to assist where we need it remains open, as was indicated last summer, by other countries refraining from restrictions on our trade and by their material interest in our construction programmes.

I have taken up more than enough time, and my final words are those of thanks. I wish to express my appreciation to the members of Urban Council, who throughout the year have given a practical demonstration of the exercise of civic responsibility; I wish to thank all those who have served on our many committees giving their support and advice and drawing heavily on their own time and energy in the process; I wish to thank my colleagues on this Council and those who serve with me on Executive Council for constant loyalty, wise advice and devotion to public service; and I wish to record my continuing admiration for the Hong Kong citizen whose resource, energy and courage are our greatest assets. (*Applause*).

RESOLUTION REGARDING THE DRAFT ESTIMATES OF REVENUE AND EXPENDITURE FOR 1963-64

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the draft Estimates of Revenue and Expenditure for 1963-64 be referred to a Select Committee composed of the Colonial Secretary (Chairman), the Financial Secretary and all the Unofficial Members.

He said: Your Excellency, straight away let me warn that this is going to be a rather unexciting budget, the mixture very much as before; although that dullness conceals, under the veil of money, the exciting story of Hong Kong's growth and vitality.

I shall begin, as usual, by tidying up the final results of the last complete financial year, 1961-62. The revised estimate suggested a surplus of \$21 million, although I hazarded a guess at the time that this would eventually turn out to be \$50 million or even more. It was in fact \$77 million.

Two adjustments to this surplus are necessary. First, Development Loan Fund expenditure exceeded the Fund's receipts by \$34 million. The net surplus on all Government's financial operations was therefore not \$77 million but \$43 million. This compares with a net deficit of \$8½ million in 1960-61.

Secondly, the investments in which Government Funds are held appreciated by just under \$4 million.

The General Revenue Balance accordingly rose from \$412 million to \$493 million during the year 1961-62. This Balance excludes the operations of the Development Loan Fund which is independent of the general revenue and expenditure accounts. The Fund's cash assets fell during the year by \$24 million to \$1½ million.

I now pass to the current year's results. The original estimate of expenditure was \$1,226 million and of revenue \$1,058 million, giving an estimated deficit of \$168 million. Minor adjustments of taxation were subsequently made, calculated to increase revenue by \$4 million, reducing the estimated deficit to \$164 million.

I must confess at once that results so far this year have been on the whole as good as in other recent years.

From the beginning revenue came in well, with one or two exceptions; there was not the usual lull in the early months and it began to do even better from October onwards. This is largely a reflexion of the general prosperity, (if I may be permitted to use this word which got me into trouble once before), the general prosperity we have enjoyed in spite of our textile problems and in spite of the threat of the Common Market. In general I estimate that sources of revenue dependent on economic activity have increased by 10% to 15% over last year's level. Although this is rather lower than the percentage rate of growth experienced in the previous two years (but not lower than the absolute rate), it is more than the "reasonable rate of growth" which I took as a basis for estimating.

Tobacco revenue has done particularly well and had reached \$72 million by the end of January against a full year's estimate of \$78 million. The revised estimate is \$84 million or an increase of 9% over last year's results.

I should add that my experiment in *reducing* the duty on Chinese prepared tobacco has been reasonably successful. The yield at the new lower rate is now estimated at \$1.2 million against \$110 thousand last year at the old high rate.

The yield from Earnings and Profits Tax reflects last year's, not this year's experience and the original estimate was \$205½ million compared with an actual yield of \$199 million in 1961-62. The revised estimate is now \$217 million or some 9% over the previous year.

One Revenue head which began very disappointingly was Stamp Duty. This had reached a record level of \$55 million last year and the original estimate for this year was \$54 million. Slack business on the Stock Exchange and a falling off in land transactions caused the yield to fall considerably during the early months; and it looked half-way through the year as if revenue would fall perhaps as much as \$4 million short of the estimate. A recovery was staged from about November onwards, and it now seems likely that short-fall below the original estimate will be about \$1 million only, although the revised estimate, as printed, shows a total of \$52 million or \$2 million short.

The original estimate of Post Office receipts was \$64 million; this did not, as I said last year, take into account a possible continuation of the previous year's rate of the volume of food packets sent to China. The traffic did in fact continue at a high level until after Chinese New Year, when it fell off. Although we reduced the rate of postage by one-third from December last year because of the substantial surplus that was accruing (this service and the rate of postage not having been designed for traffic of this kind), the revised estimate of Post Office receipts is \$77½ million or \$13½ million over the original estimate.

I have left the most spectacular revenue head to the end, that is land sales. The final figure for 1961-62 was \$90 million, easily a new record. My original estimate for this year was \$106 million. I confessed at the time that I was most uncertain about this figure and that estimates as high as \$164 million had been suggested to me. Actual results have exceeded all expectations. Revenue had reached \$160 million by the end of January and the revised estimate for the full year is \$185 million (and this does not include sales at Kwun Tong estimated to total \$25 million and credited direct to the Development Loan Fund). This is a symptom of our land hunger but also represents the fruition of the progressive policy of land development and disposal we adopted a few years ago.

I should stress that the increased revenue is not merely a reflexion of increased values. Aggregate figures are of limited significance as land values vary so much from district to district; but, in terms of area, we sold 5.9 million square feet of new land in urban areas in 1962, compared with 4.2 million square feet in 1961; in the New Territories the figures were 4.1 million square feet in 1962 and 3 million square feet in 1961, including conversions from agricultural to building land.

The total revised revenue estimate is then \$1,208 million or \$146 million above the original estimate, land sales being responsible for more than half this difference. In 1961-62 revenue rose by 16% over the previous year's level (excluding tax increases); this year it looks as if the increase will be just about the same percentage. If land sales are omitted, these increases are 14% and 9% respectively.

Expenditure has followed its usual course and at the end of the third quarter was \$151 million or 16% under three-quarters of the estimate. The greater part of the proportionate short-fall is represented by Public Works Non-Recurrent which were \$88 million or 27% below. This is of course a normal state of affairs by reason of the usually unfavourable weather in the earlier part of the year and of the tendency of bills to accumulate towards the end of the financial year. However, a dry summer this year has enabled work to go ahead at a rapid pace and by the end of January \$287 million had been paid out—which is just about the same as for the whole of 1961-62 and equal, at roughly \$1 million a day, to the amount being spent by private enterprise as a whole.

The original total estimate for Public Works was \$438 million and my honourable friend the Director of Public Works has now revised that estimate downwards to \$410 million and this figure is shown in the revised estimates. But, successful as have been his efforts to increase the rate of progress, I myself still doubt if he can reach this revised figure, which would involve the payment of \$123 million in the last two months of the year. But, even so, progress this year will represent a very considerable advance over last year's results; and he may still be right.

The total revised expenditure estimate is \$1,166 million or \$60 million below the original figure. I suspect, however, that this figure is still too high, quite apart from my doubts about Public Works expenditure.

These revised estimates turn the originally estimated deficit of \$164 million into a surplus on general account of \$41 million. Of the swing of \$205 million, underspending is responsible for \$67 million, underestimating of recurrent revenue for \$59 million and underestimating of capital revenue for \$69 million. But once again, as will be clear already, I am sure that this substantially underestimates the final result. The surplus to the end of December was \$113 million. If results run true to form over the last quarter, I cannot see the final surplus coming out at less than \$100 million; two records in one—a record surplus and, by a narrow margin, a record error in budgeting—for which I do not propose to apologize. I would only make one comment—that it is fairer to look at this surplus as a percentage error, such is the rapid

growth of the absolute magnitudes in the Budget. Lumping revenue and expenditure together, the error was 14½% in 1960-61, 12% last year and, if the surplus is in fact as high as \$100 million, it will be 11½% this year.

There will also be a substantial appreciation of our sterling investments of the order Perhaps of \$30 million; although this is not true revenue until realized, it does represent the recovery of values lost in recent years.

In view of recent public discussion about the proper deployment of our reserves, I should add that none of last year's surplus nor of this year's has been remitted outside the Colony; these surpluses have been retained on fixed deposit in banks in Hong Kong. There has been an increase of \$171 million in these fixed deposits during this financial year. Balance's in London have been drawn slightly as sterling income has been exceeded by sterling expenditure.

To complete this year's revised estimates I should mention the Development Loan Fund. The revised figure of net expenditure shown in Appendix III is \$34 million, which will reduce the estimated surplus on overall Government account to \$7 million. But, as I have already indicated, this is more likely to be an overall surplus of about \$66 million.

That brings me, as a final topic in relation to this year's experience, to two financial indicators of the state and progress of our economy, which it is customary to speak of at this point, —bank deposits and advances, and the currency.

Bank deposits have continued their extraordinarily rapid growth. They increased during 1962 from \$3.4 thousand million to \$4.3 thousand million, an increase of 27%. This is not the biggest proportionate increase we have experienced (1958 and 1959 were bigger) but is easily the biggest absolute increase. It has taken place mostly in the form of fixed deposits which increased by \$534 million or 43% and to which Government surpluses contributed \$141 million. Savings deposit's also continued their growth, adding \$215 million.

Bank loans and advances increased by \$514 million or 22½%, so that the proportion of these to deposits fell slightly from 69.3% to 66.1%. Conversely, the banking system's liquidity ratio rose from 34.3% to 38%.

Our currency did not expand in anything like the same proportion as did our bank money. It rose from \$1,027 million to \$1,124 million or just under 10%.

At the end of 1962 the sterling assets of the Exchange Fund exceeded the bank notes issued against the Fund's Certificates of Indebtedness by 39% compared with an excess cover of 27% at the end of 1961. In money terms this represents an increase of about \$9 million, equally divided between income from interest, etc. and capital appreciation.

We normally have a substantial currency expansion to provide for Chinese New Year; this year broke all records by a very wide margin. In 1962 additional issues for New Year totalled \$108 million. This year the expansion reached \$197 million. This extraordinary phenomenon can only represent increased spending power. One minor feature of interest is that there was an unprecedented demand for 50 cent coins. Only 1.8 million were issued in 1962, but 7 million this year. 50 cent coins appear to have replaced 10 cent coins in a substantial number of red packets.

One dollar coins in circulation have at last overtaken one dollar notes. I am at a loss to explain where the 23 million notes are which have not yet been withdrawn from circulation. They are rarely seen and exhortations to banks to return them for destruction produce meagre results. It may be that we have here a nest-egg in the shape of notes lost or destroyed which we will never have to redeem.

There is occasional controversy about the respective merits of one dollar coins and notes. I do not propose to enter into that controversy to-day but would like to point out one or two of the financial considerations. Firstly, we have coined 80,000,000 dollar coins at a cost of \$10¼ million. We have, issued only 24,000,000 (not counting the extra 10,000,000 which went out at Chinese New Year, most of which will probably come back) and including notes the total issue is only 46,000,000. I do not think that it would be easy to justify selling off these coins at a sacrifice for melting down.

Secondly, one of the attractions of coins is that, although they are more expensive initially, their indestructibility affords us a substantial and continuing profit from interest after an initial period of less than three years; whereas we were making a substantial loss on notes because interest over their short life did not cover cost of manufacture. We are now beginning to reap the benefit of the change; it will be quite a substantial benefit in the long run. I do not have profit and loss figures for dollar coins as receipts and expenditure are charged to general revenue, but the income from the Dollar Coin Security Fund this year will be of the order of \$900,000. On the other hand, since we ceased to replace notes two years ago the Dollar Note Security Fund, which is separately accounted for, has changed its deficit of \$2 million into a surplus of \$½ million. This surplus is available for appropriation to general revenue.

Now we come to next year. The Draft Estimates have been in the hands of honourable Members since last week.

My estimate of revenue at present tax rates is \$1,197 million, compared with this year's revised estimate of \$1,208 million. The difference between the various elements of these figures are shown on page 197 of the Memorandum on the Draft Estimates.

I based my estimate of revenue last year on the view that the coming year would bring a reasonable rate of growth, taking into account such factors as population growth and increased Government activity. I said that I did this in spite of the gloomy talk which I remarked on as being traditional at this time of year. I was criticised in some quarters as being too optimistic, almost complacently so. In the outcome I can be seen not to have been optimistic enough.

This year, although I have received a great deal of advice about the Budget in the columns of the press, there is not so much gloomy talk. But, even so, I think it is prudent to base next year's estimates on the same sort of considerations. It would not, I think, be sound public finance to forecast on the basis of a continuation of our exceptionally rapid economic growth, although I, for one, will be by no means surprised if we in fact achieve it.

The main source of underestimating last year was land sales. These capital receipts, like public works on the expenditure side, have become a very important variable in our public finance and one less easy to estimate than the more regular and routine sources of revenue. The Head includes not only new sales of land by auction and by private treaty but also revenue from lease renewals and lease modifications. This last has become quite an important item with the present speed of re-development of older low density areas where the original restrictive lease conditions, which reflect more spacious days, no longer accord with modern realities. I assure you that we do not remove such restrictions indiscriminately, just to make money, as has been suggested; indeed, in order to encourage re-development where it is appropriate, we charge the lessee with only half the value added by the modification.

Land sales will continue next year on a programmed basis. The departments concerned have suggested a total of \$146 million compared with this year's revised estimate of \$185 million and I am playing safe this year by putting in their figure rather than producing one of my own, as I did last year.

Revenue from land sales is not of course all profit. We are spending a great deal of capital on basic development and at an increasing pace. The amount provided for development of this sort in the current year's estimates is \$75 million.

There is very little worthy of special comment in the remainder of the revenue estimates.

Earnings and Profits Tax are put at \$6 million or just under 3% more than this year's revised estimate of \$217 million. This estimate is of course based on this year's Earnings and Profits, not on next year's.

Revised Post Office revenue this year is \$77½ million. We once again have the uncertainty whether the food parcel traffic to China will continue and we have, as I have already said, reduced the rate of postage. Next year's estimate at \$69 million may be conservative.

The expenditure estimates are in the same form as last year and total \$1,359 million. This is \$135 million more than the original estimate for this year or \$195 million over the revised estimate. It represents in general the continuing implementation of existing plans for the expansion of public services over the whole range of Government activities.

The estimate of total personal emoluments, at \$393 million, is \$55 million above the 1962-63 revised estimate. The parallel figure last year was \$41 million. This larger increase is not so much the result of a greater expansion of staff (although staff for the Queen Elizabeth Hospital is an important factor here) as of hopes that more vacant posts will be filled and will be filled fairly rapidly. This applies particularly to the Police Force where revised rates of pay were introduced this year to stimulate recruitment.

The number of new posts proposed is in fact reduced from last year, about 2,900 compared with 3,400. I should like to pay a tribute here to the Establishment Committee of Finance Committee which has played a valuable role in scrutinizing departmental requests for more staff. Little that is not essential can get past them and, quite apart from that, the need to prepare formal submissions to the Committee, as well as the Committee's own deliberations, helps to clarify and crystallize policy in many fields. The Committee's report will be available for the Select Committee.

Other recurrent expenditure is up by \$39 million on this year's revised estimates. The parallel figure last year was \$43 million. There is nothing particularly notable here. As usual, the biggest elements are the Education Department and Educational Subventions which increase by \$14 million over the revised estimate; and the Medical Department and Medical subventions which increase by \$7 million.

Recurrent expenditure thus accounts for \$94 million out of the total increase of \$192 million over this year's revised estimate. The remaining \$98 million represents an increase in capital expenditure, for the whole of which Public Works Non-Recurrent is responsible.

The Public Works Programme has, as usual, been under periodic review during the past year by the Public Works Sub-Committee and the report of its December meeting, at which it conducts its annual review, is already in the hands of honourable Members. I should like to pay a tribute too to this Sub-Committee which is now in the habit of supplementing its sedentary deliberations with field trips, sometimes fairly energetic, to see projects on the ground.

The total estimate for Public Works is \$509 million. The increase of \$99 million over this year's revised estimate is a very substantial one. The main increase is on buildings, which are \$74 million up on this year's revised estimates. There are three main causes of this. Firstly, a number of schemes entrusted some time ago to private architects are now reaching the building stage. Secondly, there is an acceleration in Government's schemes for low-cost housing; and thirdly, the increase in the cost of our Resettlement target of 100,000 persons a year due to the introduction of the improved and therefore more expensive Mark III and IV designs.

Expenditure on water supplies accounts for \$127 million or \$11 million less than the revised estimate for this year. This will see the all-but completion of Shek Pik, very considerable progress on Stage I of the Integrated Scheme, now renamed the Plover Cove Scheme, and the beginning of the \$335 million Stage II.

The estimate for new Roads and Bridges is up \$7½ million at \$30½ million—motorists please note. This does not, however, represent anything like total expenditure on road development. There is some also in the vote for "Works Contingent on Development" and much more is concealed in the various development votes, as we have decided to lump all forms of development (other than water supplies) in the appropriate development vote rather than split them up into roads, drainage, etc. The sum included for such development is \$53 million, which is \$22 million more than this year's revised estimate.

Two questions may be asked about these Public Works estimates. Firstly, are we in fact likely to be able to spend so much? This year it looks as if we will be spending \$128 million more than last year, it is true, but this year was an exceptionally propitious year for progress because of the dry weather. My honourable Friend the Director of Public Works assures me that he can spend \$99 million more next year than this year and I have accepted his assurance. He tells me that his fly-wheel has really now gained momentum.

The second question is, can we impose this additional burden on the construction industry without over-straining it and raising costs unduly? A survey is at present being made of the pattern of building costs over the past four years and, although this has not been completed, the indications are that there *has* been a slight increase in cost, although

not to an extent that should cause alarm. In the engineering field the rapid increase in output appears to be being met, without cost inflation, by a greater degree of mechanization. I think, therefore, that we will be all right this year, but I shall say something further about this when speaking of our longer term plans.

I should also refer at this stage to estimated capital expenditure from the Development Loan Fund, mostly in the form of housing. It is estimated that this will add a further \$91 million to the cost of capital works financed next year from public funds, raising the total to \$600 million, a formidable total. It is also estimated that the Fund will show a deficit of \$64 million in its 1963-64 working. The forecast is on page 172 of the Draft Estimates. It may be noted that, when Development Loan Fund and ordinary Budget are taken together, we are proposing to finance next year, from public funds, housing of various kinds to a total cost of \$220 million.

Revenue at \$1,197 million and ordinary expenditure (other than from the Development Loan Fund) at \$1,359 million leaves a deficit of \$162 million. Including the Fund, the deficit is \$226 million. Looking at the figure of \$162 million, people could be excused for remarking "But we have been here before". This is roughly the same estimated deficit that has appeared at Budget time for the last two years. When we reached this figure in the course of compiling the Draft Estimates, I was tempted to tamper with them in case anyone should suspect that I had set a target of about \$160 million and produced estimates to fit that pre-conceived figure. This is, I assure you, not so. It does reflect perhaps the steadiness in recent years of the growth both of the economy generally and of Government activity, even if, by reason of a degree of conservatism, we do not attempt to expand at a headlong pace which anticipates an extraordinary growth of revenue; if indeed we could do so without irresponsible sacrifice of economy and efficiency.

I also suggested last year that an important figure to look at was the relationship of recurrent revenue to recurrent expenditure because the latter represents our permanent commitments which can be altered only with difficulty, whereas capital expenditure is more easily adjustable. The figures can be seen in the analysis on page 256 of the Draft Estimates. On this year's revised estimates the surplus on recurrent account will be \$290 million or 40% above recurrent expenditure, compared with 44% last year; on next year's estimate it will be \$226 million or only 28% above. These figures give us a reasonably safe margin, and next year should produce a contribution towards capital expenditure equivalent to 40% of the total.

In the light of these figures what are my proposals for changes in taxation? Virtually none. I shall speak later of some possible changes in respect of diesel fuel, but they are not designed to increase taxation.

So the threats I uttered last year on income tax and motoring remain no more than threats—for the time being. I suggest, therefore, that the estimated deficit remain at \$162 million.

Modern orthodoxy might suggest that, in our present period of relative prosperity and influx of capital, and their inflationary side-effects, I should increase taxation to damp down this inflation now and at the same time create a surplus from which our rate of spending, and so the economy, can be maintained in the event of a depression. I do not think this appropriate at this stage, partly because we have a reasonable nest-egg laid on already, partly because, as I said last year, I am old fashioned enough to believe that money should be allowed, so far as possible, to “fructify in the pockets of the tax payer”. Our inflation is not the bad kind, as I explained last year, but a reflexion of high economic activity. Furthermore, I will not be surprised if, once again, the estimated deficit turns into a surplus or at least a smaller deficit, even if financial caution must temper my budgetting.

It has alternatively been suggested to me that I might consider some reduction in taxation. Equally I do not think that that is appropriate. Our present tax structure is clearly not inhibiting our economic growth and, while our preponderant reliance on indirect taxation has its inequitable features, there is no such obviously outmoded charge now in existence as the conservancy fees we removed last year. There are also implications for our prospects of borrowing abroad at some future date. I have therefore resisted the temptation.

I said last year that, if circumstances were propitious, I proposed to try to raise a sum of between \$50 million and \$100 million by a short to medium term loan for the finance of short-term development schemes. This shows how unwise it is in Hong Kong to announce one’s intentions too far in advance. Circumstances have been in one sense too propitious. Booming revenue from land sales (in many cases the fruit of development schemes) has adequately taken the place of a public loan for the time being. Economically and financially it is an advantage that development should in this way finance itself, so long as we do not let it control the pace of development. It creates no burden of public debt and further revenue is generated by private development on the land sold.

This completes next year's Budget. I should now like to go on to some matters of less immediate import. But before I do, I should like to thank Mr WHITELEGGE whose task it was to compile these Estimates and on whom a greater burden than usual fell this year because of my frequent absences in Europe. I would also like to mention Mr TANG Hing-ip and his staff who miraculously keep straight

all the ever-changing figures and totals; and the Government Printer for the remarkable speed and accuracy with which his staff get the complicated figures into print.

Last year, I said à propos of the excess commitments of the Development Loan Fund that the question of providing additional public capital to assist the various low-cost housing organizations to extend their activities might be one of some difficulty, although it would, of course, be looked at as sympathetically as possible. I realise how important it is for the Housing Authority and the Housing Society to know fairly far ahead what funds are likely to be available to them, because schemes take time to come to fruition. It is at the same time difficult for me to say with reasonable certainty what funds will be available some years ahead. I have been in touch with both organizations this year about this and, as a consequence, firm additional loans have been granted to them to a total of \$61 million, to cover virtually all their planned expenditure up to 1967, bringing the total to date up to \$313 million. Further, an indication has been given that we hope to make available a further \$120 million by instalments up to the end of 1970. These arrangements will, of course, be revised from time to time in the light of the financial situation as it develops and I would asked both organizations to bear with me in the meantime. I understand their impatience and hope that they will understand my problem. For my part, I welcome their efforts to provide a greater degree of self-finance.

In addition a further \$12 million has been allocated for educational loans and \$24 million for civil servants' housing co-operatives. All these additional firm allocations total \$97 million and bring the total commitments of the Fund up to \$545 million. This is \$254 million in excess of the present assets of the Fund.

As I said last year, I propose to meet this deficit (which will be somewhat reduced from the Fund's own earnings) by transferring part of the surplus of the Exchange Fund, which should be adequate to meet it. In the table on page 174 of the Estimates, which shows the Development Loan Fund's position to the end of next financial year, I have shown a transfer of \$110 million only because that will be enough to keep the Fund solvent up to then. Unfortunately, technical arrangements for the transfer from the Exchange Fund have been held up, although the necessary Bill is in draft, and it has been necessary to advance money to the Development Loan Fund from General Revenue to keep it going.

Next, there are two matters concerning revenue which I would like to touch on.

First, water charges. I said last year that, when Shek Pik, which is costing \$235 million, came into operation, charges would almost certainly have to be raised if costs were to be met.

The *pro forma* water accounts for 1961-62 are at Appendix G of the Estimates. They show a profit of just under \$3 million, a very small profit in relation to the magnitude of our water undertaking; even that is largely due to the supply from Sham Chun which has spread our overheads over a larger volume of water.

We are in process of costing the Shek Pik supply and details are not yet available, but I am virtually certain that, at present charges, we would make a fairly substantial loss. Quite apart from the higher average cost of water when the Shek Pik supply is added to existing supplies, that part of the revenue from rates which is credited to water is unlikely to increase rapidly enough over the next few years to cover the same proportion of the total cost as at present; that is, about one-third. This is the opposite of the effect we have enjoyed in recent years, when rates have risen more rapidly than water supplies.

I have been giving some thought to the best and fairest way of imposing an increase in charges. It is, I think, a little unreasonable to ask everyone to pay the whole of the substantial extra cost of an uninterrupted supply, when many might be content with shorter hours at lower charges. Some form of tariff with the rate increasing as individual consumption rises would be very suitable. But I do not think that it is practicable in Hong Kong because so many must share one meter. One possible solution is to raise the 2% of the rates at present charged in respect of water. $\frac{1}{2}$ % extra would probably just about restore the proportion of total costs paid for from rates to its previous level and would impose a more than proportionate part of the extra cost on the more well-to-do who are probably also those most anxious to have a more regular supply even at higher cost.

It may, however, be that the increase necessary is not now so large as to make any change necessary other than a straightforward increase in water charges. And we should remember that a substantial part of the population living in Resettlement Estates are exempt from increases so long as their rents, which include water, are not raised.

There is one further point about our water finances. Most of our public utilities have met a fair part, indeed a preponderant part, of the cost of capital expansion out of profits, while also maintaining, and indeed increasing, dividends. This can be taken too far, but it is now generally recognized in Britain that a very substantial part of the capital required by nationalized undertakings must be self-financed. For example, the Central Electricity Authority in Britain now meets 60% of its capital requirements from surpluses and depreciation.

In 1961-62 our new investment in water was \$90 million to which water charges made a capital contribution of only \$4½ million or 5%. In 1962-63 we will have spent \$138 million in capital and charges will have contributed an even smaller proportion.

Another way of looking at this is in relation to the length of the redemption period. Our present water accounts write off dams over 50 years and plant over 25 years. This is unrealistic in relation to the redemption period of any loan we are likely to be able to raise anywhere. If the period were shortened, the calculated cost of water would be correspondingly increased.

We are going to need capital amounting to \$500 million for water supplies over the next five years. I feel that there is a very strong case for a substantial increase in charges to provide some of that capital (but, I hasten to add, not anything like the 60% I have mentioned) in addition to whatever increase is necessary to avoid a current loss. If this were done, some other method than a flat increase would be probably necessary. At present, I favour a further contribution from rates. I shall be making proposals in the near future.

Secondly, there is a question about duty on diesel fuel. In 1961-62 my predecessor raised the duty on diesel fuel used by road vehicles to \$1 a gallon (but only 50 cents for public buses), leaving the rate for other users at 10 cents. His reason was the unfair advantage enjoyed by users of diesel vehicles as compared with users of petrol vehicles. He said it was only a first step and that he thought the rate should eventually go up to the same level as for petrol, that is, by another 50 cents to \$1.50.

Arrangements were brought into effect in May last year for the addition of a dye to diesel fuel sold for use other than operation of road vehicles so that the differential rate could be enforced. Legislation giving this colouring system legal sanction is in draft, but has not yet been enacted because it is tied up with the general revision of the Dutiable Commodities Ordinance. When the dye was introduced in May there was an immediate improvement in revenue collections, but there is clear evidence of large scale evasion at present and the loss of duty is variously estimated at \$100,000 to \$200,000 a month. A survey made last year showed that 20% of commercial vehicles were using coloured fuel, that is, fuel that had paid only the 10 cent duty.

It is true that we have not yet made this illegal and that a further improvement may be expected when we bring into effect the regulations which are in draft. But we have also learned that it is possible, by a fairly simple and inexpensive chemical process, to extract the dye without leaving traces adequate to constitute proof in a court of law.

It seems probable that we shall have to take further steps to put this matter right. The colouring system is based on British practice but there the dye is designed merely to reinforce a system whereby full duty is first paid and a rebate is then allowed on proof that the fuel has been used for non-automotive purposes. I do not think such a system would work properly here. The solution I have in mind is to reduce the rate for road vehicles, and thereby the differential, to a level which will leave little scope or incentive to cheat. The loss in revenue would then be made up by charging a higher registration fee for diesel than for petrol driven vehicles, designed to bring in roughly the same total revenue as we ought to be getting now. There are precedents elsewhere. The only snag about this is that all vehicles do not do the same mileage in a year and the incidence will be somewhat different as between individual users. But I think rough justice could be done. Another solution or part solution would be to raise the general rate of duty on diesel fuel, but I do not think it would be fair to penalize such users as fishermen for the malpractices of the operators of diesel vehicles.

Next some parking questions on which I am going to be fairly blunt, but, I hope, not entirely negative. This is not the occasion to discuss the operational aspects of car-parking, which are not strictly my business, but I would like to say one or two things about some of its financial implications which may not be fully appreciated by the public, although most of them have been mentioned from time to time.

In the first place parking meters are not designed, as has been suggested, to squeeze extra revenue from motorists. They are designed here primarily, as I understand it, to ration available parking space, where this is inadequate, among the various types of users, in the best interests of all. The net meter rents which accrue are treated, not as general revenue, but as going, to help to meet the capital and recurrent cost of multi-storey car-parks, although they don't in fact go very far (only \$226,000 gross was collected this year—enough to build less than 40 car-spaces) and will go less far as we build more multi-storey car-parks in proportion to the comparatively scarce street space available. Present charges for the multi-storey car-parks take this income into account; they would be higher otherwise.

Secondly, there is the question where the capital for car-parks for private cars should come from; they cost \$5,000 per car-space to build, about the same as a Housing Authority flat for five adults. Publicly financed schemes are very much the exception elsewhere, even in wholly commercial districts. The City of London, for example, has just opened its first, accommodating only 600 cars. There seem to me to be compelling grounds for holding that car-parks in Hong Kong should be financed privately rather than publicly, when there are so many urgent calls on scarce Public capital. This is so even in commuter areas, which

pose a somewhat different problem from residential areas, although in Hong Kong the two are tending to be mixed together. We are therefore hoping to interest private capital and to make it possible for it to play its part. I should here acknowledge a welcome initiative from the Motor Traders Association in this connexion.

But here we come up against the third point, the cost of land. Unlike low-cost housing, the land required for car-parks is generally very valuable land, often among the most valuable in the Colony. I am informed that, if we include the value of land the cost per car-space in a multi-storey car-park built on the Central Reclamation would be \$65,000 of which \$60,000 would be land. Almost all other users, including public utilities, pay the full cost. I cannot think of any sound reason why the value of permanently occupied land should not be recovered in charges. Some may dispute this view; but if the Crown did not own the land and therefore had to pay out the community's cash for it, as most other Governments have, there would be no doubt about the correct course. We therefore take land values, conservatively assessed, into account when fixing charges for existing multi-storey car-parks; and we would expect a private developer to pay full value.

The same considerations do not arise for street parking so long, at least, as we do not build streets specifically designed to accommodate parking.

There is a partial answer to this problem in the selection of sites which cannot be readily or fully developed for any other commercial purpose and therefore have a relatively low value. The land for the Star Ferry and City Hall car-parks, for example, can be valued at a relatively low figure because aesthetic reasons largely dictated the permissible height. In the case of the Garden Road Car-park the cost has been spread to some extent by putting a telephone exchange on top. The Central Area Town Plan has virtue in this connexion; a considerable amount of parking space is to be provided under what are virtually pavements. This does not exhaust possible devices to keep costs down.

I should add that any Crown Lease condition requiring car-spaces to be provided in private multi-storey buildings (besides being, I am told, structurally inefficient) tends at present to afford a concealed subsidy at public expense. This will disappear only when tenants are prepared to pay the full cost and accommodation with parking facilities brings a higher return than accommodation without them. This is already true of some residential districts.

In this connexion, few people are probably aware that, until a few years ago, until 1959 in fact, the law required persons licensing cars to satisfy the Commissioner of Police that they had garage space available

but the law was difficult to enforce. Perhaps we should have persevered; it is a fairer way than forcing the provision of garages directly on landlords, and thereby indirectly on the general public.

Private construction of car-parks and garages, whether or not in connexion with some other forms of development, has been inhibited so far largely by the availability of free or very cheap street-level parking. Here I would like to quote a passage from a speech made in 1960 in London to the Institution of Municipal Engineers by Mr John HAY, M.P., then Joint Parliamentary Secretary at the Ministry of Transport. He put the problem much more bluntly than I have. He said:

"The price to be paid for "on street" parking in congested areas must be adjusted in such a way that street parking for long periods becomes quite uneconomic to the motorist. The consequence must be that the all day commuter, in particular, will have a positive disincentive to park on the street. His displacement will therefore cause a demand for "off street" parking to grow rapidly and that demand can then be met both by local authorities and private enterprise garages. If the demand for "off street" parking is great enough, then the capital cost of construction of "off street" car-parks and garages—which admittedly is high in the centres of most towns—can be met. So the policy should be to institute street parking only upon payment as a first step, and to enforce it quite ruthlessly, and thereby create a demand which enables your "off street" car-parks to be built and financed."

That is the end of the quotation.

Perhaps then our fault is that we are being too gentle, not ruthless enough. One trouble is that when Government gets into a business it tends to make it uneconomic for anyone else. Even the new charges for existing car-parks do not yet cover the full costs, with amortization of the buildings over 25 years and of the land over 75 years both at 6% interest. Maybe the truth is that we have been altogether too conservative in our view of parking fees here and that motorists would be prepared to pay as much as \$10 a day, which might be the commercial cost. That is, incidentally, the daily charge at the Hyde Park Underground Car-park in London.

I have been accused before of wanting to tax the motorist out of existence but that is not so. My point always has been that his cost to the community is inevitably going to rise very sharply as the car population increases and that he must pay this cost in full. Parking is now becoming a substantial element in that cost. Each owner needs for his car one space, or two spaces if he is a commuter, the size, and

the cost, of a small flat. But, unlike low-cost housing for low-income groups, parking and garaging for private cars is not yet recognized as a social welfare service, even in America and Europe.

We are, therefore, continuing to explore ways and means of inducing private capital into the car-park business. This will not affect the construction from public funds of the Middle Road Car-park plans for which are well advanced, which will hold about 910 cars, but it is likely to involve further extensions of motoring. I will also see if I can have *pro forma* commercial accounts for car-parks prepared and published so that car-owners can be assured that they are not being exploited for the benefit of others.

I have, I am afraid, given quite disproportionate space to this issue; I have done so because of the volume and tone of public comment.

Finally, I will get tout my large-size crystal ball and say a few words about some of the longer term considerations.

In the first place I would suggest that, when looking at annual surpluses (or deficits for that matter) one should not take the view that Government expenditure should fluctuate closely with the ups and downs, or, as I hope it will rather be, with the irregular, but continuous, upward movement of our economy. Recurrent expenditure is adjustable only within fairly narrow limits; while capital expenditure cannot be generated, or brought to a standstill, overnight.

Our aim must be a steady forward progress, which is as rapid as efficiency and economy allow, makes adequate allowance for possible down-turns in the economy, and, very important, gets the priorities right.

In some ways the very magnitude of the task before us in relation to our visible resources dictates an approach which may seem overcautious to some; but one of my nightmares, which I mentioned last year, is that by rapid and wasteful expansion we may come to the end of our resources with an incomplete and unbalanced structure.

In recent years we have not generally allowed estimated deficits or realized surpluses in any one year to influence unduly either our plans for development or our levels of taxation. There have been relatively few changes in taxation since 1951 and in recent years it was only in the 1961-62 Budget, when faced with an actual deficit of \$45 million for 1959-60, a revised estimated deficit of \$54 million for 1960-61 and an estimated deficit of \$194 million for 1961-62, that my predecessor brought in a significant increase in tax rates and then only to the modest extent of \$35½ million; and he was not in a position to foresee the extraordinary and continued rate of economic growth we have enjoyed in succeeding years. Critics of mis-estimates in the

annual Budget, underestimating the difficulties of predicting even one year ahead (and they always speak from hind sight and also overestimate the real margin of error), are wrong in implying that these mis-estimates significantly affect policy; and even more wrong to suppose that they are deliberately induced to justify policy.

This is, of course, all a matter of judgment, judgment as to future growth, taxable capacity, ability to raise loans (which is not as simple and easy a matter as some believe) and to repay them. Much of this judgment is inevitably made in the dark—even economic analysis and economic planning can tell us little of what lies ahead—as those who have been through our last seventeen years know better than those who have come lately and take Hong Kong's achievements in these years for granted.

To assist in making such judgments we have attempted again to forecast our finances over the next five years, that is, to 1968. We must, as I said last year, recognize that there are very serious limitations on the value of such forecasts, but a glimmer of light is probably better than no light at all.

The forecast is based on, but not completely confined to, presently agreed programmes of expansion (or plants, if the word must be used). It envisages capital expenditure over the five years amounting to \$2,900 million, which is some \$330 million more than in last year's forecast. It is now estimated that, from present sources of revenue, and taking into account all reserves (including the Exchange Fund surplus) but leaving a reasonable sum in reserve as working capital, the deficit over the period would be of the order of \$570 million. The corresponding figure last year was \$550 million.

By 1968 recurrent revenue would still be running at \$165 million or 15% ahead of recurrent expenditure, compared with \$226 million or 28% in this year's budget.

The rapid, efficient and economical expansion of Government services depends on many factors such as training, organization, etc., but in this modern world one of the keys to progress is the Public Works Programme; without physical construction we cannot advance. In recent years we have been expanding our public works capacity very fast, as a glance at Appendix B to the Estimates will show; much faster indeed than our economy in general has been expanding; it has increased by some 140% since 1959-60 and next year should increase by a further 25% over this year (or a further 60% over 1959-60). These figures are even higher if Government financed housing is added.

I must confess, however, that I would not be happy to see the rate rise much higher in the near future than the \$600 million proposed for next year.

Capital construction is already taking a very high proportion of our national product. I have already spoken of the danger that attempts to go too fast will merely raise costs without producing any more. It is, of course, possible that, as in recent years, our construction industry will be able to continue to expand its capacity very rapidly without inflating costs, but here another apprehension arises. It would be disastrous if, having induced an expansion of the construction industry, Government then had to apply a sudden brake on public works because of shortage of funds. Quite apart from the effect on the particular industry directly concerned, it is undesirable from a general economic point of view that an economic depression should coincide with a brake on Government activity. It is desirable at least to spread public works over the good years and bad, even if our current needs are so pressing that we cannot deliberately postpone expenditure in good years to support the economy in bad years.

These considerations do not of course mean that we should take any firm decision now as to the appropriate level of capital expenditure a few years from now. We would have thrown our hands up in horror a few years ago at an annual bill of \$600 million for public works. But one thing a system of five-year forecasting does is to ensure that we can adjust our thinking and our policy on this issue, among others, as the near future prospects suggest, however speculatively, rather than to go ahead at either a too cautious or too headlong a pace.

As to the capital deficit of \$570 million forecast over the next five years, I repeat my intention of trying to meet this about half from extra taxation and half from borrowing, but just when or how I cannot say at present—indeed I shall not venture to say as I should no doubt be wrong.

But I will *not* be proposing a course which has been under some public discussion recently—deficit financing. It is wholly inappropriate to our economic situation. In its least extreme form it is based on the theory that additional money generated by a Government deficit (and given currency, as necessary, by use of the printing press) will stimulate consumption and thereby production, in time to match the excess money with goods before real inflationary harm is done. Unfortunately we don't, and can't, produce more than a small fraction of what we consume, and increased consumption would merely mean increased imports without matching exports; and a severe balance of payment crisis, which would destroy Hong Kong's credit and confidence in the Hong Kong dollar; and which we could not cure without coming close to ruining ourselves. Keynes was not writing with our situation in mind. In this hard world we have to earn before we spend.

This has been, as I warned, an unexciting budget; that it is so, is due to the enterprise and the industry of our remarkable community.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to. (*Applause*).

RENT INCREASES (DOMESTIC PREMISES) CONTROL

BILL, 1963

THE COLONIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to make provision for the temporary control of increases in rent of domestic premises, and for the security of tenure connected therewith and for purposes connected with the matters aforesaid."

He said: Sir, on 26th September 1962 I spoke at length, and in detail, on this important question. I indicated on that occasion that it was Government's intention to introduce measures to bring the increase of rents in certain classes of domestic premises under a form of minimum and temporary control, and, subject to, rent increases of a justifiable and moderate nature, to provide security of tenure; and I gave them an outline of the form this legislation might take. Since then, we have published a pamphlet setting out, both in English and Chinese, our proposals on both these questions; the pamphlet also contains the text of my earlier speech as well as a simple guide for the public on how the intended controls would work. This pamphlet is still readily available to the public at various Government offices.

The Bill now before Council represents no more than the crystalization of those proposals into legislative form, and I would not wish, particularly at such a busy meeting as this, to burden honourable Members with too much recapitulation. In any event I think our policy is now generally well understood.

Of course, the task of turning our proposals into legislation has not been an easy one and I am glad to be able to pay tribute to the great assistance we have received from Unofficial Members of this Council and of the Executive Council in the course of drafting. Their help makes me confident that we now have legislation which is clear and workable; which adheres closely to my earlier statement of policy; and which will be as widely acceptable as any measure can be on this vexed and controversial subject. Should this Bill become law, we propose further that the Commissioner for Rating and Valuation will issue a booklet in English and Chinese on its practical application for the guidance of landlord and tenant alike.

Sir, the Bill now before Council is a measure of the greatest importance to Hong Kong. It is Government's earnest desire that, if it becomes law, it should have the effect of stabilizing domestic rents, over a substantial period, for a large proportion of our citizens, and that it will do this in such a way as not to deter enterprise in the private sector from continuing its present impressive rate of redevelopment. If it can achieve all this, the Bill will have made a significant contribution to the continued prosperity and of the general well-being of Hong Kong.

THE ATTORNEY GENERAL 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 control rent increases of domestic lettings for a period of two years from the 1st day of July, 1963, up to which date tenants have security of tenure by virtue of the Tenancy (Notice of Termination) Ordinance, 1962. The increases to be permitted under this Bill are intended to be such as would be fair and reasonable in the circumstances of the particular tenancy and are not intended to establish standards of fair rents.

2. Clause 4 defines a domestic tenancy as one where the premises are let as a dwelling. The intention of the parties is made the chief criterion, but certain rules and presumptions are introduced to assist in determining cases where this intention is not clearly evidenced or has changed. Disputes may be referred to the Commissioner for Rating and Valuation (hereinafter referred to as "the Commissioner") with an appeal to the District Court.

3. The Commissioner (whose powers may be exercised by an Assistant Commissioner or Senior Rating and Valuation Surveyor under clause 17) will also be the authority who is to issue certificates specifying what increase up to ten per cent he considers fair in the circumstances of the tenancy (clause 11). A review by the Commissioner personally may be obtained, and for the purpose of the review he may consult with the Rent Increases Advisory Panel appointed under clause 16. A landlord may appeal further to the District Court where the certificate awards him less than a ten per cent increase (clause 12). These certificates will take effect three months from the date of the landlord's application to the Commissioner but in no case earlier than the 1st day of July, 1963. For increases in excess of ten per cent, a landlord may apply to the Commissioner for his certificate stating

that in his opinion an increase limited to ten per cent would be wholly unreasonable. If successful in obtaining this certificate the landlord would then have to apply to the District Court for an increase (clause 13). If the Commissioner considers that such a certificate is not justified he will be required to consult with two members of the Advisory Panel, and may adopt the majority view or issue a certificate embodying both their views and his own. No appeal is proposed for a tenant against an increase limited to ten per cent, nor for a landlord against the Commissioner's refusal to issue a certificate which would permit him to apply to the court for an increase in excess of ten per cent. If a tenant disputes any of the facts on which the landlord's application is based, the Commissioner may issue a provisional certificate which takes effect unless the tenant serves on the landlord a notice of objection; in which case the landlord will have to apply to the District Court if he wants the facts determined and an order for an increase in rent (clause 10).

4. The provisions outlined above presuppose a failure to agree to an increase on the part of the landlord and tenant. Any such agreement is effective and may be enforced provided that the landlord obtains from the Commissioner a duly endorsed notice of the increase (clause 8). Once the rent has been increased, no further increase may be achieved unilaterally by the landlord for a period of two years (clauses 5(4) and 14).

5. To achieve this control of rent increases it is necessary to give tenants of the properties concerned security of tenure for the period of the Ordinance. However, such security is made dependent on the prompt payment of the rent (clause 5). Tenants may end their tenancies by giving up vacant possession; and landlords may obtain possession for breaches of such conditions as normally import a forfeiture and also where they require the premises for redevelopment or for housing their near relatives (clause 6).

6. In general sub-tenancies follow the head tenancy, and clause 22 specifically provides that no sub-tenant is to acquire under the Ordinance any greater security of tenure than that enjoyed by his principal tenant. Increases in rent in the head tenancy will entitle the principal tenant to apply to the Commissioner for a certificate specifying the percentage of such increase, and this will take effect as an increase in the rent of each sub-tenant unless one of them applies for a revision on the ground that he has had less than two years occupancy at the existing rent. On the review the Commissioner will have to consider what increase, if any, is fair in the circumstances of the sub-tenancy, and he will have to apply the same test where application is made for a certificate following an increase in the rent of the head tenancy by agreement (clause 15).

RESETTLEMENT (AMENDMENT) BILL, 1963

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Resettlement Ordinance, 1958."

He said: Sir, during a recent consideration of the principal Ordinance, doubts arose as to whether the powers to make regulations under section 51 were wide enough to permit the making in the Resettlement Regulations, 1958, of those provisions which impose conditions upon the occupation of buildings in Cottage Resettlement Areas and Resettlement Estates. Clause 5 of this Bill seeks to remove such doubts by adding a new paragraph to subsection (1) of section 51 which specifically authorizes the making of such provisions.

Under the Resettlement Regulations, 1958, the meaning of the expression "fee day" has become obscure by reason of the Resettlement Department following the administratively convenient practice of spreading the collection of permit fees, for the occupation of sites in Cottage Resettlement Areas, over the whole quarter to which the fees relate. Clause 2 of this Bill seeks to clarify the meaning of "fee day" by adding a definition of the expression to section 2 of the principal Ordinance. In clause 3 opportunity has been taken to repeal and replace section 38 of the principal Ordinance in order to take account of the enactment of the Public Health and Urban Services Ordinance, 1960. If this Bill is enacted, the provisions of clauses 2, 4 and 5 will have retrospective effect to the date of the commencement of the principal Ordinance.

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 Resettlement Ordinance, 1958 to remove doubts which have arisen as to the validity of conditions imposed by tenancy cards in respect of rooms in Resettlement Estates and occupation permits in respect of buildings in Cottage Resettlement Areas, which forms are prescribed by regulations made under section 51 of that Ordinance which it is proposed to amend by clause 5. By clause 2, a definition of "fee day" is proposed, to remove doubts which have arisen as to the meaning of this phrase in relation to occupation permits.

2. The opportunity is taken to propose two other amendments. By clause 3 it is proposed to substitute for section 38 of the Ordinance a section redrafted to take account of the enactment of the Public

Health and Urban Services Ordinance, 1960. By clause 4 it is proposed to correct a cross reference in subsection (2) of section 41 of the Ordinance.

ADDRESS BY HIS EXCELLENCY THE GOVERNOR

Honourable Members, this meeting is the last occasion when we will have with us in Council two of our colleagues. Both are shortly proceeding to the United Kingdom on leave prior to retirement.

Mr INGLIS came to us from Malaya in 1957 and has been our Director of Public Works now for almost six years. Before he arrived he had had extensive experience over a period of 27 years in Malaya, Singapore and Nigeria. As our Director of Public Works he has been in charge of a rapidly expanding Department with heavy responsibilities in building, communications, water supplies, land and town planning, and the planning and achievements of the Department under his wise and experienced leadership have been remarkably good. I am sure that you will all wish me to record on your behalf as well as on my own, our appreciation of your services and at the same time to wish you and your wife all happiness and health in the future.

Mr BURGESS is also attending his last meeting on Council. Apart from two periods of secondment in Britain, Mr BURGESS' service has been entirely in Hong Kong and it dates back to 1932, 31 years ago. He is indeed a Hong Kong man, and in these last five years and more as Colonial Secretary he has proved himself to be most able, an officer who has worked extremely hard and has shown outstanding efficiency in administration. He has, of course, also shown himself to be a most eloquent advocate in Hong Kong's interest. Again, I wish to place on record, on this occasion, the grateful appreciation of my colleagues on this Council and of myself for your distinguished service to Hong Kong, and to extend to you and to your wife and son our best wishes for your future happiness and health. (*Applause*).

MR D. J. RUTTONJEE: —On behalf of my colleagues I would like to endorse the kind words you just said in farewell to Mr INGLIS and Mr BURGESS. Mr INGLIS arrived in Hong Kong in 1957 having already achieved a distinguished career in the Far East. He has devoted his energy and drive to the multifarious public works that have been his responsibility. In particular he has taken great personal interest in three schemes close to his heart, namely the completion of the Shek Pik scheme, the provision of low-cost housing and the multi-storey resettlement project, where he was able to witness recently the completion of the two-hundredth block. He takes with him our sincere thanks for all he has achieved and leaves behind him many monuments to his ability. On behalf of my colleagues and us all, I wish him a very long and happy retirement secure in the knowledge that it was justly deserved.

I have known Claude BURGESS since first he came to the Colony in 1932. From the very beginning it was clear to those of us who knew him that he was destined to achieve the highest ranks in the public service and we were not mistaken in this behalf. It was confirmed when he became Deputy Colonial Secretary in 1949 at the age of 39. He is one of the few administrators who I would have no hesitation in labelling outstanding, and throughout his whole brilliant career he has lived up to that reputation and has served Hong Kong most thoroughly, efficiently and well. This Colony certainly owes him an enormous debt of gratitude for all he has done for us and it is with a heavy heart that we say goodbye. I am very sorry he is going and I know that these sentiments are felt not only by my colleagues but many people of the Colony in all walks of life. I wish him all success in the future and many happy years of retirement. (*Applause*).

ADJOURNMENT

HIS EXCELLENCY THE GOVERNOR: —Well, gentlemen, that concludes the business for today. When is it your pleasure that we should meet again?

THE ATTORNEY GENERAL: —I suggest an adjournment to the 18th of March, Sir.

HIS EXCELLENCY THE GOVERNOR: —Council stands adjourned until the 18th day of March.