

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 18th March 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 EDMUND BRINSLEY TEESDALE, MC
COLONIAL SECRETARYTHE HONOURABLE MAURICE HEENAN, QC
ATTORNEY GENERALTHE HONOURABLE JOHN CRICHTON McDOUALL
SECRETARY FOR CHINESE AFFAIRSTHE HONOURABLE JOHN JAMES COWPERTHWAITTE, OBE
FINANCIAL SECRETARYDR THE HONOURABLE DAVID JAMES MASTERTON MacKENZIE, CMG, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICESTHE HONOURABLE PETER DONOHUE
DIRECTOR OF EDUCATIONTHE HONOURABLE ALEC MICHAEL JOHN WRIGHT,
DIRECTOR OF PUBLIC WORKSTHE HONOURABLE GEOFFREY MARSH TINGLE
DIRECTOR OF URBAN SERVICES

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, OBE

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

MINUTES

The minutes of the meeting of the Council held on 27th February 1963 were confirmed.

OATHS

MR G. M. TINGLE took the Oath of Allegiance and assumed his seat as a Member of the Council.

HIS EXCELLENCY THE GOVERNOR: —We welcome you to Legislative Council.

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 Papers, 1963: —	
No 11—Annual Report by the Chairman, Urban Council and Director of Urban Services for the year 1961-62.	
No 12—Annual Report by the District Commissioner New Territories for the year 1961-62.	
Report of the Select Committee on the Draft Estimates of Revenue and Expenditure for 1963-64.	
Dogs and Cats Regulations.	
Dogs and Cats (Observation and Quarantine Fees) Notification, 1963.	19
Marriage Ordinance.	
Marriage Ordinance (Amendment of Second Schedule) Order, 1963.	20
Boilers and Pressure Receivers Ordinance, 1962.	
Boilers and Pressure Receivers (Forms) Order, 1963.	21
Registration of Persons Ordinance, 1960.	
Registration of Persons (Re-registration) (No 9) Order, 1963.	22
District Court (Civil Jurisdiction and Procedure) Ordinance, 1962.	
District Court Civil Procedure (General) Rules, 1963.	24
District Court (Civil Jurisdiction and Procedure) Ordinance, 1962.	
District Court Civil Procedure (Costs) Rules, 1963.	25
District Court (Civil Jurisdiction and Procedure) Ordinance, 1962.	
District Court Civil Procedure (Fees) Rules, 1963.	26

Stamp Ordinance.

Stamp (Bank Authorization) Order, 1963. 27

Registration of Persons Ordinance, 1960.

Registration of Persons (Re-registration) (No 10) Order, 1963. 28

**RESOLUTION REGARDING THE REPORT OF THE SELECT
COMMITTEE ON THE ESTIMATES FOR 1963-64**

THE COLONIAL SECRETARY moved the following resolution: —

Resolved that the Report of the Select Committee, to which was referred the draft Estimates of Revenue and Expenditure for 1963-64, be adopted.

THE FINANCIAL SECRETARY seconded.

MR D. J. RUTTONJEE: —Your Excellency, we listened with pleasure and quiet pride to your review of the Colony's activities during the past year, and derived much satisfaction from your personal presence in presenting it. I would like to add, Sir, that your selflessness in consenting to serve Hong Kong as Governor for a year beyond your normal term of service did much to give us confidence to face a period which had threatened to be one of the most momentous this Colony has ever encountered, and perhaps our buoyancy is in some measure due to the confidence that your continued presence among us inspired. As you said, Sir, "the storm has not yet broken", but we believe that if you are here to guide us through the rough patches, if it did break, we shall come through safe and sound.

My Unofficial Colleagues have asked me to say, Sir, and it is indeed my pleasure and privilege to be their agent in this regard, that we are delighted to learn that Lady Black is now restored to full health, and that we may look forward to welcoming her back in a few days time. Her absence from the Colony has been felt by all sections of the Community.

Before commenting on more general affairs, I would like to say how glad I am that my honourable Friend, the Financial Secretary, our cautious but canny Financial Secretary, is able to be with us today. Until what has been dubbed "Black Tuesday", I half feared he would be off again to distant parts, his "flying envoy" hat on his head, to present our case or to plead our cause. His is now a familiar face in the conference halls of Geneva, Brussels, and London and my honourable Friend can claim without fear of contradiction that he is on bowing if not on speaking terms with more international personalities than any other Financial Secretary before him. As our ambassador, he has earned the gratitude of the Colony, and perhaps in connexion with

Brussels more than anywhere else, have his special talents been put to most beneficial use. Although we do not know the end of the story yet, the countries of the Six are now much more aware of the very real need for Hong Kong to export, of our problem of people, of our shortages and deficiencies, of the political importance of Hong Kong and of our achievements in the face of unbelievable odds. A great deal of the credit for this new understanding in Europe must go to my honourable Friend, and whatever the outcome of the last 18 months' negotiations in Brussels, one very tangible gain has been made by Hong Kong—a consciousness in the councils of Europe of the importance of this small territory 9,000 miles away. For his contribution towards this awakening, we are grateful to my honourable Friend. No one could have done a better job for us; no one would have put more heart and soul into doing it.

While on this subject of awakening of interest in Europe, I hope that no effort will be spared to maintain and accelerate the good work already started, so that the rich and very substantial market of Europe may open and develop rapidly for Hong Kong exports.

The continued growth of our economy, to which Your Excellency referred, is something in which we can all take satisfaction but we must not lose sight of the need to plan for the population explosion which the Census Report warns us to expect in a few years time when a large number of our children begin to reach working age. The groundwork for the industrial expansion necessary to meet that pressure and to establish the markets for our increased products must be planned and laid now. In each of the coming 10 years we will have in Hong Kong upwards to 75,000 young persons reaching employable age. The majority of these young people must be absorbed into industry, and the manufacturing industry is the only avenue which offers sufficient hope of employment to give these youngsters a chance of earning a living. But the size of our industrial units is generally too small for them to be able to afford to take in untrained and therefore unproductive labour, and even in the United Kingdom where industry is firmly established with long and tried experience, and where industrial units are financially much stronger, the results of leaving the training of labour to individual concerns has been found to be most unsatisfactory except in one or two notable cases.

In December 1962, the Minister of Labour in the United Kingdom presented a White Paper to Parliament entitled "Industrial Training: Government Proposals". I commend this Paper to the attention of Government, and if the words "Hong Kong" are to be substituted for the words "United Kingdom", it would describe the Hong Kong situation very neatly. The proposals have the greatest importance for the training and education of skilled artisans for industry. Under these

proposals the Minister of Labour would be given powers to set up Boards which would be responsible for all aspects of training in individual industries.

Our need in Hong Kong for such Boards is even more urgent than that of the United Kingdom; the question is not whether can we afford or to have a similar Boards scheme in Hong Kong, but whether we can afford not to have it. I am not saying that by giving young people the requisite training, industry will automatically expand to absorb them. Industry will also need assistance to expand rapidly, but a reservoir of properly trained artisans will encourage and facilitate that expansion a more rational basis. The Technical College is doing magnificent work as Your Excellency indicated in your review, and it must be given increasing funds to widen the scope of its activities.

Your Excellency announced the formation of a Working Party on Productivity, and it might well be that this aspect of productivity will help determine the Working Party's findings. At the same time I hope the Management Association, which has already done fine work will bear this in mind.

Now I turn to the Fire Service Department. My colleagues and I would like to pay a tribute to the Fire Services. The 321 fires attributable to Chinese New Year celebrations put the work of this department into the forefront of the public eye. This is another of those services which the community is inclined to take for granted until a catastrophe occurs. In all, 1,295 fire alarms were answered in the first two months of this year, 127 members of the public were rescued either by ladders or jumping sheets in the same period and something like 160 were led to safety down ordinary stairways through smoke.

The selflessness and devotion to duty of the men of this department deserve the highest praise.

I would like to comment on one matter regarding our administrative system and the manner in which it works. We pay Heads of Departments according to their responsibilities but they have to seek financial and administrative authority on matters which have often appeared to me to be of little or no importance, and this naturally leads to a conglomeration of staff at the wrong end of the administration machine. Would it not be possible to make a serious effort to devolve some of this work out of the Secretariat and upon the departments where the responsibility properly lies? I am aware that General Orders are being revised with this in mind but unless sweeping changes are envisaged, the revision will not even begin to meet what is needed. If the work can be devolved then it naturally follows that the staff can be dispersed out to the departments. I advocated long ago that administrative officers should be employed in professional departments, as reference to my 1959 budget speech will confirm. What I would like

to see therefore is more autonomy for departments and a greater use of our administrative cadre outside the Secretariat where they can be employed to more positive advantage. This would result in less enforced dependence on the Secretariat, both financially and administratively.

Similarly I am disturbed at the growth of the Organizational Survey Unit which I note is now pensionable and permanent. I hope we do not have a hydra here. I should like to see a report of what economies and savings have been achieved since the inception of this Unit.

As usual, I have directed my interest and my attention throughout the year to the various aspects of our Medical and Health problems. This interest was enhanced and my knowledge of our Medical and Health problems greatly deepened when I recently paid another visit to our three main Government Hospitals—the Queen Mary, the Kowloon, and the Lai Chi Kok. I was haunted for days by the overcrowding in these hospitals, especially after my visit to the Lai Chi Kok where I saw two children occupying one bed. Some of the wards there were built during the first world war as warehouses or prisons. Comparing these with the \$72 million Queen Elizabeth, said to be the best in the Commonwealth, I wondered what was the criterion for measuring standards in our public hospitals. What would be responsible for deciding which patient should be admitted to the luxurious Queen Elizabeth and which to the others?

My honourable Friend the D.M.H.S. has repeatedly put forward the plan to convert 300 beds of the Kowloon Hospital into tuberculosis beds after the opening of the Queen Elizabeth. For this conversion I understand that the hospital will have to be closed for at least six to nine months, thus losing valuable bed/days whilst patients, sorely in need of hospitalization, will have to be turned away as is the case at present. There are now 574 beds in the Kowloon Hospital and I know from personal inspection that sometimes over 200 camp beds are put into the wards, making a total of nearly 800 patients. At the same time, I understand, because of shortage of space, camp beds are placed under high orthopaedic beds! In the Queen Mary the addition of 120 camp beds to its normal complement of 623 is a common occurrence, and I have mentioned seeing two children occupying one bed at Lai Chi Kok. These are expediences to help meet the pressure on our hospitals and as soon as the Queen Elizabeth is opened all these temporary measures must be corrected. Thus, if the Kowloon Hospital is completely vacated, the camp beds removed from the Queen Mary, and each patient at Lai Chi Kok is provided with a bed of his own, a thousand beds in the Queen Elizabeth will be filled immediately. The remaining three hundred will make little impression on our long waiting lists, even supposing there is staff available for them.

Although I have always been devoted to the cause of tuberculosis in the Colony I feel, however, that the problem of tuberculosis beds must be viewed against the general hospital bed situation as a whole, taking into consideration the availability of funds and of staff. Nearly one fifth of the Colony's hospital beds are at present devoted to tuberculosis, and although this figure falls short of the target advocated in the Heaf/Fox Report, we must weigh the general against the specific. With a population of over 2 million living in Kowloon there is a greater immediate need for general than for tuberculosis beds there. The Queen Elizabeth and the New Kwong Wah Hospital will not be able to supply adequate acute beds, even if supported by the new Lai Chi Kok as a secondary/convalescent hospital. I therefore strongly urge that after the opening of the Queen Elizabeth, part of the Kowloon Hospital be retained as general beds for which the hospital was originally planned. The balance, besides allocating 58 beds for TB meningitis as suggested by the Hon. D.M.H.S., should be used as infectious beds thus taking over that specific function from the Lai Chi Kok, at least until the new Lai Chi Kok is completed. The vacated beds in Lai Chi Kok can be used as extra convalescent beds to give further support to the Queen Elizabeth. Most infectious diseases requiring hospitalization are acute illnesses needing specific treatment, good nursing care, and proper facilities for isolation. For these I consider the Kowloon Hospital with its separate blocks, much more suited than the Lai Chi Kok which was originally built in the last century as a quarantine hospital. The infectious beds, together with the TB Meningitis Unit will take up about 200 beds of the Kowloon Hospital and the remaining 250 to 300 should stay as general beds so that the Kowloon Hospital may be able to function as a second casualty centre. From the year 1958-59 to 1962-63, \$2.1/3 million have been spent on the Kowloon Hospital to improve its facilities for acute work and maximum use must be made of this.

I have been trying to understand why the Hon. D.M.H.S. is so interested in converting part of the Kowloon Hospital into tuberculosis beds. Can it be that he has not got enough medical and nursing staff to allow the Kowloon Hospital to remain partly as a general and acute hospital after the opening of the Queen Elizabeth has drawn off most of its present staff? The conversion of 300 of Kowloon Hospital's beds to cater for tuberculosis, moreover, has been estimated to take six to nine months when a new hospital of 300 beds could be completed in one year's time. Is the closure of the Kowloon Hospital for that period intended as a relief to the staffing difficulties engendered by the opening of the Queen Elizabeth, which difficulty my honourable Friend has never admitted to exist? I have always been concerned about the shortage of nursing staff in Government Hospitals and have repeatedly been reassured both by the Hon. D.M.H.S. and the Principal Matron that they have sufficient to meet Government's requirements. On my last visit to the Kowloon Hospital I saw in a surgical ward of 40 beds

catering for accident and post-operative cases, 17 patients having Intravenous Drips, and was informed that only one Staff Nurse was assigned to be on Night Duty in that ward! I am sufficiently conversant with hospital procedures to believe that such a staffing situation could be tolerated only in circumstances of extreme pressure or shortage. If this is the situation six months before the opening of 1,320 beds, what will it be like afterwards? I am satisfied that the medical and nursing staff in Government Hospitals work hard and devotedly, and they certainly deserve the gratitude of the public. But working hard does not necessarily mean working effectively. They need more efficient direction from the top in order to derive satisfaction for their hard work and devotion to duty.

If a thorough discussion of the Heaf/Fox Report indicate that more tuberculosis beds are needed, then I would suggest that the money which otherwise would be spent in converting the Kowloon Hospital be put aside as a contribution to the building of a new TB Hospital in Kowloon on the secondary/convalescent hospital pattern, at a capital cost of \$10 million for 500 to 600 beds. I have not forgotten that the building and equipment of the Grantham Hospital was less than \$6 million for 540 beds. Allowing an increase of 50% in costs since 1956-57 when the Grantham was built, this will mean that for a cost of \$9 million, we have a first class specialist hospital with full surgical facilities and facilities for research and training equal to the best. This money will be well spent. If the \$72 million capital cost of the Queen Elizabeth had been invested at 6% per annum its interest in two years would have been sufficient to cover this cost. If Government finds itself, because of other priorities, unable to undertake this work then it should have no hesitation in approaching voluntary bodies for assistance. In the meanwhile if more tuberculosis beds are needed, I am sure the Anti-TB Association will be able to provide Government with at least 50 to 100 extra beds to help out.

Before leaving this question of hospital beds, I would like to stress the need for a crash program for the provision of more. This is not the first time I have spoken on the subject and it is not likely to be the last. For a population of over 3½ million, we have about 10,000 hospital beds and the addition of the Queen Elizabeth next summer only brings the number up to around 11,500 if we do not close the Kowloon Hospital after the opening of Queen Elizabeth. Our bulging population, which is very soon due to bulge again, will find us putting up camp beds all over again unless we take steps now to meet the need. And here I emphasize once more the importance of taking into consideration the financial resources of the Colony and the matching of standards, not only with other services financed by public funds but also within the Medical Department itself. In repeatedly criticising the high capital cost of the Queen Elizabeth, I am not unmindful

of my responsibility as a member of the building committee. Its original estimate of \$40 million was increased to the present \$72 million mainly because the Medical Department repeatedly asked for newer and more expensive equipment, some of which called for building changes. This must be prevented in the future. As to recurrent costs, my honourable Friend the D.M.H.S. laboriously worked out the cost per patient treated in various hospitals last year in order to justify the high running cost of Government Hospitals. Whilst further discourse on this would be like knocking one's head against a brick wall, I would draw attention to the fact that if a patient is operated on in Kowloon Hospital and then transferred to Lai Chi Kok for convalescence, he is counted as two cases, and if he happens to need a series of operations then he may be counted as four or six, as the case may be. To say the least, this kind of costing is misleading and I think the Medical Department will be well advised to face the issue of uneconomical Government Hospital beds squarely and to direct its energy to the finding of ways and means to control the present high cost.

Before I conclude my remarks on the Medical Department, I should like to place on record my appreciation of the work that Dr MACKENZIE and his hard working staff undertake. While, I have not always seen eye to eye with my honourable Friend, I have the highest respect for his abilities both professionally and administratively. In him, we have a Director of Medical and Health Services of the highest calibre and his record of achievement over the five years that he has been with us has been outstanding. It is unfortunate that he will be leaving us this September and my colleagues and I will be sorry to see him go.

Having indicated ways in which I am sure a considerable saving could be made both in money, people and resources, now I am going to advocate a small expenditure. We have five of what I consider to be major departments where the officers in charge are paid \$5,900 a month. I am thinking of the Medical, Education, Public Works, Police and the Commerce and Industry departments; departments which I consider carry responsibilities greater than the others. The heads of these departments are the key men in Government and their separate responsibilities are heavy and far-reaching. For a long time I have considered that they are inadequately remunerated and I had hoped that in the past Government would have seen fit to remedy this deficiency. They all have heavy social responsibilities to perform and should be in a position to reciprocate as well as initiate entertainment not only towards outside visitors, for which I know funds are provided on a departmental basis, but towards members of the public who are active in their respective spheres of interest and officers within their own departments, so that they may know not only what is going on both within and without their respective fields but also what the public is thinking. This is a vital part of their duties and they cannot be expected to do this on their

salaries. Commercial firms all recognize this necessity and allowance is made accordingly. The only Government Officers to receive an allowance in addition to their salaries are to my knowledge the Chief Justice and the Colonial Secretary and I think it is high time that this principle was extended to the heads of at least the five major departments I have mentioned. I have tried unsuccessfully to think of ways that this could be achieved in relation to salary. It is no use just raising their salaries since to do so would no doubt involve altering the salary structure at the top and thus embrace other related and interlocking scales, which would be too complicated an exercise and this is not my intention. Similarly, a flat salary qualification would I believe bring in too many other officers, and thus widen too greatly the grounds on which I consider such an allowance to be justified. I, therefore, propose that an expense allowance should be paid to the officers I have mentioned and any other officer whose salary and hence responsibility may be greater than theirs and who does not already receive such an allowance. But let me say now that I would consider any sum of less than \$1,000 per month as inadequate for the purpose for which I intend it to be used. This is my own view and not necessarily shared by my colleagues.

Finally Sir, I would like to say a few words about this Colony's Government and I would like to begin with a quotation, "Every country has the government it deserves". We in Hong Kong have worked hard since the war and we have been well rewarded for our labours since this Island is a place we all can be proud of and our story is one of success. We have deserved a good and efficient government and have certainly got what we deserved. We are served by dedicated and selfless men and women who seek only the reward of a job well done. Their life is one of service to us, the community, and they are often maligned and their motives misunderstood since it is very easy to belabour the Government and to forget that our own sectional or individual interests are not always those of the community as a whole. The lips of our obedient servants are, of necessity, sealed and they do not speak for themselves, only for the community. On behalf of my colleagues and the community as a whole, Sir, I should like to express our gratitude for the able, efficient and hard working administration which you direct. As long as our public servants continue in the tradition they have established, I am sure that the prediction made many hundreds of years ago by an ancestor of the Tang Clan, and engraved on a tombstone near Tsuen Wan, that "A million lights shall glow," will prove true of every part of this Colony and not only the area to which it relates.

Sir, I beg to support the Motion before Council. (*Applause*).

MR FUNG PING-FAN: —Your Excellency, a fortnight ago in this Chamber you gave a lucid and comprehensive survey of the major problems still confronting Hong Kong and of the varied achievements

of the past year. I want to pay a warm tribute to the Government departments concerned for their splendid contributions towards this happy result.

As in the debate a year ago, again my principal interest in today's debate is Education which, in my opinion, is still a vital issue, and any decisions which we may make now on the future development of our educational system will greatly affect the future of the people of Hong Kong.

First, I must congratulate my honourable Friend the Director of Education on his imaginative and far-sighted plan in the reorganization of the structure of primary and secondary education. You, Sir, and honourable Members of this Council will recall that I drew attention in my debate, last year to the great and urgent need for the proper provision of the large and increasing number of children completing their primary education at the age of 12 and still being under the statutory minimum age of employment, namely 14 years of age. I pointed out that if nothing was done to provide for these children during the period from 12 to 14 years of age they might possibly swell the number of teenage delinquents in our city.

It is therefore most gratifying to learn that in the course of a few months my honourable Friend the Director of Education was able to draw up a comprehensive scheme to solve this problem. I refer, of course, to his plan for the reorganization of the structure of primary and secondary education which, in the language of the laymen, is briefly as follows:

- (a) the provision of a seven-year course of education in government and aided primary schools from the age of 7 to 13;
- (b) through reorganization of the curriculum, the standard of education offered in the first 5 years of this new Course will be roughly equivalent to that of the existing 6-year primary course. In other words, the primary course is being shortened from 6 to 5 years without lowering the standard in basic subjects;
- (c) the last 2 years of the new 7-year Course will be devoted to some form of secondary education, namely Form 1 and Form 2 work;
- (d) government and aided secondary schools will eventually accommodate only Form 2 and higher forms, and entry to these schools will be based on a selective test made at the end of Form 1.

I fully appreciate that in drawing up this scheme my honourable Friend the Director of Education has taken into consideration the limitations of our economy and our social and other factors, and I

heartily endorse this bold and realistic attempt to further the development of our educational system which will aim to provide schooling for the children of Hong Kong up to the age of 14 and at the same time to offer them some secondary education.

I have followed very closely comments made on this scheme by the responsible press and public, and am glad to say that, on the whole, they are favourable. However, there are two comments on which I think I am duty-bound to bring to the attention of my honourable Friend the Director of Education. The first is that the normal age of entry into government and aided primary schools should not be raised from 6 to 7. The two arguments advanced by this school of thought are:

- (i) that the present 6-year primary school Course is already difficult enough for many children, and to shorten it to 5 years, even though the age of entry to schools is raised to 7, may prove to be educationally inadvisable;
- (ii) that in this age of keen competition it is better for the children to start their schooling at 6 rather than 7. Supporters of this school of thought also pointed out that in the United Kingdom the statutory age for entry to schools is 5.

The second comment arises from the fact that, as a result of this new scheme, promotion to government and aided Chinese and Anglo-Chinese *secondary* schools will be based on a selective test made at the end of Form 1. The critics point out that if this selective test is to be made at the end of Form 1, the syllabus for Form 1 should, in fairness to all children, be common to all schools; but so far no clear statement has been made to show whether the teaching of the Form 1 syllabus will be in Chinese or in English.

My honourable Friend the Director of Education has had to justify the proposed reorganization to the Board of Education and to Executive Council, but I feel that there are many parents in Hong Kong who are not at all clear about what the reorganization means to them. I would therefore suggest that my honourable Friend take advantage of every opportunity to make the new proposal clear to the man in the street.

The implementation of this new Scheme will call for detailed and imaginative planning, and I daresay that I am echoing the sentiments of the public when I say that we have complete confidence in our Honourable Director of Education in carrying out the complicated reorganization to its successful end. However, in this connexion, I would like to make a suggestion. As secondary education is to be provided in the last 2 years of the new 7-year Course, and as more children will remain in school until the age of 13 to 14, it seems obvious that not only more teachers will have to be provided, but more teachers of a higher calibre capable of handling the children in the last two

years of the new Course, will have to be trained. It is my considered opinion that secondary school graduates who have completed only one year's training at the training colleges will not be competent to handle the children attending the last two years of the new Course. I would therefore suggest that holders of the joint Diploma of the post-secondary colleges should be recruited for training as teachers for these and higher forms. At the same time, I would recommend that consideration be given to expand the present 2-year teacher-training classes.

It is anticipated that, once the new Scheme is implemented, many private primary schools will try to fall in line. As these schools form an important sector in our educational system, and as their resources are in most cases limited, I hope that as much assistance and encouragement as possible will be given them when the time comes.

Just now I mentioned our post-secondary colleges. Your Excellency will recall that in last year's debate you mentioned that a site of some 200 acres at Sha Tin Valley had been earmarked for the proposed Chinese university. You will also remember, Sir, that before the Fulton Commission left Hong Kong in the middle of August last year, it had recommended to Your Excellency that "if its report were accepted by the Government and the Colleges concerned, a federal university based upon the three post-secondary Grant Colleges should be formed with power to grant degrees. The Commission has further recommended that, as soon as practicable, steps should be taken to appoint a vice-chancellor and set up a provisional Council". Since the publication of these preliminary recommendations the public of Hong Kong, and particularly the Post-Secondary Colleges concerned, have been waiting eagerly for the appointment of the vice-chancellor and the setting up of a provisional council. Although the final report of the Fulton Commission has not yet reached us, I would suggest, Sir, that urgent steps be taken for the appointment of the vice-chancellor. I fully realize that it will not be easy to find a suitable candidate for the post, but the earlier that appointment is made, the sooner will the long-awaited university be formed. While still on the subject of the proposed Chinese university, I would like to say that I understand that some of the land earmarked for the new university is now occupied by two small villages. As this village land will have to be acquired by exchange, and as exchange proceedings may take months or even years to complete, I would like to suggest that Government should take appropriate action to acquire this land without further delay.

The importance of this second university needs no elaboration, but I would like to stress that in present-day Hong Kong when many Hong Kong Chinese tend to overlook their own culture and heritage, this university, with particular emphasis on modern and classical Chinese Studies, and on courses in modern and scientific studies through the

medium of Chinese, should play a vital role in reviving the interest of the Hong Kong Chinese in their own language and culture, their own history and literature, and generally in Chinese things. In the world of today when people are obsessed with material gains and progress, and are always prepared to fight for their own selfish ends and desires, the teachings of the Chinese sages and philosophers should play an important part in counteracting such evil tendencies and influences. I therefore hope that the launching of this second university will see a revival of Chinese studies and culture in Hong Kong, and the development and adaptation of such culture in the light of changing world conditions. I also hope that the new institution will become a solvent for fusing the culture of the East and the West, and receive the support not only of the people of Hong Kong but also the peoples of the United Kingdom, the United States of America, and throughout the world.

In last year's debate I drew the Council's attention to certain adverse criticisms against the opening of government secondary modern schools. It is therefore gratifying to learn from Your Excellency's speech at the last meeting of this Council that it is now Government's intention to convert these schools into secondary technical schools as soon as possible. It is my considered opinion that public funds are more properly spent on secondary technical schools where there is a genuine demand than on secondary modern schools which are unpopular among the Chinese people and which, to use some critics' words, tend to produce "half-baked" pupils, being neither here nor there.

While on the subject of expenditure of public funds on schools, I would like to add that, from my own observation, subsidized and grant schools sponsored by the church and other responsible bodies seem to be able to produce very good results at lower costs, compared with government schools. In view of this, I would suggest that my honourable Friend the Director of Education may wish to study this problem more closely and see if some greater encouragement might be given to the subsidized and grant schools which, being sponsored by the church and other respectable bodies, are more able to enlist the direct interest and support of the public in education.

Sir, in your speech at the meeting of this Council a fortnight ago Your Excellency referred to two public statements you have recently made regarding Government plans for the provision of more hospitals and clinics in Hong Kong. My colleague the Honourable Dhun RUTTONJEE just having dwelt at some length on this very important subject, I would like to offer a suggestion here that Government may well consider ways and means of stimulating more public interest in the building of hospitals and clinics and offering their support towards these projects. In the field of education many public-spirited citizens have come forward with handsome donations to Government for the construction of schools in return for the privilege of having these schools

named after themselves or their dear ones. It is common knowledge that to be entitled to this privilege a person must donate a sum equivalent to at least half the construction cost of the school. I heartily endorse this scheme, and suggest that my honourable Friend the Director of Medical and Health Services should consider adopting it if he has not yet done so. If he has already adopted it, then I recommend that it be made better known to the people, especially to the wealthier section of the community.

To raise funds for the construction of their schools, respectable Chinese organizations have a standard practice of naming classrooms and halls after the generous donors. For example, if a person donates, say, \$20,000 towards the construction cost of a school, then he may have a classroom named after himself. This practice has a special appeal to the leading Chinese citizens, and explains why so many Chinese organizations are able to raise funds for the construction of their non-profit making schools. Because of this successful practice, I am tempted to suggest that, in view of the urgency of building more hospitals and clinics, my honourable Friend the Director of Medical and Health Services may wish to adopt this scheme for application even in the construction of public hospitals and clinics.

Thus, if a person donates, say, \$100,000 towards the construction of a hospital, a ward in the hospital may suitably be named after the donor. If this scheme is adopted, I am confident that it will prove to be popular and that a number of public-spirited citizens will not hesitate to come forward with generous donations, thereby expediting Government's programme for the provision of more hospitals and clinics, and at the same time saving considerable public funds that can be directed to other uses.

Your Excellency, with these remarks I have great pleasure in supporting the Motion before Council. (*Applause*).

MR R. C. LEE: —Your Excellency, the estimated deficit of \$164 million for the current year has turned out to, be a record surplus of \$133 million for the last 10 months. However unexciting the next year's Budget may seem to the Honourable Financial Secretary, I assure you, Sir, it has been well received by the community. If he could produce in future years Budgets as "unexciting" as the one under consideration, he would be a most popular man. Indeed, it would not be easy, bearing in mind increased spending, to emulate the current year's results.

Last year, I congratulated the Honourable Financial Secretary on his sound business acumen in reducing the duty on Chinese Prepared Tobacco with the object of obtaining an increase in the amount of duty which could be collected. The reduction in the rate of duty has resulted

in a ten-fold increase in revenue. This gratifying result amply proves that a reasonable rate of duty rather than a high one ultimately brings in the revenue. It is sound policy to lay down a rate at which people could be induced to obey the law rather than to break it.

I suggested last year the abolition of estate duty. Although this suggestion was rejected by Government, it is of importance to keep it under constant review. However, I am glad that Government has at least recognized the severity of the penalty imposed by some sections of the Ordinance concerned, and has tried to improve the situation by the introduction of the Estate Duty (Amendment) Bill 1962. No doubt the Bill has somewhat mitigated hardship; but the labour and time consuming process of assessing the value of an estate together with all the complicated legal formalities and arguments that usually ensue still remains. I consider that our estate duty is a barrier to the inflow of a large amount of foreign capital. Except for this, Hong Kong offers in all respects a far more attractive field for investment than Bermuda and the Bahamas. I would suggest that the extra revenue from corporation profits tax from companies that would be incorporated in Hong Kong as a result of the abolition of estate duty, coupled with the consequent increase in employment for our people, could more than make up for the loss of estate duty.

Most of the world's big money seeks refuge in Switzerland, Bermuda and the Bahamas and is lost to the Colony. Hong Kong can also be competitive in attracting capital which is needed for investment in productive manufacturing enterprises and trade. Money will not come and stay in Hong Kong unless it is advantageous for it to do so. As the revised Estimate of Revenue from estate duty for the current year is only \$220 million, I am of the opinion that the costly hardship often caused thereby is out of proportion to the revenue obtained.

While on the subject of estate duty, I should like to draw the attention of Government to two matters which cause considerable inconvenience and hardship especially to Chinese residents of the Colony. The first point is Section 39 and 40 of the Probate and Administration Ordinance. When a person dies intestate, the person to whom a grant of administration is made is required to give a bond with one or more sureties. The bond is in the form of a penalty of double the gross amount of the whole value of the estate without allowance for the deduction of the liabilities. In practice it is almost impossible to induce any bank or insurance company to enter into such a bond on behalf of an administrator, unless there is substantial property to cover the risk. The great difficulty is to find the cover before any assets can be collected. Moreover, obtaining sureties satisfactory to the Court involves a great deal of delay, inconvenience and ultimate loss, particularly when, under the present and uncertain state of the law

applied to Chinese residents of the Colony, the proper person to whom administration ought to be granted cannot be easily ascertained. In order to help towards solving the difficulties, I suggest that legislation might be introduced with a view to a reduction of the amount of bond and that the liabilities of the deceased should not be included in the bond. In other words the bond should only and at most cover the nett value of an estate. In the history of the Colony, how often, if ever, has a surety in an administration bond been called upon to honour the bond?

The second point refers to the inconsistency, uncertainty and the anachronisms of the law applicable to Chinese residents of the Colony, in matters relating to the family, to inheritance and to succession. The procedure in the case of inheritance and succession is governed in the Colony by the Probate and Administration Ordinance. In the old Chinese law probate and administration proceedings were unknown and the attempt to apply today the procedure of the Ordinance of Hong Kong together with the usages and customs of 1843, especially in the case of intestacy, leads to delay, inconvenience and consequent loss to the family of the deceased. Moreover, under the old laws of the Tsing dynasty a widow, for instance, had no legal claim to any of the family property although she was by custom provided for out of the property during her lifetime. Daughters were not entitled to any share of the family property although if a daughter remained unmarried the sons were by custom expected to support her.

In 1841 the Elliot and Bremer proclamations assured the small number of Chinese who then inhabited this barren rock land who then were subjects of China that they would be governed pending Her Majesty's further pleasure, according to the law, customs and usages of the Chinese, subject to the control of a British magistrate. These customs and usages varied in different parts of the Chinese Empire and the only written record of the customary law of the time was the Ta Ts'ing Lu Li which was a record of the Manchu Penal Code which had been revised from time to time. It has little application to domestic and family affairs. The position was not materially changed by the legislature until 1873, when a Supreme Court Ordinance was passed to the effect that, such of the laws of England as existed in the Colony on the 5th day of April 1843 should be in force in the Colony, except so far as the said laws are inapplicable to the local circumstances of the Colony or of its inhabitants. That was ninety years ago and even by then the only written part of the Manchu Penal Code had been abandoned in Hong Kong as inapplicable. In all civil and criminal matters English law had been applied. Under the 1873 Ordinance, English law was to be applied except where it was inapplicable to the local circumstances of the inhabitants of the Colony. There was no mention of the time honoured Chinese customs and usages or of the

phrases "natives of China or persons of Chinese race", the reference was to "the inhabitants of the Colony". Nevertheless in certain family matters such as concubinage, inheritance and the devolution of property, the old Chinese customary laws of the Kwangtung Province were still let in, so far as they could be ascertained. It was then considered that English law might be oppressive to the Chinese in respect of matters such as the distribution of an intestate estate. These customs and usages, however, have never been formally recorded, and in the course of more than a century they have not only undergone considerable changes but have been swept away. The Manchu dynasty came to an end in 1911. The old law was finally swept away, when, after several revisions, the new Civil Code of China was promulgated by the Chinese National Government in 1930.

In spite of the fact that the Government of China over thirty years ago promulgated a code based on modern principles to govern family, inheritance and succession matters, the Government of Hong Kong full of good intention towards the Chinese inhabitants, still clings to the legendary customs and usages which have long been discarded in China as inapplicable to her citizens.

When these laws and customs have come to be applied in Hong Kong, there naturally can be no expert witness to give satisfactory evidence, as to what they were, and those experts who have purported to give such evidence, not having had any firsthand knowledge, have nearly always been in conflict with each other, and the law to be applied remains uncertain.

Ever since the 1873 Ordinance, English law as to family and inheritance has been deemed to be inapplicable to the Chinese community of Hong Kong. Can it seriously be considered that the Chinese community should still be subject to the customs and usages of the Tsing dynasty which were discarded by the laws of China over thirty years ago? Should the Government of Hong Kong retain these relics of Manchu days when China has recast her laws along modern lines?

As an example of the anomalies in the provisions of the Probate and Administration Ordinance applicable to Chinese I may refer to Section 57. The Section provides that:

"Whenever any person who is a native of China dies intestate leaving property within the jurisdiction of the court, and it is necessary to obtain proof of the law of China for the purpose of regulating the administration of the property of such deceased person according to the law of his domicile, it shall be lawful for the court, in its discretion, to receive in evidence any written statement of the law of China which is certified by any British consular officer in China under his official seal to have been obtained by him from an officer of the Chinese Government for the purposes

of such administration and with reference to the facts of the particular case under consideration, and thereafter to act upon such written statement in such manner as it thinks fit".

All this means that where a native of China dies intestate with property in Hong Kong, the Court may apply the law which exists in China to-day as evidenced by an official of the Chinese Government and certified by a British consular officer, but a Chinese who is born or is domiciled in Hong Kong, which according to the words of the 1873 Ordinance, may only be considered an inhabitant of the Colony whether he is a British subject or not, is to be governed by the customs and usages which have become defunct in China, and which cannot be ascertained with any approach to certainty. Is it not therefore high time that we should have a thorough spring cleaning and sweep away these old cobwebs of the past so that the law may be administered uniformly and without distinction to all the inhabitants of the Colony?

The important step which Government has taken to promote education at all levels in Hong Kong has been an outstanding achievement. A general increase in primary and secondary schools has been recorded each year, bringing the total number of places to the three quarters of a million mark. The much talked about Chinese University is now in the process of being born. All this, we have no doubt, is an achievement from an educational point of view. But where is that going to lead us? There will be more and more young people coming out of schools and universities and the question which immediately confronts us is, what are we going to do with them all?

Naturally many of the younger generation will look to local industries and commerce for employment. The scope for employment in commerce is not unlimited; what additional employment industries can provide depends entirely on the rate of its growth. In any event, it is apparent that the number of people looking for jobs is increasing at a rate much greater than that at which industries at present can absorb. To bridge the gap, it is incumbent upon Government to take some positive step too encourage new industries and to stimulate established ones to carry out planned expansion. Government, it is true, has urged diversification of industries on many occasions, but its efforts seem to have been partly offset by an aspect of its land policy which definitely has the effect of discouraging industrial expansion as a whole, and the creation of new industries in particular. I refer to the price of industrial land as well as the system by which land is sold. I need hardly say that the price of industrial land is prohibitive and is the highest in the world. New industries wanting to get started are the hardest hit and it is not surprising that industries are not growing as fast as they should. I think the least the Government can do will be to provide land at a reasonable price so that industries need not be handicapped by top-heavy investment in land and buildings. What is

the reason for the high price of land? Many think that it is the fault of Government in laying down a high upset price. There may be some truth in this, although the main reason is that speculator rings have been playing havoc at auctions with their manipulations to the detriment of *bona fide* users. One realistic method which may enable actual users to obtain land for industrial purposes at a fair price would be to change the present system of selling land, that is, from public auction to sealed tenders. With the Building Covenant strictly enforced, sale of land by bids in sealed tenders will at least help to give actual users a better chance to compete with the present hordes of speculators. With sealed tenders it will be difficult for the speculators to intimidate the actual users who are in the run for land.

The provision of cheap land for industry is a policy carried out with a large measure of success by Singapore and the Federation of Malaya. They also allow temporary tax exemption during the infant stage of development.

Apart from creating jobs, our industries play a leading role in the economic life of the Colony. Hong Kong must endeavour to keep old markets, to find new ones and to launch new industries if she is to survive. Unless industries are encouraged to start and grow, we shall find ourselves loaded with increasing unemployment. What we need and this is indeed of urgent importance, I submit, Sir, is a system by which land could be made available to actual users in industries at prices favourable to their growth and development.

I now wish to put in a strong plea for the small industries. I refer to those who started humbly on small pieces of land held on temporary permits. They succeed through sheer diligence, adaptability and ingenuity. They had originally little capital to speak of and they could never have been able to start at all without the initial help of Government by providing them with land, but Government has now given many of them notices to quit on the ground that the land occupied by them is required for low cost housing and other public purposes. The difficulty in finding alternative sites seems insurmountable. Without the help of Government, one fails to see how these People can get themselves resettled. Government has not told them where they can go. One school of thought holds that small factories should not be allowed to continue and that those making the same kind of goods should combine to form larger factories. Such an opinion, I feel, cannot represent the considered policy of Government. It would amount to unfair discrimination and a discouragement of our domestic industries. I am sure Government wants to help and encourage the small man who can be a stabilizing factor in our community. With that in mind, I would suggest that it is of primary importance that whenever Government wants to resume land occupied by small factories on temporary permits, it should provide alternative sites, of between 2,500 to 5,000

square feet and let these factories bid for them at least two years before the date when the old sites are to be cleared. Two years is not an unreasonable time to give because it takes time for the site to be pegged out and plans to be prepared by an architect and approved by the Building Authority before any construction can commence. The building itself may take as long as six months to a year to complete. Also the number of sites put up for bidding should be more than the number of sites to be cleared, so that a small man can be assured of a site suitable for him to continue his business.

It has been suggested that small industrialists should form themselves into companies and jointly buy sites in the names of such companies. At first sight, this suggestion seems reasonable, but it does not work well in practice. It is impossible to reconcile all the special needs of different industries, not to mention the diverse requirements and ideas of operating an enterprise. The only solution would be to provide them with different sites so that each can make the best of what he gets. I may add that when the idea of joint ownership of land was put to the small industrialists, they approached Government to find out whether, if they should be successful in buying a site jointly at an auction, they could subdivide the land immediately, each obtaining legal ownership of a lot and fulfill his share of the Building Covenant. This was not allowed.

An alternative suggestion to help the already established small industrialists operating on permit-land is to grant them short leases of 25 years. The monthly or annual rental of the leases to be subject to a periodical review every 10 years. In this way, it is thought that our enterprising small industrialists might be given some amount of incentive for improvement.

In conclusion, Sir, I would say that the programmes of Public Works, Education, Public Health, Resettlement and Housing that have been carried out during the current year show good progress. There is a physical limit to what can be done. For the coming year, how much more can be achieved will again depend not so much on more revenue as on the availability of trained manpower.

With these remarks, Sir, I beg to support the motion before Council. (*Applause*).

MR C. Y. KWAN: —Your Excellency, I wish to congratulate my honourable Friend the Financial Secretary on the lucidity with which he presented the Budget and on his skilful handling of our finances. I like also to take this opportunity of paying him a tribute for the very hard work he put in for the benefit of the Colony during the past year in connexion with the United Kingdom's negotiations to enter the Common Market. The job he had to do was an arduous one, and he did it well.

Sir, I like to make a few observations about the hardship and injustice which the existing Estate Duty Ordinance has created. When the last amendment to the Ordinance was introduced into this Council, Government explained to the public that the object of the amendment was to prevent persons from employing devices for the purpose of avoiding the incidence of estate duty. The amendment was duly passed and became law in 1959, since no one would question the desirability of plugging such loopholes as enabled unfair avoidance by means of a private company, of estate duty which should otherwise have been payable, if the deceased had not transferred his property to such a company. I am afraid Sir, the amendment has gone beyond the object that was intended—at any rate beyond the object that the public understood it to be intended. To be fair, I venture to think that the then Financial Secretary who moved the first reading of the bill in this Council did not realize that it could have resulted in creating the hardship and injustice which I shall shortly mention. The amendment bill copied substantially the language from the United Kingdom Finance Act, 1940. Some of its provisions were couched in such language that both lawyers and laymen alike found it difficult to understand their full implications. Let me quote what the then Financial Secretary said: —

"Sir, the ordinary person reading, or attempting to read, through this Bill, is apt to throw up his hands in horror, and give up any effort to understand what it is all about. Its provisions are of great complexity, but the 'Objects and Reasons' appended to the Bill do give some indications of what the proposed new legislation seeks to achieve."

It is no reflection on the then Financial Secretary, and in fact it is perfectly excusable, if indeed he did not fully understand what it was all about, for even such an eminent judge as Lord Simonds, former Lord High Chancellor of Great Britain, found it difficult to understand the language of some of its vital provisions. In the course of his judgment which he delivered in the House of Lords in the case of *St. Aubyn (L.M) and others v. Attorney General*, Lord Simonds said: —

"It involves the consideration of provisions which are, I think, of unrivalled complexity and difficulty and couched in language so tortuous and obscure that I am tempted to reject them as meaningless."

As a further illustration of the tremendous difficulties which the legislation in question presented, I may add that in the case I have just mentioned the five highly learned Lord Justices who heard it in the House of Lords were almost equally divided on the interpretation of some of its provisions, the division being three and two.

The relevant portion of Section 32 of our Estate Duty Ordinance, which is Section 46 of the English Act, reads as follows: —

"(1) Where a person has made to a company to which this section applies a transfer of any property, other than an interest limited to cease on his death or property which he transferred in a fiduciary capacity, and any benefits accruing to the deceased from the company accrued to him in the three years ending with his death, the assets of the company shall be deemed for the purposes of estate duty to be included in the property passing on his death to an extent determined, in accordance with subsection (2), by reference to the proportion that the aggregate amount of the benefits accruing to the deceased from the company bore to the net profits of the company.

(2) The extent to which the assets of the company are to be deemed to be included as aforesaid shall be the proportion ascertained by comparing the aggregate amount of the benefits accruing to the deceased from the company in the last three accounting years with the aggregate amount of the net profits of the company for the said years."

Sir, let me give you a few examples to show the hardship and injustice our present estate duty law as interpreted by the House of Lords has created: —

(1) If the deceased borrowed loans from what the Estate Duty Ordinance calls a controlled company, with or without interest, within three years prior to his death, such loans are deemed to be benefits to him within the meaning of Section 32 of the Ordinance as defined by Section 33, and the company is liable to be charged estate duty in respect of them according to the formula set out in Section 32. Nay, that is not all, even if such loans were duly repaid by the deceased before his death, such loans are deemed to be still outstanding and are regarded as such benefits for which the company is charged estate duty under Section 32. Is this fair and equitable? I do not think I can do better by way of comment than to quote what Lord Radcliffe said in the House of Lords in the *St. Aubyn* case. He said: —

"I can appreciate the force of several criticisms if loans are treated as benefits for this purpose. To have money advanced to one is, no doubt, a benefit, but to treat the whole sum advanced as itself the benefit seems a curious procedure. Yet the statute makes no provision for any valuation for the benefit, since it treats the payment itself as being the benefit. The procedure becomes the more curious when it is discovered that a payment made in respect of a loan without interest is

treated as equivalent to other payments made in respect of loans at normal interest, high interest or even exorbitant interest. A loan made within the statutory period and repaid before death is treated as equivalent to a loan still outstanding."

- (2) Repayments by the company to the deceased of loans made to it by the deceased qualify as benefits within the meaning of Section 32 of the Ordinance as defined by Section 33, and are subject to estate duty as provided by Section 32. Surely, Sir, such a taxation is most unjust. Does this not go beyond the originally intended object of the amendment of 1959? As far as the public is concerned the object of that amendment was to prevent avoidance of such estate duty as would otherwise have been payable, had the deceased not adopted the device of a controlled company, and no one understood that its language was wide enough to create a new taxation in the form of estate duty, such as the duty in respect of loans borrowed by the deceased from his company or in respect of something for which the deceased's estate could never be called upon to pay any estate duty, if no controlled company had existed.

The third example I am going to give you, Sir, is this.

Where the company discharged a debt due from the deceased to a third party, such payment made by the company on behalf of the deceased to the third party would be deemed to be benefit to the deceased for the purpose of Section 32 and would be liable to estate duty accordingly, even though the deceased subsequently and before his death reimbursed the company. Is this reasonable Sir?

The fourth example I am going to give you, Sir, is this.

If the deceased sold property to a controlled company at a fair and proper market price, and the price was payable by instalments, such of the instalments as were paid to the deceased by the company within three years before his death would be regarded as benefits from the company to the deceased for the purpose of Section 32 of the Estate Duty Ordinance, and the company would be liable to pay estate duty in respect thereof, even though in fact and in truth those instalments were part payments of the purchase price of property sold by the deceased to the company.

Sir, the examples I have just given are not intended to be exhaustive, but I think they are sufficient to demonstrate that there is hardship and injustice created by the last amendment of the law on the subject of estate duty. It is my respectful submission that it has gone beyond its legitimate object, and it has created hardship and injustice.

It has resulted in double taxation in some cases and in estate duty being charged in other cases on something which never in fact formed part of the assets of the estate of the deceased at the date of his death, such as, for example, a loan borrowed by the deceased from the company, particularly in the case where the loan had been repaid by the deceased before his death. I, therefore, urge most strongly that Government give serious and urgent consideration to the question of amending the Estate Duty Ordinance in order to prevent injustice and unfair taxation.

Having dealt with some of the objections arising from the 1959 amendment to the Ordinance I now wish to draw Government's attention to the general dissatisfaction with the way in which the value of shares in a private limited company held by a deceased is assessed by Government for the purpose of estate duty. The value of such shares is not, as in the case of shares in a public company, assessed according to the price which the shares were able to fetch if sold at the time of the death of the deceased, but it is assessed on the basis of the market value of the assets of the company as if such assets were sold at the date of the deceased's death. Such a manner of valuation is most unfair, for the result is to charge estate duty on a much higher value of such shares than they could possibly fetch at the date of the death of the deceased, and this is especially true in the case where the deceased is only a minority shareholder and his estate can in no way force the company to liquidate in order to have its assets realized and distributed. I wish to make it abundantly clear Sir, that I am criticising only the policy which has laid down the criterion for assessing such shares in such an unfair manner, and that I am not criticising in any way the officer responsible for the administration of the Estate Duty Ordinance. In fact we have in the present Deputy Estate Duty Commissioner, who is responsible for all estate duty matters, a very able, efficient, conscientious and, above all, helpful and courteous officer, who is always most painstaking in explaining matters to those who approach him for assistance or explanation.

Sir, I like also to mention the present lack of provision in the Business Registration Ordinance, 1959, to allow members of the public to make a search at the Business Registration Office on payment of a small fee for the purpose of finding out who is the proprietor or who are the partners of a particular firm. This deficiency has caused inconvenience and unnecessarily hinders transaction of business. In this connexion I may say that any member of the public may find out who are the shareholders or directors of a limited company by making a search at the Companies Registry on payment of a search fee of \$1.00. I, therefore, urge Government to introduce immediate legislation to amend the law to permit of such a search. At present if one wants to find out the name or names of the proprietor or partners of a firm, one has to apply to the Commissioner of Inland Revenue for a certified

copy or extract of that firm's Application for Registration under the Business Registration Ordinance, and has to pay \$10.00 therefor. Sir, the most objectional part is not the payment, but the time it takes to get the information. Generally speaking, it takes about four days between the time the application is sent in for such a certified copy or extract and the time such certified copy or extract is delivered to the party applying for it. The certified copy or extract is usually sent to the applicant by registered post. If the same kind of search as is allowed in the case of a limited company is made possible, then the interested party may get his information within a matter of five minutes, instead of having to wait for days. It is submitted that the present system of supplying a certified copy or extract of the firm's Application for Registration as the only public facility to enable members of the public to get the simple information they want, is, if I may respectfully say so, cumbersome, not good enough for our business conditions and a waste of time and man power, for in most cases the applicant for the information does not want a certified copy or extract of such a document; all he wants is the information as to who is the proprietor or who are the partners of the firm, and his purpose is served by allowing him or his representative to look at the record or the document kept by the Commissioner of Inland Revenue which gives him such information. If in the rare cases where the applicant does want a certified copy or extract of such document he can, of course, be supplied one on payment of a proper fee, just as the Registrar of Companies or the Land Officer is supplying certified copies of documents under his control.

Sir, under your distinguished and wise leadership the Colony has marched forward from strength to strength. May I express the hope that we may continue to have the benefit of Your Excellency's leadership and guidance for yet some time to come?

Sir, with the above observations I have much pleasure in supporting the Motion before Council (*Applause*).

MR Y. K. KAN: —Your Excellency, last year I was critical of my honourable Friend's "threats" to introduce full income tax and to make private motoring even more costly. Happily, neither of these two threats was carried out, not because my honourable Friend, I am sure, was won over by my argument, but because subsequent events made further increase in taxation unnecessary.

This year I must confess that I find it most difficult to argue against his new but moderate proposals, because on the whole I regard these as very reasonable indeed.

First of all, I am in full agreement with my honourable Friend's view that it may become necessary to increase water charges to meet a possible deficit in our water accounts. It is said that water is a necessity of life and that so far as possible supply of water ought to be

obtainable as cheaply and freely as air. Unfortunately that Utopian state of affairs does not exist in Hong Kong. Here we have spent millions of dollars in the past in capital cost alone for our water supply, and we shall have to spend many millions more for the Plover Cove Scheme in the next few years. All these expenditures have to be met somehow.

Where I differ from my honourable Friend is over the method of collection which he proposes to adopt. I can understand my honourable Friend's preference to raise the revenue by increasing the rates rather than increasing the existing water charges. He did not think that the latter method was practicable in Hong Kong because so many must share one meter. No doubt, he had in mind all those people who live in multi-storey buildings who are in any case responsible for rates besides having to share the water charges. To them one form of increase is the same as the other; but from the Government's point of view, increase in rates is undoubtedly the more expedient. But my honourable Friend must not lose sight of the many more pre-war houses where the owners, rather than the occupiers, invariably have to foot the bill for rates. Is it fair that they should be further penalized when they are forced by law to accept a wholly unrealistic and uneconomic return for their properties? Is it not time that they the forgotten men, had a fair deal?

Unless I am mistaken, water charges represent perhaps the only form of levy in this Colony which is shared alike by every one who lives here as a modest contribution towards the Colony's revenue. Let us not dismiss this question too lightly.

Incidentally, you may recall, Sir, that the sharing of one water meter by all the occupiers of a multi-storey building, which has led to a lot of unnecessary squabbles among tenants, was the subject of a question by me on this Council some time ago. I must confess that Government's explanation as to the impracticability of installing separate meters for each flat is completely unconvincing. If the power and the gas companies find no difficulty at all in installing separate meters for electricity and gas, I can see no insurmountable difficulty in the case of water. The same factors must govern in both cases. I do urge Government to give this matter further consideration at the earliest opportunity.

My honourable Friend's next proposal is to reduce the differential between the duties on diesel fuel used by road vehicles and that used for other purposes. This proposal has my whole-hearted support if for no other reason than to do away with the anomaly and the abuse of which my honourable Friend has spoken. My honourable Friend told us that the discrimination against motorists in this respect was introduced by his predecessor. Dislike of motorists among Financial Secretaries would seem to run to form!

My honourable Friend has, with suitable apologies, devoted a considerable part of his speech on the issue of car-parking. I agree with him that on-street parking particularly in central localities during busy hours should no longer be free, so long as the charges are reasonable and designed merely to ration available parking space among users rather than as a means of raising extra revenue. In most modern cities like Hong Kong free parking in the centre of the town is a thing of the past, but in Hong Kong adequate facilities for off-street parking must be available for commuters unless and until public transport is able to cope with their travelling requirements to and from work. I also agree that whenever possible, it is more desirable that the building of multi-storey car-parks should be a private enterprise rather than a Government undertaking. But I am afraid my honourable Friend will not encourage private enterprise in this direction if he insists upon charging full value for the land. We are told that on this basis the cost per car-space in a multi-storey car-park on the Central Reclamation would be \$65,000.00. I dare predict that no private enterprise will be interested in such a venture simply because it will not pay.

In explaining his view point, my honourable Friend said, and I quote, "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." Let us face it, whether we like it or not, motor cars have come to stay like hawkers in our city. If they are not allowed to be parked on the roads then they must be parked somewhere else. They are a useful and possibly vital part of life in a big city and I submit Government has a responsibility in alleviating the parking problems.

If it comes to that, do the ferry and bus companies pay full value for the piers, concourses, etc.; and, for that matter, does the Hong Kong Tramway Company pay anything at all for laying and using the tracks on ten miles of roads? Surely, if my honourable Friend is correct in the view he takes, there is no logical reason why a small private club should be given exclusive possession and use of one of the most valuable pieces of land right in the very heart of the city, for a pittance? It is questionable whether our cricketers find this ground particularly suitable for their sport with the traffic roaring round it at all hours of the day. No doubt, they would prefer somewhere else under better conditions. As a sports field it is, as far as I can see, not fully used except for a game of cricket at week ends and some tennis matches at other times. For the rest of the time it is just an open space but barred to all corners. If money is no object, why not convert this into a pleasure ground for the benefit of the public at large, particularly the city workers during their lunch recess. It might even be possible to build a large car-park below it or above it without detracting from the amenities the ground can offer. The present cricket-ground can be moved to some

open space elsewhere in the Colony. This was in fact what I proposed on the Urban Council when we were asked to comment on the City Development Plan, but I notice that in their final recommendations the Town Planning Board was singularly non-committal on this particular matter. Government must surely accept the principle that in a community like ours, the interests of the overwhelming majority of the population must have prior considerations at all times.

Government has, I believe, accepted the Town Planning Board's recommendation in relation to the Dockyard Development Scheme that the present cricket ground should be kept as an open space. I suggest that before tenders for the Dockyard site are invited, Government should make it public how this open space is to be used in the future. This must be a matter in which developers would be most interested.

I fear I have digressed somewhat from the main discussion. To return to the question of building multi-storey car parks through private enterprise, I suggest that, all things considered, it is fair and equitable that Government should make land available for this purpose for a short period of, say, 20 or 25 years with the usual restrictive covenant as to user and charge a reasonable annual rent or a royalty. I think private enterprise is more likely to be attracted by this proposition rather than out-and-out sale.

I turn now to public transport. As Chairman of the Advisory Committee on Public Transport I find myself in the curious position of being liable to be told by my honourable Official Colleagues that knotty problems that I raise will be dealt with by reference back to me to study with the Committee. Government has always given a sympathetic hearing to the advice of the Committee and has accepted our major recommendations. I therefore want to say straight away that I shall not use this debate to ask Government to do our work for us by asking for solutions for the problems we are studying.

Hong Kong's public transport services have a remarkable record of achievement. During 1962 nearly one thousand million passengers were carried by the five major privately operated companies and the railway. This works out at about one journey a day for every man woman and child in the Colony excluding the babies who travel free.

Growth has been most spectacular on the mainland where bus traffic has doubled since 1956 and is more than three times what it was ten years ago. Today the Kowloon Motor Bus Company carries as many passengers as all other forms of public transport put together. Growth in traffic on the Island, although not quite up to this staggering standard, has shown a 70% increase in ten years. Trams still carry more people than buses but bus traffic is increasing faster than tram traffic and will equal it in 1965 if both grow at present rates. The

growth of 50% in passenger ferry traffic over the last ten years would look impressive elsewhere but by comparison with land traffic is sluggish. Vehicle ferry traffic on the other hand has, like mainland bus traffic, doubled since 1956 and is two and a half times what it was ten years ago. Last year alone the increase was 23%. Even our Government railway has doubled its passenger traffic in the last ten years.

I find it easier to grasp the significance of these figures by looking at the graph which, with Your Excellency's permission, I should now like to table.

We tend to take growth at this rate for granted. We expect the standard of service not only to be maintained but to be improved. This is obviously desirable but I think it is worth recording that simply keeping up with growth in demand even at the present standard is a formidable task in itself. There can be few cities whose public transport services have expanded so rapidly to meet increasing demands.

Could the companies do better? In many ways I think it is clear that they could. One important feature of land transport services that I think should be improved is the safety of travel at rush hours. The human body is not infinitely compressible though some determined efforts are made to demonstrate this every day. The law, in the interests of safety, prescribes limits to the number of standing passengers that may be carried on buses and trams but it is broken every day at rush hours. In respect of buses the law has recently been revised to make it more realistic. We are still discussing amendments to liberalize the law in respect of trams.

Once this law is regarded as reasonable it follows that the companies should enforce it. I do not advocate immediate enforcement because this would result in hardship out of all proportion to the gain in safety and comfort. But I do believe that sufficient additional vehicles should be ordered to enable the law to be enforced without imposing additional delays in travel. As vehicles take something like a year to order and put into service that is the sort of period that might have to elapse between agreement on what the law should say and on enforcement of that law without hardship.

I believe also that the companies could do more to show their concern for their passengers. My Committee has pressed both bus companies to set up public relations organizations not only to deal with complaints the companies get—which they do now—but to engage more actively in improving relations between the companies, the bus crews and the public. This is particularly important in the field of queueing and orderly behaviour in getting on and off buses. At the crowded bus stops the companies provide railings and regulators. Conditions there

are good. The regulators are patient men and the passengers cooperate excellently. More queue rails are planned. But the task does not end there.

It will never be possible to have a man watching every little queue at every bus stop. An intensive campaign for better manners by our tougher citizens must be launched if we are to rid our streets of the scuffles and fights that take place every morning and evening at bus stops all over town. The responsibility for this task of persuasion lies squarely with the companies for the tussles are by their customers for their services. The Advisory Committee put quite a bit of work into a small scale campaign for better queueing last summer and the Director of Information Services designed and produced posters to help it. This campaign convinced us that this type of work is useful but I cannot believe Your Excellency intended the Committee to become unpaid public relations consultants for the companies. If a full scale campaign is to be attempted, I believe it should be done by the companies, preferably acting together.

These may perhaps be thought to be matters of secondary importance. It is when we consider whether the whole standard of service should be radically improved that we come up against the fact that it is simply not possible to say at the present juncture whether major improvements in services can reasonably be insisted upon.

There have from time to time been suggestions that some entirely new system of public transport should be brought into Hong Kong—perhaps underground railways or some form of overhead railway on one or two rails. We should be foolish to close our minds to these possibilities but we must have a pretty detailed knowledge of our requirements now, and in the future, before it is worth going into the various possible systems in detail. Your Excellency has already approved in principle a public transport survey to show us whether existing resources are being used to best effect and to indicate what future expansion will be required. This will show how long our present systems will be able to manage and indicate the size of the job any new system would have to undertake.

The survey will be a census of travel. It will include a financial analysis of public transport operations. It will help us to work out the implications of insisting on any particular set of standards for services. But it will not tell us what "adequate" services are. This will be a question for us to advise on knowing the implications of that advice.

The methods and scope of the Survey are being discussed with the Road Research Laboratory in Britain. I hope further progress will be made next week-end when Mr J. A. HILLIER of the Laboratory will be in the Colony for a few days on his way home from America.

The public wants frequent, fast and comfortable services and it must pay for them. The companies must find finance for rapid expansion. They are entitled to pay reasonable dividends. They must pay taxes like other companies and also royalties for their concessions which amount to \$25½ million next financial year.

To decide what are reasonable services we must ask ourselves how frequent, fast and comfortable services should be. Should fares be increased or decreased? Should we stick to the present system of a maximum fare of 20 cents within the Urban area or relate fares to distances travelled? What are reasonable profits and dividends? Should expansion be financed by new borrowing or by retained earnings? Should relief be granted by reduced royalties or taxation?

I do not want honourable Members to think the Advisory Committee has formed any fixed views on these questions which we shall have to answer. I would not expect my honourable Official Colleagues to suggest answers to these questions either. So far as I know, neither the Government nor my Committee has the necessary analyses to bring such discussions down to earth. I do however suggest that these are questions which have not so far been resolved and which require an answer before we can say that services are adequate.

The Government has in practice accepted the services which the companies have seen fit to provide. By implication it has accepted that these are reasonable services, for the statutory authorities who have powers to require better services have never used these powers on any major issue in the face of opposition from the companies—and my Committee has never advised that they should.

This may all be entirely satisfactory. But I for one am not prepared to say so before we see the results of an operational and financial analysis of the transport undertakings and consider whether the public, the Government and the shareholders are getting equally fair returns from these services. The work required is considerable and will take a long time but will be worth it.

Finally, my honourable Friend has in the course of his Speech touched upon the subject of dollar coins. I personally do not like them for no other reason than that they are too heavy, bulky and tend to make holes in our pockets. I find that since the introduction of these coins, my own personal expenditure has gone up, possibly due to my desire to get rid of them as fast as I can, or because they dropped through my trouser pockets. Consequently I have an awful confession to make. My honourable Friend was wondering where all those 23 million dollar notes have disappeared to. Well, I am one of the culprits and I do plead guilty to the hoarding of these notes—not all

of the 23 millions of course—I think I am right in saying that the Chinese people on the whole do not like the dollar coins and would prefer to see the notes restored. Whether my honourable Friend considers it economically expedient to do so is a matter for him to decide.

Sir, I support the motion before Council. (*Applause*).

MR W. C. G. KNOWLES: —Your Excellency, viewed with a businessman's eyes the Budget which was so ably presented by the Honourable Financial Secretary on 27th February shows a very strong financial position. Appendix B of the Estimates brings out that \$225 million or 22% of recurrent revenue is being ploughed back into capital expenditure. This is as it should be in an expanding enterprise, but we can certainly congratulate ourselves on a very favourable comparison with other comparable states.

Nevertheless I do not think it needed super-human fortitude on the part of my honourable Friend to resist the temptation to lower taxation. Last year both you, Sir, and others, referred to the storm clouds which were gathering on the horizon. They are still there and the outlook is sombre. The abortive result of Britain's negotiations with the Common Market countries has provided a respite for certain of our exports, but in the long term the result of those negotiations may not be in our favour. A comprehensive re-arrangement of the world's pattern of trade seems to be in the air, and in particular a change in the system within the British Commonwealth is not unlikely. There is hope, recently expressed by a very influential journal in London, that in any such change our needs will be favourably considered, but this is by no means a foregone conclusion. The habit of imposing quotas seems to be spreading, with new categories of textile goods being brought under restraint to the North American market, and new countries in Europe seeking to apply the restrictive terms of the Geneva Agreement. I have no doubt that Hong Kong will win through eventually, but the prospect for the immediate future is a more or less painful period of readjustment.

A rather happier picture can be painted of our second largest export—Tourism. The Tourist Association was incorporated by Ordinance in 1957, although it did not begin active operations until early in the next year, and it is convenient to date any review of the tourist trade from then. The salient figures are that the number of visitors has increased from 103,000 in 1958 to 253,000 in 1962, an increase of 2½ times in 5 years. The number of cruise ships has increased from 4 in 1958 to 22 in 1962, 5½ times, and although the number of aircraft calling at Hong Kong per week has only increased from 90 to 130, their seating capacity has increased from about 5,000 to about 15,000, that is 3 times. In the early days the bottle-neck was hotel accommodation and in 1958 we could offer less than 2,000 rooms

of the standard required by tourists; by the end of 1963 we shall have 6,000 rooms available, and the figure is expected to reach 7,000 next year.

With these additional facilities the Tourist Association is confident that the number of visitors will continue to increase steadily. Three new large hotels added to the older established ones will enable Hong Kong to cater for Conventions, an American institution whose benefit to the participants some people may be disposed to question, but which is of indisputable and substantial economic value to any place where one is held. The Tourist Association early last year organized the PATA Conference, the pioneer large Convention in Hong Kong; the experience then gained will be invaluable in the future, and besides embarking on an active campaign to promote the Colony as a Convention centre, the Association will be able to give guidance and practical assistance to the organizers of any future Convention which may elect to come here.

In previous years North America and Australia have seemed the most potentially fruitful markets for tourists, and the Association has concentrated its promotion efforts on those areas. Recently however there have been distinct signs that Europeans are beginning to travel eastwards in groups by way of what is known as "package tours"; on past experience such signs presage a massive increase in the traffic, and this year the Tourist Association is expanding its advertising and promotion in Europe in order to make sure that Hong Kong does not miss its share of this new movement of travellers.

It is never possible to demonstrate a clear cause and effect relation between trade promotion and expansion of sales. But, in spite of being Chairman of the Board of the Tourist Association, I feel justified in making two remarks. Firstly, the objects of the Association laid down in its Ordinance, insofar as they relate to an increase in the number of our visitors, appear from the record to have been fulfilled as completely as could reasonably be expected: secondly, I receive frequent reports from abroad, many of them from sources which do not know of my connexion, that the Hong Kong Tourist Association is recognized as one of the most effective and efficient organizations of its kind in the world. I would like to take this opportunity of complimenting the Executive Director and his staff on the Association's record and on having achieved such a high reputation at a very much smaller cost per visitor than any other similar body in comparable centres of travel.

On the other side of the picture, both the Board and the Executive of the Association spend a great deal of thought and effort on trying to improve conditions for the visitor to Hong Kong. Progress has been made in certain directions, but the problem of how to check unscrupulous

exploitation of travellers is very hard to tackle. In a free community much must depend on self-discipline within the tourist industry, as well as on the common sense of the tourists themselves, and there are still far too many complaints on this score.

Last year Sir, I appealed to Government to take a generous view of requests for funds for the promotion of both trade and tourism, and I very greatly welcome the amendment to the Budget Estimates tabled to-day which provides for an additional \$300,000 to enable the Tourist Association to carry out the plans it has made, some of which I have just outlined. Equally welcome is Government's decision to provide \$1,600,000 per year for trade promotion in the commercial field, of which half represents revenue expected to accrue from a recently imposed increase in certain stamp duties levied on exporters and importers. Control of this money is vested primarily in the hands of a Joint Committee of the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries, with safeguards to ensure co-ordination with the efforts of other bodies like the Department of Information Services, the Department of Commerce & Industry and the Tourist Association, who are also engaged in similar activities overseas. It is too early yet to give an account of what may be done with these funds, but I am sure they will make a valuable contribution to the Colony's commercial prosperity.

One of the more remarkable features of this year's Budget is the very large figure, \$146 million, expected to accrue to Government from land sales. In general an increase in Government revenue without increased taxation is most welcome, but in this particular item the high figure, insofar as it is due to the high cost of land, is not a reason for congratulation. My honourable Friend, Mr LEE, has pointed out that the high cost of land is a handicap to industry which could well be crippling, and it may be confidently expected that if our commercial prosperity dampens down one of the first results will be a virtually complete cessation of expansion unless and until the price of land comes down drastically. Even at the present time the high cost must be limiting the expansion we so urgently need, as my honourable Friend has said, to provide work for the 800,000 extra work people who, according to the census report, will be looking for jobs in the next ten years. I fully appreciate the difficulties of formulating a procedure for land sales which does not put money into the pockets of speculators, but I would most strongly urge Government to view the problem, and such suggested solutions as the Honourable Mr LEE'S, not from the point of view of how much revenue the Government can extract out of land, but of how low the price to industry can be brought.

I have just referred to the need for expansion of industry, but if industry is going to expand we must also plan how to provide the right human material for its efficient management and direction. A feature

of our community is the degree to which we have to rely on people educated overseas for senior executive positions in both Government departments and in business. I do not refer only to the professions—the doctors, the lawyers and the accountants—but in this context wish to lay emphasis on the administrators in Government and the managers in business. This is a class which is derived primarily from University graduates, and I believe it is true to say that in the United Kingdom and other industrially advanced countries a University degree is becoming more and more a prerequisite for the higher grades of management. It seems to me, Sir, to be time that this problem is tackled systematically by making an examination of the likely requirements, for both Government and industry, of University graduates, in order to assess what, if any, expansion of our facilities for higher education is necessary. I know that the educational purist will contend that in this respect the sky ought to be the limit, and that every man and woman should be given the highest education that they are capable of assimilating, and I also know that in several of the more economically advanced countries the accepted policy is that anyone who can attain to certain academic qualifications should automatically be given a place in a University. In Hong Kong, however, we are unfortunately not in the happy position of being able to afford so much; we have other calls on our funds, mainly to raise standards at the other end of the social scale, and have to accept that our expenditure on higher education must be related to the economic needs of the community. What I propose, Sir, is that those economic needs should be assessed, perhaps by some Committee specially convened by Government for the purpose, and a policy carefully worked out to cover them. Such a policy would have to take into account three factors among others:

Firstly: The contribution which the future Chinese University will make.

Secondly: The fact that a significant proportion of leading men in our community are pre-war graduates of former Universities on the mainland of China, who will not be replaced from the same source, and

Thirdly: The difficulty, in a small island like Hong Kong however efficient the University, of instilling the wider outlook which is the essential benefit conferred by higher education.

In regard to my third point, are we spending enough on scholarships to overseas universities, and generally on sending our more promising men and women abroad? Hitherto most of such help has been confined to serving officers in Government, while some contribution has been made by private enterprise, mainly for its own employee, and of course by those individuals who can afford to send their children to study overseas. The rest have to be content with what is provided by public purses or private endowments of overseas countries, or by the

benefactors of the Sir Robert Black Trust Fund, and it may be that Government should do much more in this respect. After all our expenditure if my arithmetic is right on higher education is only \$7 million on the Posit Secondary Colleges and \$10½ million on the University, together representing about 1¼% of our total budget.

While speaking about higher education I would like to pay a tribute to the smoothness with which the Hong Kong University has achieved its expansion from a capacity of 950 undergraduates in 1958 to 1,450 to-day. It is not easy to increase the scope of any organization, whether academic, Government or business, by 50 per cent in a few years, and in my capacity of Treasurer of the University I have been struck by the smooth transition and the absence of noticeable growing pains.

If it is right to congratulate the University, I think it is equally right to congratulate the administration of Government, which has successfully coped with an increase in the number of public servants from just over 20,000 in 1953, to 40,000 in 1958 and to 60,000 in 1963. A good many of these represent police, work people in the P.W.D. etc., but it is a remarkable achievement to swing from the rather rudimentary laissez-faire form of administration of the pre-war and immediate post-war years, to the present more sophisticated Government made necessary by modern social and economic trends, and our administrators deserve the greatest credit for the way they have adapted themselves and their machine.

In this context, however, I feel I must draw attention to one aspect in which growing pains appear to me all too evident. I refer to administrative delays.

Petty delays within departments, such as delays in P.W.D. in approving architects' drawings, are too commonly aired to need elaborating here. Less common, because the number of applications are much fewer, are complaints about delays in granting or refusing applications for modification of Crown Lease Covenants. The Registrar-General's Report for 1961/62 states that during the year 135 applications for such modifications were received; it would be interesting to know how many of these applications were settled during the year, and how much time elapsed, on the average, between receipt of the application and the final grant or refusal.

The succeeding sections of the Registrar-General's Report, Nos. 20 and 21, reveal a state of affairs which can only be described as astonishing. 37 Crown Leases were granted during the year against an outstanding back-log of 6,000, and indeed the report goes so far as to say that in some cases it is hard to imagine that a Crown Lease will ever be completed at all. This is surely a state of affairs which cannot be

allowed to continue; if proper documents of title under existing legislation are impracticable, then the legislation must be changed; in any case a draconian decision is needed.

But procedural delays are not confined to departments; they extend to major decisions taken at the very top of the administrative level of Government. I could give several instances from my own personal experience, but will confine myself to one. In February 1960 the Tourist Association wrote to the Honourable Colonial Secretary suggesting amongst other things the development of a restaurant, combined with a lookout, at the Top Peak Tram Station, which would provide a pleasant amenity for residents as well as for visitors. The suggestion was followed up at various times in 1960 and 1961, and in 1961 I was told that the plan had been submitted to the appropriate planning committee. At that stage the plan in question involved a development, at the Peak Tramways' expense, on the harbour side of the Upper Peak Tram Station which did not in any way interfere with the roads to the southward. Yet in May 1962 it was said that complexities connected with the roads and the planning of the whole area to the southward were holding up a decision. The Press last Friday carried a report that Government now have under consideration a plan for developing this area, but no mention was made of how long it had been under consideration or when a decision can be expected.

As a poet once wrote Sir, "Time is but a stream we go a-fishing in."

Last year, Sir, I allowed a bee to escape from my bonnet whose buzzing concerned the planting of trees and trying to arrest the rapid deterioration in the appearance of the urban parts of our Colony. Unfortunately that bee does not seem to have stung anyone into activity, for I can see no evidence of new trees in the town, nor have I heard of any effort to preserve and propagate the indigenous flowering trees which I referred to last year, and which I greatly fear will decrease in numbers rapidly if not fostered. Various reasons are adduced—trees cannot be planted in roads because the ground underneath is full of pipes, wires and other contraptions: a nursery for our flowering trees cannot be provided, the Honourable Colonial Secretary told me last year, because we cannot afford it. I find it hard to believe, Sir, that the first of these contentions is literally true of every possible site for trees, and if it is so then it is the fault of the original planners who, had the beauty of our streets meant anything to them, should have reserved places before all the underground pipes and wires were laid. A nursery for our flowering trees might require half an acre or an acre of land, and possibly two gardeners, and I feel that even the most parsimonious member of Finance Committee would not object to expenditure of that order. I am afraid, Sir, that the impression given is that it is not that physical conditions preclude nor that finance is lacking, but that nobody

has the will to make the necessary effort. I was recently in the metropolis of a neighbouring country which since my previous visit some years ago had undergone an even more extensive road re-building programme than Hong Kong's. The residents there complain that they are losing all their old trees, but it was very note-worthy to a visitor that in contrast to Hong Kong the new roads themselves were practically all freshly planted with young trees.

Before I conclude, Sir, I would like to associate myself with the tributes which my colleagues have paid to my honourable Friend the Financial Secretary. My responsibilities outside this Chamber have brought me in perhaps closer touch than many people with certain of his activities, and I can only say that his capacity for combining a mastery of detail with a clear perception of broad issues leaves the rest of us far behind. The Colony is very fortunate, Sir, to command hits services in these critical times.

Your Excellency, I beg to support the motion. (*Applause*)

MR S. S. GORDON—Your Excellency, my main subject should be taxation and in view of the Financial Secretary's "unexciting budget" this task could be discharged by my saying thank you very much Mr. Cowperthwaite and sitting down. This course has its attractions but native conservatism prevents me from introducing such a welcome innovation to this occasion. On taxation I will confine myself to reproducing in public, pleas which have been submitted to the Inland Revenue Department privately many times. These are first, that Assessors should take a broad, practical approach to their job and not get bogged down with technicalities no matter how interesting these may be from a purely legal or academic point of view. Frequently they have the doubtful satisfaction of "winning" a debatable point purely because the amount of tax involved does not warrant the expense of an appeal. Meanwhile the taxpayer has been put to quite unnecessary trouble with preliminary arguments. Secondly, invariably when a new Assessor arrives in the Department, possibly with wider experience than the existing staff, he always seems to assume that what has gone before is probably wrong and seeks to re-examine matters which have been agreed many years before and, what is worse, to re-open assessments which have been finalised. I freely admit that the Ordinance gives him full power to raise additional assessments over the past six years but where the amounts involved are immaterial is it worth the work involved or the damage to the Department's relations with the public. It is submitted, Sir, that except in cases of incorrect returns, fraud or wilful evasion by the taxpayer, no agreed assessment should be re-opened merely because there has been a change in the interpretation of the Ordinance by a member of the Inland Revenue Department. This is, I believe, the practice in U.K. and a directive on these lines should be

issued in the Department in Hong Kong. Before leaving this point it might be mentioned that in practice the taxpayers' right to re-open past assessments is very limited indeed.

To assist Assessors in their duties the Inland Revenue Department is given very wide powers. In fact, the standard information demanded on the Profits Tax Return form would indicate that each assessment is in the nature of an investigation. I submit that every assessor must always be on guard to avoid blindly following the book as this must result in abusing the power vested in him which is intended to cover exceptional cases only.

In the U.K., U.S.A., Australia and other high-tax areas an enormous amount of effort, involving well educated and trained minds, is devoted to the constant and essential struggle of reducing the incidence of taxation. In Hong Kong where the rate of tax is moderate and there is so much to be done in other fields it would be tragic to divert our efforts to such an unproductive pursuit. It rests with the Inland Revenue Department to take the broad view and to be practical in their approach.

Still on the subject of taxation I would like to add a few words to what has already been said by my honourable Friends, R. C. LEE and C. Y. KWAN on Estate Duty. Frankly the arguments used by Mr COWPERTHWAITTE last year for not abolishing this tax were weak, particularly his references to the wealth represented by increased land values being unearned increments of capital which have paid no tax in the process of accumulation. It is nice to know that your flat or house is worth ten times what you paid for it but this knowledge is of little benefit if you have no other accommodation and know that when you die your family will have to pay substantially for the privilege of continuing to have a roof over their head. On the other hand if it is intended to cash in on any rise in value, I can assure the Financial Secretary that there are very few property transactions nowadays which escape the closest attention of the Inland Revenue Department. So far as foreign investors are concerned, even if they are not deterred by estate duty considerations from investing in Hong Kong it must be remembered that Hong Kong residents also have substantial investment funds available and they do worry about Estate Duty. A simple method of avoidance is to transfer funds out of the Colony and this is being done.

However, I am much more concerned about how the threat of Estate Duty is affecting traditional Chinese families where the head of the household usually has control of the family business and assets. This control may in practice be nominal but it does exist for Estate Duty purposes. These families are now having to take steps to mitigate the effects of the Duty and in many cases where an allocation of the family assets is attempted unnecessary quarrels are developing which

would never arise if the senior member of the family could remain in control. Is it worth all this for a destructive tax which can be avoided?

If the Financial Secretary insists that the duty must be maintained, then there are two suggestions which in my opinion are entirely reasonable and can be achieved by minor amendments to the Ordinance. First, public company shares held by a deceased are valued at the closing Stock Exchange quotation on the date of death. It is well known that our Hong Kong Stock Exchange is such that the sale of a very few shares can substantially reduce the price so that in practice the executor of an estate can be assessed to duty on a valuation which cannot be realised. This is particularly so in estates where a large number of shares have to be sold to meet Estate Duty payments. My suggestion is that within a specified period, say one month, an executor should have the right to transfer the relevant proportion of shares in a public company to Government in settlement of the duty on that part of the estate. To take an example, if the rate of duty payable is 20% and the estate includes 10,000 shares in Company A, then the Revenue Department should be prepared to accept 2,000 shares instead of insisting on cash based on what is often in Hong Kong a notional and inflated figure. Government can then sell or hold the shares depending on the current state of the Colony's finances. My second suggestion relates to the valuation of Private Companies already referred to by the Honourable C. Y. KWAN. I think that most accountants will support my view that so far as these valuations are concerned, we are working on a different wavelength from the Estate Duty office. In fact the valuations are usually so far apart that negotiation based on accounting principles would be a farce and the executor has either to make the best of a bad job and rely on his unsupported powers of persuasion or to appeal to the Courts. Now, it is well known that Hong Kong businessmen do not like parading their affairs in public and the result is that all too often duty has to be paid on an unrealistic and inflated figure. I suggest that, as valuation is seldom a matter of law, there should first be a right of appeal to the Board of Review which is constituted for Inland Revenue purposes. Their powers and duties for this purpose could be similar to those they exercise under the Inland Revenue Ordinance in that they would decide what was a fair assessment of value, in the opinion of businessmen, for the shares.

My honourable Friend, F. S. LI, who is much better qualified on the subject than am I, will be speaking on Housing but I must make a few comments principally on the subject of home ownership for the middle income group.

The whole purpose of the proposed Ordinance to control rent increases is to provide a reasonable period to allow supply to catch up with demand. That is why the controls introduced by the Ordinance will terminate automatically on a specified date and cannot drift on for

years by annual resolution. If this Ordinance is going to be of any lasting benefit to the community it is essential that all possible steps be taken to accelerate building. Government resettlement and low-cost housing schemes are really getting under way and the Housing Authority and Housing Society are doing a magnificent job, all in the low-cost field. At the other end of the scale private development is providing an adequate number of larger flats for those who can afford them and there may well be a surplus of this kind of accommodation in the not too distant future. However it is clear that not enough is being done for the middle or lower middle income groups who are ineligible for any of the present low cost housing schemes and who in any case would like something slightly better and can afford to pay a reasonable rent. Published accommodation statistics are sketchy but from the more reliable figures I have seen it appears that there was an annual reduction in Chinese Tenement Units and Small Flats becoming available in each of the years from 1st April 1958 to 31st March 1962. The number of exemption orders granted under the Landlord and Tenant Ordinance and the increasing number of building plans approved would indicate that the swing is now the other way but I feel that some stimulus is necessary. In particular the co-operative building society concept, which has been so popular with Government servants, should be supported and fostered. The two main requirements for a Building Society are land and money. On the former I consider that it would be only reasonable for Government to make suitable land available to approved schemes on the same terms as land has already been granted to societies run for local Government officers. The question of money is not quite so easy and I wish to make it quite clear that I do not subscribe to the school of thought which considers Government should provide everything for everybody.

The main problem with conventional Building Societies is that they lend long and borrow short. This can be disastrous in Hong Kong and we could not look only to short-term deposits from the public to finance such a society. However, in spite of the Financial Secretary's seeming reluctance to raise loans I have always felt that there is a need for a short to medium term public loan in Hong Kong and I submit that Government should sponsor the flotation of such a loan, the proceeds to be used entirely for the purpose of a Building Society type of venture. To make the terms attractive I suggest the loan should be for a period of from seven to ten years, carry interest at 6½%, free of tax, and to attract private money, free of Estate Duty if we must continue to have Estate Duty. I realise that any form of Building Society will have to make advances for periods exceeding seven to ten years but if the first loan is a success it is very likely that at the redemption date it could be replaced by a further loan on whatever terms are then necessary to encourage holders to take up the new issue. If the first loan is a flop then we would have to try some other means of raising the money but

at least Government could not be accused of not trying. However, in view of the substantial funds held by Trusts and Institutions such as the University and with the absence of Trustee investments in Hong Kong I consider that a Government sponsored loan on attractive terms would be welcomed. Quite a number of local provident Funds would certainly be interested, particularly if some of their members were participating in one of the co-operatives.

To turn to the lending of the funds I have been supplied with figures which show that a sum of \$10,000 at 8% interest repayable over 15 years would cost \$95.50 per month. The suggested differential between the borrowing and lending rates is intended to cover part, if not all, of the running costs of the Building Society. With land on special terms, standardisation of design and supervision by either the Hong Kong Housing Society or the Housing Authority, costs could be kept to a minimum and I am advised that a figure of from \$20,000 to \$25,000 per flat could be achieved. Taking the higher figure and ignoring any initial deposit which would probably be necessary this would cost \$230 per month in capital repayment and interest charges. Adding rates at 17% and \$20 per month for contingencies this comes to a total of \$300 per month which is within the scope of many of the group to be catered for.

Restrictions as to sale or sub-letting of the property would almost certainly have to be incorporated in any scheme of this nature and these would have to be strictly enforced by the managers.

Now, Sir, I appreciate that Government has been actively considering this problem for many months and it is clear from what has been written in the Press that there is considerable public interest. However, goodwill alone is not enough and it is necessary to set up appropriate machinery to translate the goodwill into prompt action. I suggest the time has come to appoint a Committee to include representatives of the Housing Society, Housing Authority and other interested parties, to make a thorough investigation and report as a matter of urgency, say within three months. Government should also be prepared to make land available without delay. There are many difficulties but if we agree that the need is there and the principle is right, difficulties can usually be overcome by a positive approach. On the other hand it is always much easier to find reasons for avoiding or deferring action.

One final point before leaving this subject, I note from page 260 of the Estimates that the Development Loan Fund intends advancing \$25,000,000 to Local Government Officers during the coming year as against \$34,000,000 to the Housing Authority and only \$18,500,000 to the Housing Society. I am not suggesting that the \$25 million is too much or that it be reduced in any way but the proportions seem wrong and perhaps some increase in the other two figures is called for.

A few weeks ago I wrote to all the unofficial Justices of the Peace whom I have the honour to represent on this Council, enquiring if they had any points they wished me to raise during this debate. The result was most encouraging. A number of their points, including immigration procedures, have already been taken up at Departmental level, and I have had strong support on the subject of Housing Societies on bases similar to that already discussed. Of the remaining matters the following are of general interest.

At the present time, I understand that it is an offence under the Landlord and Tenant Ordinance for landlords of pre-war property to approach tenants direct with a view to paying compensation to obtain vacant possession of premises. I am advised that even where an application has been made for exemption under the Ordinance an agreed figure for compensation cannot safely be paid as the law stands until the publication of the exemption order several months later. Accordingly the rather absurd position frequently exists whereby protected tenants have already found themselves alternative accommodation but in order to obtain compensation legally in respect of the old premises they must remain on as tenants and pay rent up to the date of the publication of the exemption order. This means that they have the burden of paying rents for two premises. Now as applications to Tribunals seem to have settled into an accepted, or at least understood, pattern I would hesitate to suggest too much tampering with that Ordinance but if my advice is correct surely in the altered circumstances now prevailing 16 years after the Ordinance was enacted some modification should be made which would permit landlords who intend to develop their property freely to negotiate with tenants to obtain vacant possession and make direct settlement without this being an offence. I am sure this would help both landlords and tenants alike; it would help to lighten the task of Tribunals who are presently faced with a formidable accumulation of cases and would assist in expediting the issue of exemption orders. I would permit negotiation even where no application for an exemption order has been made particularly as I am advised that the penalty provisions of the Ordinance in this respect have never been enforced and remain a dead letter.

It is common practice at the beginning of a hearing for the Chairman of a Tribunal to announce basic rates of compensation which, in the absence of special circumstances, will be recommended. If direct negotiation were permitted perhaps standard basic rates for districts could be published quarterly so that Tribunals need only have to deal with cases where settlement has not been agreed. It seems to me most desirable that a serious effort should be made to standardise compensation in exemption cases; it appears to fluctuate from time to time and

from tribunal to tribunal, particularly in regard to business premises. This again would lighten the work of the Tribunals and allow this unsatisfactory Ordinance to work itself out at an earlier date.

Our shipbuilding and ship repairing industry is among Hong Kong's oldest employers of a substantial labour force. It is well known that there has been a world depression in shipbuilding for some time which has forced a number of the oldest established Yards in Great Britain into liquidation while others are having considerable difficulty in weathering the storm. Hong Kong has to face the high rate of freight on materials supplied from overseas which constitute a substantial portion of building costs and also faces intense competition from Japan. Both U.K. and Japan have facilities of a Government sponsored nature to enable ships to be built and paid for upon extended credit terms. It is appreciated that Hong Kong industry generally is very often hamstrung by shortage of customers finance but I am advised that the shipbuilding industry is unique in so far as other countries, through Central Banking organisations, provide long term finance which can be as extreme as the purchaser paying 20% only over the building period with the balance of 80% payable over 10 years by half-yearly instalments of principal and a modest rate of interest. May I suggest that the nearly \$20 million at present tied up in Federation of Malaya Stock, and for that matter part of our Sterling securities, would give a better return to the Colony if used for this purpose and employed in our own Industries. A Working Party has been appointed to advise and report on the feasibility of setting up an export credit insurance scheme and perhaps this matter could be included in their deliberations. If the terms of reference of this Working Party are not wide enough, they could be appropriately extended.

I have been bombarded with data on the need for the training of artisans for industry. My honourable Friend Dhun RUTTONJEE has already referred to this subject at length and I fully support all he has said. What has been suggested to me is not training to Technical College level or necessarily the standards set by the Dockyards or Government Electrical and Mechanical workshop apprenticeship training schemes but merely teaching of the more rudimentary skills. It came as a complete surprise to me to learn that the bulk of our young labour force when they first seek jobs have little or no knowledge as to how to use basic tools. I thought that all boys acquired this knowledge somehow or other but apparently this does not necessarily apply in Hong Kong. As Mr RUTTONJEE has explained this question of industrial training is being actively pursued in U.K. at present and I would like to quote paragraph 15 of the White Paper to which he has referred as this is particularly relevant to Hong Kong. This reads—

"Experience has shown clearly that if young people on leaving school are given a systematic course of training in the basic principles

of their trade, their progress thereafter to full skill will be more rapid and their adaptability within their trade much greater than if they started out on a narrow range of production work. It is difficult for many employers, particularly in small and medium-sized firms, to make available the machinery and instructors to give the apprentice this systematic grounding. The wider provision of opportunities for systematic training in the first-year of apprenticeship would do much to improve our whole system by remedying it at its weakest point, that is to say, the haphazard and narrow training given all too often at the beginning."

I would support the view that the recent proposals for a basic seven year school course seem to offer an ideal opportunity for introducing some practical training such as carpentry into the curriculum for boys during say their last two years at school. It may well be that our far-seeing Director of Education already has this in hand but, if not, I commend it for his consideration.

And now a final three personal hobby horses. As the Financial Secretary is aware, from an Accountant's point of view the published draft estimates contain many unsatisfactory features. A great deal of the trouble probably arises from few detailed statistics being available in Hong Kong and from the need to establish guesses based on out of date figures. Until now this has not mattered as we show surpluses no matter what the estimates forecast but it is quite possible that the day will come when more accurate forecasting is essential. I see that the Commerce and Industry Department is in process of hiring equipment to assist with Trade Statistics but perhaps the time has come when the collation of information should be extended to cover other departments and to matters other than trade; so I suggest that thought should be given to the purchase of a modern electronic computer. There is a lapse of some years between making a decision of this nature and putting the machine to work. The expense would be high but I am sure a computer would prove invaluable and if Government has any reservations as to being able to utilise it fully, I have no doubt that our more enterprising industrialists would be glad to be able to hire time.

Secondly, we keep hearing references to Ordinances being in draft and they seem to stay in this form for a very long time. Legislation cannot be rushed and must be very carefully considered before being inflicted on the Colony but in my opinion some speed-up is essential in the Legal Department even if it means more staff.

And finally, too often do we have outcries in the Press over situations which have been allowed to develop unnecessarily. Unfortunately action is frequently delayed while an argument ensues as to who is to blame for the initial mistake. What difference does it make who is to blame? If something is wrong, put it right without fuss. The recent Kai Tak nonsense is a case in point where nothing was done for months

although it was only necessary to meet one incoming plane to see that the facilities as originally designed just didn't work. Surely in routine administrative matters of this nature it should be possible on the first sign of trouble for some independent and impartial party, say a member of the Audit Department, to investigate immediately and report to the Colonial Secretary.

With these remarks, Sir, I have pleasure in supporting the motion. (*Applause*).

MR F. S. LI: —Your Excellency, first of all, I should like to associate myself with my colleagues on this Council in congratulating Your Excellency on the highly favourable Annual Review of the progress of the Colony which you presented at our meeting on February 27.th and to which we all listened with great interest. It added yet another chapter to the story of the Colony's all-round progress which has been such a feature of its post-war history. The buoyant figures of overseas trade and the conjuring up of surpluses out of budgeted deficits, all point to the continuing economic miracle that is modern Hong Kong. In the face of this record, adverse comment, or indeed, one might almost go as far as to say comment of any kind, may seem superfluous, because it is disarmed at the outset by the very successes, to which those responsible for the Colony's administration may justly point, and for which they may justly take credit. So if I make some comments this afternoon I can assure Your Excellency that they are sobered by these considerations.

I should like first of all to say a few words about Housing which is a matter of great concern to us all, since it touches closely the well-being of the people. I think we all must pay tribute to the great efforts now being made by Government, by the Housing Authority, by voluntary Societies, and by the large firms on behalf of their staffs, to provide accommodation at rentals that people can afford. Yet, housing still remains a problem. In the sector of publicly-provided housing, the Resettlement Department can take credit for having passed, in November last, the half-million mark in the number of persons it has rehoused. Present plans call for an eventual clearance of squatter areas, and for a resettlement programme running at the rate of 100,000 per year.

However, a glance at the figures relating to squatters, illustrates how intractable the problem is, and suggests that this figure will need to be revised. According to the 1961 Annual Report, a survey of the squatter population, taken in October of that year, showed that 530,000 squatters were waiting to be resettled. One year later in October 1962, according to the Government Annual Report just published, the figure was over 488,000. In addition there were some 70,000 more in un-surveyed areas. The Commissioner for Resettlement has estimated that

the figure to-day may be over 600,000. No one I think could deny that the present scale of housing operations is impressive, yet these figures are disturbing.

The Annual Report just published, estimates that the population increased during the year 1962 by over 300,000, of which over 91,000 represented a natural increase, and over 208,000 represented a net balance of migration, which figure presumably includes the 142,000 illegal immigrants which Your Excellency made reference to in your Annual Review. These figures again naturally raise the question whether sufficient progress in housing is being made. It reminds us of Alice and the Red Queen in the Looking Glass Country, where by running very hard, they barely managed to keep in the same place. It is fairly clear that even greater effort will be needed, and it looks as if the present impressive rate of one large resettlement block every ten days will still not be enough.

At the last Annual Meeting of the Housing Authority, the Commissioner for Resettlement expressed the view that there was a more serious shortage of sites rather than of funds. In this connexion, I want to suggest that the sheer pressure of the great housing need may drive us into accepting greater densities and greater site coverage, than we are at present willing to accept. Reclamation may provide additional sites, but it is a very costly process, and I do not see how we can avoid not only building more extensively in the rural areas, but also building in such a way as to ensure maximum economic development of sites in those areas.

Now when I suggest that there should be greater site coverage and greater densities allowed in the rural areas, I know that my honourable Friend the Director of Public Works, will reply that adequate standards of light and air and space are necessary and excessive densities are an evil to be avoided. Yet when one thinks of the very unhygienic conditions in the present squatter areas, and overcrowded conditions in Chinese tenement houses, to say nothing of the continual hazard of fire, then it may be we shall be faced with a choice of evils and may well be forced to choose the lesser.

The Building (Planning) (Amendment) (No 2) Regulations issued in October last year laid down definite standards regarding site coverage and plot ratios. It is not clear to me whether these Regulations apply to the rural as well as to the urban areas. From cases which have been brought to my notice, there is considerable variation in the site coverage permitted in the rural areas, in some cases only 15%, in others 20% or 25%. I suggest that there might be greater uniformity and, what perhaps is more important, that any regulations regarding site coverage should be made fully available for the information of the general public. This publicity is desirable in order to remove the opportunities for abuse in land transactions.

I have one further suggestion to make with regard to building development. Your Excellency referred in your Annual Review to a development plan for Aberdeen, on the south side of the Island. I have for some time regarded this area as one which could take many more of our people. If a large town were built at Aberdeen, one big problem would be the provision of public transport. To meet this difficulty, perhaps the idea of a tunnel through the hills might be considered and explored. This might become the starting point for some form of electric railway development on the Island which increasing traffic congestion will one day force upon us.

Turning now to general financial matters, I wish to say a little on the subject of Banking. May I say that I am associated with a local Bank, but I wish to make it clear that my remarks are concerned purely with matters of principle, applicable to banking practice in general. Almost a year has gone by since the appearance of the Tomkins Report on the Hong Kong Banking System. The Report clearly sets out a number of unsatisfactory features which exist in the organization of banking here. It recommends that the present Banking Ordinance which goes back to 1948, should be drastically revised, to safeguard the interests of depositors and to secure a more uniform standard of professional banking practice. Whether the present distinction between authorized and unauthorized Banks would disappear under a revised Banking Ordinance, if one were made, I do not know, but at present this distinction creating difficulties in regard to dealings in foreign exchange.

Hong Kong is within the Sterling area, and naturally the British authorities have to take steps to protect Sterling against finding its way in large quantities to hard currency areas via the Colony. Controls and the maintenance of established parities of exchange are therefore necessary. At present, exchange control is administered under the 1940 Defence (Finance) Regulations, and some 46 banks are authorized to deal in foreign exchange. On the other hand, it seems to be the case the British authorities treat Hong Kong quite liberally and allow us to retain in the Colony either in whole or in part, our foreign exchange earnings accruing as a result of our visible and invisible exports. The result is that there exists quite openly a free market in foreign currencies. I do not know under what authority this operates, but it does give rise to an anomaly which I wish to point out. The 46 Banks specially authorized to deal in foreign exchange are among the oldest and most respectable banks in the Colony; and yet they are at a disadvantage compared with other banks because their foreign exchange business is restricted to dealings at official parities. Their competitors, however, who are not authorized by Government to deal in foreign exchange, have the advantage of being able to deal in the free market. May I therefore ask, is this right?

While on this subject, I should like also to bring up the matter of the movement of investment funds out of the Colony for the purchase of foreign securities. The scale of these securities is openly advertised in the press. In addition, some foreign securities can be bought and sold freely in Hong Kong in what almost amounts to an open market. These fairly recent growths in the Hong Kong financial scene, are not likely to be transient features; they are growing in size and importance, and seem likely to be permanent, and for that reason invite some observations. These transactions escape stamp duties and make no contribution whatsoever to the revenues of Government. This may be of little significance from the point of view of the amount of revenue involved, but I wonder if we are wise in allowing this outflow of funds for the purchase of foreign securities to this extent. Our own industries are growing and need increasing supplies of capital. It is only by the expansion of industry that we can provide employment for our people. Since any large outflow of capital might endanger our economic stability, has my honourable Friend the Financial Secretary any plans in mind to deal with this problem?

Passing from financial matters to those of taxation, I heartily endorse the remarks made by my colleague the Honourable Sidney GORDAN. Perhaps I may be allowed to make one or two additional observations. I should like to refer to the hardship suffered by Investment Companies here, since, as the law stands at present, they are unable to claim tax relief on account of management expenses, as the bulk of their income is in the form of dividends which are taxed at source. This places the local Investment Companies at a disadvantage compared with other companies which are allowed to claim costs of management as legitimate business expenses for tax purposes. I should like to ask the Honourable the Financial Secretary to give some consideration to this point. While I am on this subject of taxation, may I make another suggestion for his consideration? After Typhoon *Wanda* had caused such widespread damage, last year, the people of Hong Kong showed their sympathy in a most practical way by subscribing almost five million dollars for the relief of its victims. This was but one example of the very generous support given by private individuals and business firms to the numerous charitable organizations which are constantly making appeals for funds. In view of the excellent work done by these bodies, most of us would agree that they certainly have a claim on our charity. I venture to ask the Honourable the Financial Secretary if he would consider the possibility of arranging that those sums given to local charities might be exempted from tax. My feeling is, that if this were done, individual and firms would be encouraged to donate to our charities more liberally. Larger donations from private source would in turn, mean a diminished need for Government subventions. If this were so, then Government might actually gain by remitting tax on charitable donations.

I note from the Honourable the Financial Secretary's Budget speech that the over-all budget surplus is expected to be \$100 million at the end of the current financial year. This is largely due to buoyant land sales which are estimated to yield no less than \$185 million during the year. Now, revenue derived from the sale of land is capital revenue, and I would like to suggest that the Honourable the Financial Secretary should consider ear-marking this and any other capital revenue for capital expenditure. This will mean that all expenses of a capital nature would, in future, be paid out of a capital fund, and any deficit thereof should be made good by loans and not met by general revenue of a recurrent nature, so that this generation will not be called upon to carry the full weight of any long-term capital projects.

For some number of years now, the Budget presented to this Council has shown an estimated expenditure in excess of revenue. Each year this somewhat pessimistic expectation has failed to materialise and each year this deficit has been converted by some magician's wand into a handsome surplus. Each year, the honourable Member who presented the Budget has explained that this has resulted from a unique combination of providential circumstances upon which it would be unwise to count for the future. I wonder what would happen if the magician's wand failed to work and the Honourable the Financial Secretary were really confronted with a real deficit one day! Perhaps I may content myself by suggesting that he might consider bringing to an end this annual display of masterly under-statement and frame his Estimates to give the general public a more realistic perspective.

Sir, with these few remarks, I beg to support the motion. (*Applause*).

THE COLONIAL SECRETARY: —Your Excellency, I rise to move that the debate on the resolution before Council be adjourned until the next meeting of the Council.

THE FINANCIAL SECRETARY seconded.

The question was put and agreed to.

HIS EXCELLENCY THE GOVERNOR: —This seems the season of farewells, and I regret to have to announce that this is the last occasion on which Lieutenant-General Sir Reginald HEWETSON will be with us in Legislative Council. The General has been in Hong Kong with us since December 1961, and I know that I am speaking for you all when I say that we would like to have kept him very much longer. He has proved to be a sympathetic colleague, interested in our problems, and I shall miss him and I believe that you all will share this loss. We will miss him from our Councils here.

The reason for his departure is that he has been promoted to the very responsible duties of Commander in Chief, Far East Land Forces, with his base in Singapore and so, while I regret very much his departure, we are proud that one of our colleagues has had this very meet recognition of his undoubted merits, and we take consolation from the knowledge that the new Commander in Chief in this region will be a Hong Kong man, if I may put it in that way, with firsthand knowledge of our problem. I extend to you, Sir, and to Lady HEWETSON and to your family, our best wishes for your future happiness and for future success in your career, which we shall now follow in rather a proprietary way. (*Applause*).

ADJOURNMENT

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

THE ATTORNEY GENERAL: —On the 29th day of this month I suggest, Sir.

HIS EXCELLENCY THE GOVERNOR: —Council stands adjourned until the 29th of this month.