

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 11th August 1965****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
HIS EXCELLENCY LIEUTENANT-GENERAL SIR DENIS STUART SCOTT
O'CONNOR, KBE, CB
COMMANDER BRITISH FORCES
THE HONOURABLE GEOFFREY CADZOW HAMILTON
ACTING COLONIAL SECRETARY
THE HONOURABLE MAURICE HEENAN, QC
ATTORNEY GENERAL
THE HONOURABLE DAVID WHINFIELD BARCLAY BARON,
ACTING SECRETARY FOR CHINESE AFFAIRS
THE HONOURABLE JOHN JAMES COWPERTHWAITES CMG, OBE
FINANCIAL SECRETARY
THE HONOURABLE KENNETH STRATHMORE KINGHORN,
DIRECTOR OF URBAN SERVICES
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE WILLIAM DAVID GREGG
DIRECTOR OF EDUCATION
THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC
DEPUTY ECONOMIC SECRETARY
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE
THE HONOURABLE SIDNEY SAMUEL GORDON, OBE
THE HONOURABLE LI FOOK-SHU, OBE
THE HONOURABLE TANG PING-YUAN
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE SZETO WAI
THE HONOURABLE WILFRED WONG SIEN-BING
THE HONOURABLE MRS ELLEN LI SHU-PUI, OBE
THE HONOURABLE CHUNG SZE-YUEN
MR ANDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*)

ABSENT

DR THE HONOURABLE TENG PIN-HUI, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE JOHN PHILIP ASERAPPA
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE KWAN CHO-YIU, CBE
THE HONOURABLE KAN YUET-KEUNG, OBE

MINUTES

The Minutes of the meeting of the Council held on 28th July 1965, were confirmed.

PAPERS

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

<i>Subject</i>	<i>LN No</i>
Sessional Paper, 1965:—	
No 22—Annual Report of the Public Services Commission for the years 1962-64.	
Annual Report of the Hong Kong War Memorial Fund Committee for the year 1964.	
Road Traffic Ordinance 1957.	
Road Traffic (Construction and Use) (Amendment) Regulations 1965.....	98
Road Traffic (Construction and Use) Regulations 1956.	
Road Traffic (Construction and Use) (Guy Arab Mark V Omnibuses Exemption) Order 1965	99

He said:—Sir, amongst these papers is the Report of the Chairman of the Public Services Commission for the years 1962 to 1964.

This, Sir, is a most interesting Report. It re-emphasizes the position of the Public Services Commission as an entirely independent body in the appointment and promotion of public servants; and re-iterates its policy, with which Government is in full agreement, of never advising the appointment of an overseas officer unless it is fully satisfied that there is no local candidate who has the necessary ability. Moreover, when there is any possibility of local officers obtaining the necessary qualifications, in or outside Government service, within the next few years, appointment of overseas officers is advised on contract for a limited period only.

The Commission also advises on entry qualifications, on training and on the passage of probation and efficiency bars. Their thoroughness and fairness is, I believe, a substantial factor in attracting local candidates of high standard into the Public Service.

I should like to take this opportunity of recording Government's deep appreciation of the work of the Commission. As you are aware, Sir, the Chairman and Members give their services on a part-time basis without any remuneration whatsoever, and I can say from personal

experience over the years during which I have had the honour of being associated with the various Chairmen and Members, that they have at all times watched most meticulously over the wellbeing of the Government Service and of individual officers and candidates.

I should like to pay a special tribute to the wise guidance and counsel of Mr E. R. CHILDE who retired recently after having been a Member and later Chairman of the Commission for some 8 years. He has consistently and steadfastly tendered advice which has helped in no small measure to maintain the high standards of the Service.

QUESTIONS

MR G. R. ROSS, pursuant to notice, asked the following question: —

Sir, it has been publicly stated that the re-construction of Nathan Road between Arran Street and Changsha Street will take approximately sixteen months to complete. Is it not possible to expedite this work on this very busy thoroughfare?

MR A. M. J. WRIGHT replied as follows: —

Your Excellency, if it were possible to completely close this length of Nathan Road to traffic, and at the same time stop all crossing traffic, we could complete this contract in less than six months. If at the same time, it were possible to ignore the need to renew, replace and enlarge existing underground services to meet the needs of the tens of thousands of people living in this part of Kowloon, it would be possible to reconstruct the road surface in a few weeks.

Unfortunately we cannot proceed in this simple manner. This part of Nathan Road carries an average of 2,300 vehicles per hour and there is no spare capacity in the neighbouring secondary roads to enable us to bypass and close the roadway for the duration of the contract. Neither is there the spare capacity to enable us to divert the whole of the traffic wishing to cross this part of Nathan Road.

This, Sir, is the crux of the problem. To overcome it—and to keep traffic moving—we must divide the six lane width of Nathan Road into three sections each of two lanes. One of these sections will be closed to traffic and reconstructed while the other two sections will continue in use, providing two lanes for northbound traffic and two lanes

for south bound. This, however, is not the end of the problem, for we must—if we are to avoid chaos in the neighbouring roads—maintain at least some of the crossings in this half mile length of road. Thus, having divided Nathan Road into three longitudinal strips we are prevented from working, at one and the same time, on a complete strip stretching from Arran Street to Cheung Sha Street. Instead we have to phase the work laterally, as well as longitudinally, to meet the needs of the crossing traffic.

The effect of this is that the contract must be carried out in two phases, each phase comprising three stages. In other words we have got to take six bites at the cherry, and I can assure honourable Members that if traffic is to be kept moving there is no other practical alternative.

The time required to complete each stage is, of course, affected by the vast amount of work which has to be done on the underground services. Four new sewers varying in size from 24 " to 60 " have to be laid across Nathan Road and other services such as water, electricity, telephone and gas require renewal, replacement or enlargement. In this contract, work on these underground services is less critical to the works programme than the need to maintain traffic flow, but nevertheless, it adds some 30% to the time taken to complete the work.

Finally, hours of work. Road construction with its attendant concrete throughout the night, for there is much residential accommodation in this area. Because of the need to complete the contract as fast as reasonably possible we have specified that work on the general contract will be in two shifts, starting at 7 a.m. and finishing at 11 p.m.

I am very conscious of the disruption and inconvenience which road works of this nature cause. Pedestrians and residents suffer no less than the motorists. The phasing of the work has been worked out in detail—even to the number of days available at each stage for the public utilities to work on their underground services—and I can see no practical way to reduce the contract period of 450 working days.

MR G. R. ROSS—Thank you, Sir.

CROSS HARBOUR TUNNEL

The debate on the following resolution was resumed:

Resolved that this Council approves in principle the grant of a franchise to construct and operate a tunnel across the harbour between Wan Chai and Hung Horn in accordance with the basic conditions set down in the Schedule.

SCHEDULE.

- (1) The Victoria City Development Company (or such other company as may with the approval of the Company and Government be substituted for it) (hereinafter referred to as “the Company”) to be granted an exclusive franchise to construct and operate a four-lane vehicular tunnel between Wan Chai and Hung Horn.
- (2) The franchise to bear no rights for the construction of a second tunnel on the same or any other route.
- (3) The franchise to run for 30 years from the date (hereinafter referred to as the “start of construction”) on which permission is given by Government to commence physical construction works on the tunnel site. There is to be no right of renewal thereafter.
- (4)
 - (a) A royalty of 12½% on gross operating receipts to be payable for the period of the franchise provided that on application by the Company the annual cash payment during the first ten years of operation of the tunnel, may be reduced so that it is less than 12½%, but not less than 7½%. Any arrangements for reduced royalty are to be reviewed annually. The difference between the amount due at 12½% and the actual cash payment at the reduced rate to be credited to Government in the accounts of the Company and the balance to earn compound interest at 7% per annum compounded quarterly. This account to be liquidated not less than 5 years before the end of the franchise.
 - (b) Royalty payments to be paid quarterly in arrears within one month of the quarter to which the operating receipts relate.
 - (c) “Operating receipts” to include all revenue received by the Company in consideration of goods and services offered but to exclude income earned on investments and interest received on current assets.
- (5)
 - (a) Government is to assume liability for any compensation which it may be decided to pay to the ferry companies arising from the 1956 Government statement.
 - (b) The Hong Kong and Yaumati Ferry Company Limited and the Star Ferry Company Limited to be given the option of taking up to 5% each of the equity capital of the Company. In the event that either ferry company does not take up the option in full the difference may be offered to the other ferry company. All options are to be kept open for one month from the date of offer.
- (6) The Company to pay from the start of construction an annual rent of \$75,000 to Government for way-leave over the Crown land (including sea-bed) occupied by the tunnel itself and its approaches as determined under sub-paragraph (25) below, subject to Government retaining full development rights over the land in question to the extent that such development does not interfere with traffic using the tunnel and excluding the site of any building for which a lease may be granted as set out in sub-paragraph (7) below.

- (7) The Company to be granted for a period conterminous with the franchise a lease of, and to pay a premium at the rate of \$250 per square foot in respect of, land for the erection of such buildings as may be agreed between the Director of Public Works and the Company as being necessary for the efficient operation of the franchise (other than toll booths, which, it is assumed, would be of simple one or two storey construction). Such premium to be payable, at the Company's option, by equal annual instalments over the period of the franchise, less the last year, with interest at 5%. Zone Crown Rent at \$5,000 per acre per annum to be charged for the land on which the toll booths stand, and Government to be entitled if it so desired in connexion with the exercise of its development rights under sub-paragraph (6) to relocate the existing toll booths either separately or as part of a building erected in the exercise of its development rights.
- (8) The Company to pay to Government the sum of \$12 million as a contribution towards the cost of constructing roads and other engineering works which would not otherwise be required or would cost less if the tunnel were not built. This sum to be paid in 2 equal consecutive biennial instalments without interest commencing 24 months from the start of construction. Government undertakes to complete sufficient road works to enable the tunnel to operate as soon as it is complete and hopes to complete all ancilliary works by this time.
- (9) The Company to raise not less than 25% of the capital cost of the tunnel in the form of equity capital exclusive of any equity capital that may be contributed by Government.
- (10) Government to be given the option of taking up to 25% of any equity capital of the Company and, if Government takes up not less than 10% thereof, to be allocated seats on the Board of Directors of the Company in the same ratio as the amount taken up bears to the total issued equity capital (fractions of a seat not to count) but in any case not less than two seats.
- (11) (a) The Company to apply for and take all reasonable steps to obtain a quotation of its shares on the Hong Kong Stock Exchange before the second anniversary of the opening of the tunnel for traffic or such longer period as may be agreed by the Governor in Council.

(b) The public to be given an opportunity to participate in not less than 25% of the equity capital of the Company which shall be provided pro rata by all shareholders if called upon.
- (12) Rates to be payable by the Company in accordance with the provisions of the Rating Ordinance.
- (13) The Company to furnish to Government before any major contract is let or commitments are entered into for construction, a complete statement of its financing arrangements.
- (14) The Governor in Council to have power to approve or disapprove the fare structure but not so as to deny the Company a reasonable return on its capital. The initial basic fare structure shall be: \$2.50 for a private car, \$5.00 for a double-decker bus and \$7.50 for a lorry.
- (15) Government to have powers to take over the undertaking in the event of serious default on the terms of the franchise with such compensation for the assets as may be determined by arbitration less such penalty as the Governor in Council may deem appropriate, and to impose penalties by way of fines for lesser infringements.
- (16) On termination of the franchise the physical assets of the Company to revert to Government without compensation, except that the cost of any machinery and equipment purchased in the final 5 years with the agreement of Government to be reimbursed at the depreciated value for Inland Revenue purposes.

- (17) Government to have powers to impose safety requirements and to enable the Police to control traffic provided that within the tunnel the Company would be required to provide its own policing arrangements for which bylaws would be enacted.
- (18) The tunnel to be completed within 5 years from the date on which the offer of a franchise by the Government is accepted by the Company or such extended period as the Governor in Council may allow, failing which the franchise to terminate without compensation.
- (19) The Company to permit on request electric power cables, telephone and other communication cables, water, and other pipes to be run through the tunnel if technically possible, provided the capital cost of installation is borne by the owners. The Company to be entitled to charge a reasonable fee for providing such facilities, such fee to be determined in the absence of agreement by arbitration. Government does not guarantee any wayleave for any public utility to or from the tunnel.
- (20) The Company, on request by the Colonial Secretary and if necessary, to give priority to Crown vehicles *i.e.* vehicles on His Excellency the Governor's establishment, vehicles of H. M. Armed Forces and those of the Police and Fire Services including ambulances and such other vehicles as the Colonial Secretary may from time to time consider warrant priority, and no other priority shall be given.
- (21)
 - (a) The Company to be permitted, subject to the agreement of Government, to advertise on the tunnel structure and toll booths.
 - (b) The Company to be permitted, subject to the agreement of Government, to advertise on the approaches of the tunnel *i.e.* the areas for which the Company is responsible for construction as defined in sub-paragraph (25) below but excluding any development carried out by Government in exercise of Government's development rights as stated in sub-paragraph (6).
 - (c) Permission to advertise may be refused where this would interfere with safety requirements or where in the opinion of the Colonial Secretary it may be unsightly or unsuitable.
- (22) During construction of the tunnel the Company to take all reasonable steps to minimize interference with shipping and harbour traffic and to comply with such safety precautions as may be required by the Director of Marine. Any spoil which is dredged to be disposed of as approved by the Director of Public Works and after the tunnel construction is complete the sea bed including any protective mound or backfilling shall be restored so as to be at least 40 feet below Mean Low Water Ordinary Spring Tide where the sea bed is now 40 feet or more below Mean Low Water Ordinary Spring Tide and elsewhere shall generally be in accordance with the profile shown in drawing T.2. in Volume II of the Joint Consulting Engineers Report of April 1961.
- (23) Any ancillary land which may temporarily be made available for the construction of the tunnel to attract permit fees or rents at the standard rates prevailing at the time or at such rents as the Government may determine. The manner in which such land is used to be subject to such conditions as the Director of Public Works may determine and to be restored to its original state on termination of use.
- (24) The tunnel and its approaches to be regarded as a road within the meaning of the Road Traffic Ordinance 1957 except insofar as this is incompatible with the legislation governing the franchise.
- (25) The Company to be responsible for constructing at their expense all that portion from and including the toll plaza on the Kowloon side to a line where the tunnel rises to general ground level on the Hong Kong side. Once road lines at the tunnel extremities have been finalized a plan will be prepared to define the portion referred to.

- (26) The Company will not be entitled to assign (except by way of mortgage for the purpose of financing the construction of the tunnel), under let, sub-grant or otherwise dispose of any rights granted to it.

MR DHUN RUTTONJEE:—Your Excellency, a fortnight ago as we sat in this Chamber and listened to my honourable Friends, the Director of Public Works and the Financial Secretary, put and second the Motion before Council, I had the distinct feeling that we were following Alice down the long, long tunnel to a land of weird and wondrous adventures.

I could almost see the White Rabbit scurrying by, muttering “Oh my ears and whiskers, how late it's getting”, for the speed with which Government is pushing through the award of this franchise creates a sensation of frantic hurry. The Honourable Director of Public Works stated that Government had come to the conclusion that the calling for tenders would result in an inordinate delay and thus there was ample justification for not doing so. This is the clearest admission I have ever heard of a complete lack of pre-planning. If the project had been thought up yesterday and was needed immediately, there might have been excuse, but the project has been on again, off again, so many times and over such a long period that there appears no reason whatsoever why it could not have gone to tender.

Sir, in the absence of explanations, it seems to the man-in-the-street that someone bungled somewhere, and if there has been bungling, then let us, in the words of the Red Queen “Oil with the head”, for public interest and substantial public money are involved. True, Government made the announcement several years ago that it was prepared to consider a scheme for either a bridge or a tunnel, but the announcement was made in a manner which would attract about as much attention as a call from Alice after she had drunk from the bottle which reduced her to a height of ten inches. There is a world of difference between an “announcement” and “calling for tenders” and if Government was really serious at the time, why were invitations to tender not gazetted and publicized in both the local and overseas Press so that the best possible return to the Treasury could be assured? Other less important franchises—Commercial Radio, Wireless Television, the operation of the second Vehicular Ferry Service—were all gazetted, publicized and put to tender. Why then not the Tunnel? On the limited information presently available to us, the inconsistency of Government's policy can but invite criticism.

It appears that Government did, originally, have in mind the desirability of going to tender, for it states clearly in its draft agreement with the Victoria Development Co Ltd, drawn up in 1959, that if it felt it was in the public interest to go to tender, it would do so. The draft

agreement, it is true, was for a bridge, but the circumstances are not different for a tunnel. It is, therefore, incumbent on Government to explain why it is of the opinion now that it is not in the public interest to go to tender. In the same draft agreement, Government included the condition that the person to whom the franchise was granted would be required to compensate the Victoria Development Company Limited for the company's investigation costs. There can, therefore, be no suggestion of a subsequently successful tenderer benefitting at the expense of the schemes initiators.

The exceptionally favourable terms offered in the franchise are also causing widespread criticism and, again, the inconsistency of Government's policy is deprecated. No other public utility company has been given such favourable conditions. The China Motor Bus Company Limited must pay 46% of net profits as royalties, the Kowloon Motor Bus Company Limited, 20% of gross receipts, the Star Ferry Company Limited, 25% of net profits, the Hong Kong and Yaumati Ferry Company Limited, 25% of net profit, and the Hong Kong Tramways Limited, 23.1/8% of net profit. It might be argued that none of these public utilities is involved in anything like the capital expenditure required for the proposed tunnel. I will accept this argument, but we do have in this Colony other public utilities who have been involved in tremendous sums for capital development—particularly the power supply companies. While the terms under which these utilities operate are not governed by a franchise, and neither do they pay royalties, history does not reveal that they were given any special consideration by Government in their establishment and subsequent development. In the immediate postwar era, for instance, the China Light & Power Co Ltd, and to a lesser degree the Hong Kong Electric Co Ltd, at a time when demand could not be foreseen, had the courage to invest huge sums in capital expenditure, so that today we are the only territory in this part of the world which can claim that, in spite of phenomenal industrial development, never has that development been inhibited by shortage of power supply. As far as I am aware, Government gave no special assistance to these companies at this important stage of their and, in essence, the Colony's development. Why then should concessions be given to the Victoria Development Co Ltd now?

Since the conditions, in financial terms, are favourable for the franchise holder, it follows they are unfavourable insofar as the Treasury is concerned, and in fact they are even less favourable than they appear. Section 4 of the Schedule required a royalty of 12½% on gross operating receipts to be paid to Government, with provision that in the first ten years only 7½% will be paid in cash. But from the receipts accruing from these royalties, Government is to make adjustments downwards in the royalties paid by the ferry companies to compensate them for the development work carried out since 1956 under the requirements of their franchises. So in fact the 7½% is not 7½% at all.

Further, the Road Research Laboratory believes it will not be possible to run economic vehicular ferry services in competition with the tunnel and that these services will therefore close. Although the royalty for the tunnel will be 12½% on gross takings whereas the ferry royalty is 25% on net profit, the tunnel charges per car are to be less than the current vehicular ferry charges and the same number of cars passing through the tunnel may well produce less royalty than when carried on the vehicular ferry, since 70% of the Hong Kong & Yaumati Ferry Co's royalties of \$3,200,000 result from vehicular carriage. The 7½% would thus be even further reduced.

I am not forgetting that the remaining 5% royalty is to remain in the accounts of the company as a debt due to Government and to bear interest at 7%, but the actual cash payments received during the first ten years are not going to be attractive at all, and it might well be that the actual royalties received from all cross-harbour franchises in the first years of the operation of the tunnel are not much different from those received today. Of course, Government can borrow elsewhere to make up the 5% income deficit, but then so can the Company, so why should this provision be made—unless it is a subsidy of one kind or another?

The reduced rent on piers, albeit a minor reduction, resulting from the abandonment or decreased use will have to be considered.

Having touched upon the main points in which the royalty is not all that it seems to be, let me now refer for a moment to the additional financial cost to the community that results from the granting of the franchise and from some of the other elements of subsidy that I have suggested.

First of all, we have the value of the land sterilized by the tunnel which the Honourable Financial Secretary puts at \$20 million. Since the company is being given this land free, the community is losing additional revenue and, at 5% interest, the loss to revenue is \$1 million per annum.

We are told that the Company is to pay \$12 million “towards the cost of constructing roads and other engineering works which would not otherwise be required”. As this \$12 million is only “towards” this cost, it must be assumed that the actual cost is somewhat higher. The public should be advised to what extent it is being required to pay for works which it would not otherwise have to finance. I gather from the Director of Public Works' remarks that this sum does not include the cost of the additional car-parks that will be necessary. We have been advised that the estimate of increased demand for car-parking resulting directly from the opening of a four-lane tunnel is 2,000 and that the cost of constructing multi-storey car-parks is approximately

\$2,700 per parking space. Thus, a sum of \$5,400,000 must be added “to the cost of constructing roads and other engineering works which would not otherwise be required”, for in spite of the somewhat hopeful expression of the Honourable Director of Public Works that the construction of car-parks should be of interest to private enterprise, experience shows that this form of venture is not commercially attractive. Government, in agreeing to the tunnel, must accept the responsibility for the increased flow of traffic and, equally, must accept the responsibility for constructing sufficient car-park space to meet the requirements. While car-parking will bring in revenue, the rates which I understand it is proposed to charge, will not equate revenue with costs and the element of subsidy per car-park space per month is expected to be \$36. Thus for 2,000 car-park spaces, the net cost to the community will be about another \$1,000,000 a year.

The point has been made that the franchise does not grant the developer the sole right to operate a tunnel. That is true, but it is also true that the optimum location is being offered to the company and since no alternative location will be as suitable, the conditions for the second operator will have to be even more favourable than those granted in the current franchise.

Sir, I am not a shareholder of either of the two ferry companies nor do I, as yet, possess shares in the Victoria Development Co Ltd, but I must say that the terms are so attractive that I am sorely tempted to buy myself a big block of them.

A side issue, but one which will affect us all eventually, is the position of the uneconomic passenger ferry services which are currently subsidized by the vehicular ferry services. Once these latter services are discontinued, the uneconomic passenger services will have to be suspended or the fares increased. The Hong Kong & Yaumati Ferry Co Ltd operates the following services at a loss:

Kowloon City/Wan Chai	Carrying	8	million	passengers	per	year
Wan Chai/Hung Hom	”	5	”	”	”	”
North Point/Hung Hom	”	8	”	”	”	”
North Point/Kwun Tong	”	3	”	”	”	”
Hong Kong/Chai Wan	”	1	”	”	”	”
All outlying districts (with the exception of Hong Kong/Cheung Chau which makes a small profit)	”	3	”	”	”	”

making a total of 28 million passengers being carried at a loss. In addition, the North Point/Kowloon City run, carrying 10 million passengers, is making such a small profit that it may not be worthwhile running on the present basis if other uneconomic services are abandoned. It will be noted that all of these routes are used by the lower-income

groups who are the least able to bear any increases in fares. Government will then have to run the uneconomic services, so subsidizing from general revenue, or accept that fares should be increased, so increasing the cost of living of the most vulnerable sector of our community, which will reflect eventually on the competitiveness of our manufactured exports.

Let us by all means increase the flow of traffic across the harbour but at first let us decide what traffic. As Mr C. B. BURGESS once put it so eloquently, "Hong Kong is a problem of people". We must now decide how to move them. It is inconceivable that a scheme of this magnitude should be decided on before our priorities have been fully assessed. I urge Government to explore fully the possibility of a cross-harbour train service with a fully integrated system on both sides of the harbour. This will benefit the community in general and also ensure that our hard-pressed road system does not finally acquire the symptom of the malady normally cured by California Syrup of Figs.

In conclusion, Sir, I would say that I am not against the construction of a tunnel, but a scheme which envisages the expenditure of huge sums of money by Government, with such a large element of hidden subsidy, should be justifiable on grounds of social need. While the tunnel will certainly cater for a portion of the non-car-owning public, there can be no suggestion that it will be of benefit to the community as a whole—it is a tunnel primarily for car-owners. We have in the Colony the Mass Transportation Consultants whose function it is to advise Government on the needs of the travelling public and methods for meeting those needs. I see no reason why they should not be advised that we intend to have a tunnel and that they should therefore take this decision into their considerations, so meeting the point of the Honourable Director of Public Works that the award of the franchise will mean one less unknown quantity to contend with.

The presence of the Consultants in the Colony, the foreseeable completion of the reclamations on both sides of the harbour, the consideration of a tunnel, in total, give us an opportunity we shall never have again of planning a comprehensive, integrated traffic system, including vehicular and rail cross-harbour facilities. It would be negligence on our part to spoil this opportunity by piecemeal decisions.

Sir, I am dissatisfied with the manner in which the franchise is being awarded and with the unseemly speed with which the matter is being pushed through Council. Until I am satisfied that the best possible terms for the community at large have been obtained, both in revenue and resources, I cannot support the motion before Council.

MR LI FOOK-SHU:—Your Excellency, I am not a specialist in the traffic arrangements of Hong Kong generally, nor in those associated with the construction of the proposed cross-harbour tunnel in particular, and I intend therefore to leave such matters to those of my colleagues who are better informed about them. I wish, instead, to concentrate my attention on the financial aspects of the tunnel scheme, and the basic conditions of the franchise as laid down in the Schedule placed before this Council on 28th July 1965.

In the first place, I am not very happy with Section 10 of the Schedule which gives Government the option of taking up 25% of the equity capital; this Section also gives Government a minimum of two seats on the Board of Directors of the Company, if Government's financial participation does not fall below minimum of 10% of the equity capital. Hong Kong has grown and prospered on the basis of free enterprise, which has proved more than equal to all demands made upon it. Indeed, it has stood up to the test of meeting, efficiently, the needs of a modern dynamic and rapidly expanding economy. It is therefore difficult to see what is to be gained by Government's direct participation in new enterprises. It is of course understood that where a private company is given a monopoly. Government has an obligation to reserve to itself powers to protect the general interests of the community. In the past, these safeguards have been satisfactorily effected by granting a franchise embodying the appropriate conditions. There have been complaints about this system, of course, mainly because of the great variety in the methods of calculating the Royalties payable to Government. But on the whole, this system has worked quite well, and it is difficult to see why Government has felt it necessary to supplement it by another and quite different type of safeguard in this instance. If Government did have two nominees on the Board of Directors as a result of its taking up not less than 10% of the equity capital of the tunnel company, this would not be sufficient to give Government a controlling voice in case of disagreement between Government and the Company over important matters of policy. In such a case the two Government Directors might find themselves in an extremely awkward situation. Government has the right and the duty to safeguard the public interest, but I submit that this can be better done through careful attention to the terms of the franchise than by insisting on the right to appoint Government nominees as Directors. It is understood of course that Government is not committed to making any investments at all or to appointing Directors, but under present arrangements the right is there. I should further like to point out that the right is unfettered by any conditions. I should feel much happier if Government would indicate to Members of this Council the contingencies they have in mind for which they have armed themselves with this right. To sum up my argument, I repeat the Government has the right and the duty to safeguard the public interest, but I think this should be placed on a contractual basis through stipulations embodied

in a franchise, which are open for all to see, and not exercised through the back-stairs influence of a minority of officially-appointed Directors.

It may well be that some Government participation in the financing of this very large project, estimated to cost over \$200 millions, may be highly desirable or even necessary. If so, this would be better done by means of a Government loan at commercial rates of interest and secured as a first charge on the Company's assets and operating revenues. This seems to me preferable to Government taking up part of the equity capital.

The financing of the project is left a little vague, and I think we should be assured that the very large sum which will be required to see this project through, will be available. The Company itself must subscribe a minimum of 25% of the necessary capital, and a further minimum of 25% of the equity must be offered to the general public. The Government has the right to subscribe up to a maximum of 25% and the two Ferry companies up to a maximum of 10%. Looking at these figures it is clear that some 15% of the capital cost may remain unaccounted for, and if Government does not take up its permitted maximum of 25%, then the percentage of the capital cost still to be found may be as much as 40% of the total. What is Government's attitude to this problem? Is it Government's view that this is the Company's private affair as a normal matter of commercial risk? Supposing the 25% allocated to the general public is not taken up by them nor satisfactorily underwritten, is it Government's view that it is the Company's own responsibility to find the money? The Honourable the Financial Secretary made a reference in his speech on 28th July 1965 to the fact that "a substantial part of the capital cost will be met from borrowed money". What will happen if the large loans, which appear to be regarded as necessary, cannot be negotiated except on prohibitive terms? There is a further point. This big project will take some five years to complete. Much can happen over this period. Unsettled international conditions may occur for instance, when the project is only half completed, and may create difficulties over further financing. If this project is to go through, somebody will have to foot the bill and the purpose of this part of my remarks is to ask Government if it is satisfied that adequate finance will be in fact available. I wish to add that in case of financial difficulty, my view is that this project is so big and so important to our community that I would feel that Government should be ready with loans at commercial rates rather than see the scheme fail.

I now turn to the question of compensation to the Ferry companies on which Government committed itself in principle by its pronouncement on the subject in 1956 that the existing ferry franchise holders should not suffer financially by continuing to fulfil their obligations under

their franchises while a decision on the question of a cross-harbour tunnel was in the process of being taken. Government, we are told, will assume liability for payment of compensation for which it will be re-couped out of the royalty payments it expects to receive from the Company. But nowhere in the speeches of my honourable Friends the Director of Public Works and the Financial Secretary is there any reference to the amount of compensation to be offered to the Ferry companies. We are told that there will be no compensation for the loss of profits because the Ferry companies have no exclusive right to cross-harbour transport services. This, I admit, may be technically true, but since they have the exclusive right to use the expensive piers provided by Government, they do exercise a *de facto* monopoly and on this ground I think there is a case for taking loss of profits into account in assessing compensation. I should like to ask the Honourable the Financial Secretary if I am right in assuming that the compensation payable will be only in respect of capital development and improvements carried out since Government's pronouncement on the matter in 1956? For example, if the tunnel made some of the Vehicular ferries redundant, and members of crews had to be laid off, would severance payments to such officers and crew rank for compensation as capital losses? In any case the amount payable will be a matter for negotiation, but I should feel much happier if some clearer indication had been given of what items of expenditure will qualify for compensation, so that some estimate of the amount involved could be made before final decisions are taken. In the absence of such an estimate any calculation as to the proper percentage of operating profits which should go in royalties is, I say, unreal.

I see that the suggested royalty is to be 12½% of the gross operating receipts. I should like to ask on what basis has this figure been arrived at. The Honourable the Financial Secretary said in his speech on 28th July 1965 that this sum should be ample to cover Government's liabilities, i.e. liabilities for the payment of compensation to the Ferry companies. Could the Honourable the Financial Secretary tell us what the percentage figure for royalties would have been if Government had not assumed liability for payment of compensation to the Ferry companies. My general feeling is, that is, as my honourable Friend the Financial Secretary says, the figure of 12½% is ample to cover Government's liabilities, and if, as I think most of us would agree, this project will be of great benefit to the community, then I suggest that more generous treatment of the Company may be desirable. If private enterprise is to go ahead with this scheme, and if the general public are to be invited to subscribe capital, then the legitimate rewards of risk and enterprise must be sufficiently attractive to secure this, particularly in view of the fact that little reward can be expected for the first five years, and the active period of the franchise is reduced in fact to only 25 years. If there is any delay in the construction work the period of

franchise would be further reduced. However, I am glad to learn that my honourable Friend Mr Dhun RUTTONJEE would take up a big block of shares in this company. I would now declare and say that certainly I will not in this particular case.

Finally, I should like to say that I welcome this cross-harbour tunnel scheme as a definite improvement of our transport facilities. Subject to the comments I have made, Sir, I support the motion.

MR DHUN RUTTONJEE:—Your Excellency, I think the last remark that Mr LI has just made that I am going to take up a big block. I said I was tempted to take up a big block, Sir, and I want to make that quite clear.

MR P. C. Woo:—Your Excellency, it seems that there is some misunderstanding by a certain section of the community with regard to the purpose of this Resolution before Council. We are not asked to say whether there should be a tunnel or not. That was decided as long ago as April 1963 by the Executive Council whose decision was that the construction by private enterprise of a cross-harbour road link in the form of a tunnel was unobjectionable.

The first question before us is whether an exclusive franchise should be granted to the Victoria City Development Company (or such other company as may with the approval of the Company and Government be substituted for it) to construct and operate a four-lane vehicular tunnel between Wan Chai and Hung Horn.

Government has not in this case followed the usual procedure of asking for tenders for such a project. Mr Dhun RUTTONJEE is not satisfied that Government should do so. I am not, however, in agreement with him as there are certain cases where, because of the special circumstances, it is advisable to deviate from the normal procedure, and I think the Director of Public Works has made out a case justifying not to call for tenders. I am convinced by him that because of the complete lack of interest shown in such a scheme it is not necessary to go to tender in this case. Indeed, it is not in the public interest to do so now, and I support the Director of Public Works that the franchise should be granted to the Victoria City Development Company Limited or its substitute.

The next question is about the financial commitments of which Government must come to this Council for approval. In this respect, however, I have to differ with the Financial Secretary on the question of compensation as outlined in paragraph (5)(a) of the Schedule to the Resolution. Here, I regret to say, I hold a completely different view

to that of Mr F. S. LI. The Financial Secretary has admitted that it is merely a moral obligation on the part of Government to compensate the ferry companies for any loss which they may incur by continuing to develop their services knowing that there would be a cross-harbour tunnel or a bridge in the near future. Indeed, the ferry companies have no legal claim whatsoever for loss of profit or early disposal of ferry boats or premature dismissal of their staff as a result of the operation of a cross-harbour tunnel. I think it is too early at this stage to consider the question of compensation at all for the following reasons.

First, this Council would be most reluctant to spend taxpayers' money for payment of compensation in respect of which Government is merely under a moral obligation.

Secondly, whether there is in fact any loss suffered by the ferry companies when the tunnel is in operation is merely a conjecture. It might well be that by 1970 these ferry companies have already made back their capital outlay on the facilities provided, and if so, the question of compensation does not arise at all.

Thirdly, it will create a very dangerous precedent, for if we pay compensation to these ferry companies, other public utility companies may prefer their claims against Government on the ground that they are also affected by the operation of the tunnel.

Furthermore, I am conscious of the proposition that if we are asked to approve this matter in principle it may afterwards be said that we have already approved it in detail. It seems therefore that it is much better not to consider the question of compensation to the ferry companies until this Council has further and better particulars of any losses which the ferry companies might have suffered in 1970. I suggest that the question of compensation should be left entirely open and that the matter be brought up for further consideration by this Council before a decision is made.

With regard to paragraph (10) of the Schedule I welcome the Financial Secretary's statement that the option of taking up to 25% of any equity capital of the Company should not be taken as implying that Government intends to make this investment. Indeed, I am doubtful whether it is advantageous for Government to invest the 25% with merely the right to have two seats on the Board of Directors of the Company. It may be more beneficial if such money is utilized for other projects such as medical or welfare services, education or housing rather than to invest it in this manner. Again, I must make the reservation that if and when Government should intend to exercise the option the matter should be referred back to the Financial Committee of this Council for further consideration.

Lastly, with regard to paragraph (14) of the Resolution which gives the Governor in Council the power to approve or disapprove the fare structure, it has been suggested that a fare of \$2.50 for a private car, \$5.00 for a double-decker bus and \$7.50 for a lorry be charged. I should like to suggest that in deciding the fare structure, consideration should be given for the provision of monthly or season tickets for crossing the harbour; and if spaces are available in the proposed multi-storied car-parks on this Island such monthly or season ticket holders may have the facility to park their cars in the car-parks by arrangement at an inclusive fee. I think such a proposal is worthy of serious consideration. If such a scheme is possible it would save the time of the users of the tunnel and the expenses of the Company in operating it.

With these observations, Sir, I beg to support the motion before Council.

MR W. SZETO: —Your Excellency, ten years ago engineering consultants engaged by Government proposed the construction of a 2-lane tunnel between Chatham Road and the Murray Barracks. A year later in 1956, a Government Inter-Departmental Working Party was appointed to consider this proposal; among its predictions and conclusions were the following:—

“that vehicle registration in Hong Kong would reach 30,000 at a maximum by 1965;

that a second vehicular ferry service should be adequate to take all the cross-harbour traffic that economic transit charges would attract in the foreseeable future;

that a tunnel would be unlikely to pay for itself in the foreseeable future;

that a tunnel is not of adequate economic or commercial importance to justify the guarantee of a subsidy;

that the effects of a tunnel on the problem of traffic and on town planning while on the whole disadvantageous, present no particularly serious difficulties;”

and finally—

“that commercial interest should be permitted to undertake its construction if they are prepared to do so and the land required can be made available.”

The staggering growth of Hong Kong in the intervening years has, I am afraid, shattered some of the predictions made by the Working Party: instead of the maximum of 30,000 registered vehicles predicted

for 1965, we have over 85,000. The daily volume of cross-harbour goods traffic has risen from 27,000 tons in 1956 to almost 50,000 tons at present.

It is against this background that we must view the present tunnel proposal. If the past has any lessons for the future in this connexion, then the lessons we must learn are that it is very difficult to forecast developments in this Colony and that actual numbers of vehicles, people or what you will usually exceed even the most optimistic (or pessimistic) forecasts of a few years before.

In his speech moving the adoption of this Tunnel Resolution, my honourable Friend the Director of Public Works has given details of the road networks his department will construct in association with the tunnel proper. The chief fear of critics of the tunnel scheme has always been that of traffic congestion at the tunnel approaches and I feel sure that this aspect of the question has been given the fullest consideration and that the multiple traffic interchanges at either end, taken in conjunction with the new roads to be built will adequately cater for traffic in the immediate vicinity of the tunnel itself. Insofar as our present road system is concerned, the Road Research Laboratory experts have calculated that traffic volume at most of the critical points of the existing road systems will be reduced on account of the diversion of vehicular traffic from the ferry terminals. The diversion of vehicle-home passenger ferry traffic will ease congestion on the streets near the ferry piers, and the existing congestion of Nathan Road as a principal artery will be relieved.

Whilst I think that the road network associated with the tunnel has been carefully thought out, and may well be adequate for the demands to be made upon it, I am afraid I cannot say the same of the plans for car parking in the urban areas: for it is likely that our present problems in this direction will be aggravated particularly in the Central District of Victoria when the tunnel comes into use. Here I am sorry to say the proposals now before us are very rudimentary, and we had better face the fact that private enterprise is unlikely to make much of a contribution to the solution of this problem unless land is offered to it at very concessionary rates or the cost of parking is increased well beyond its present level. It has been estimated that the road crossing will cause an increase in parking requirements in the Central District on the Island estimated at over 2,000 spaces; these additional facilities must be planned for as soon as possible: indeed, I would have liked to have seen their provision made a part and parcel of the tunnel franchise we are debating today. I shall however have more to say on the details of the franchise later.

I agree with the Honourable Director of Public Works that these facilities should preferably be sited on the fringe of the city centre in

order to free the Central District from traffic congestion. Now that the redevelopment of the old Dockyard land is to be re-planned, the opportunity must not be lost to evolve a new planning conception for this site, rather than to consider a return to the old and uncoordinated small lot pattern. A generous area should be reserved on the western portion of this land and planned as a Communications Centre with facilities for a bus terminal, car-parking and shopping and other related activities. The original scheme of a bus terminal and car-park structure for a site adjacent to the Jubilee Street Ferry piers should be retained though its scale may need to be modified as a result of reduced ferry traffic. The third car-park proposed for the Western District should also be completed before the opening of the tunnel to provide much needed off-street parking in this area of narrow streets to clear them of congestion and facilitate traffic to the tunnel before an elevated road is built over Connaught Road.

The existing parking facilities in Kowloon will be doubled by the provision in the new Ocean Terminal. These facilities may be augmented by other parking structures to be built on the land to be developed east of Chatham Road South. They may be further increased at the new site for the Railway Terminus at the Hung Horn reclamation where a Communications Centre with rail, vehicular and ferry transports is being proposed.

Concern has been expressed in some quarters as to the adequacy of the 4-lane tunnel as now proposed to cope with our ever-increasing cross-harbour traffic. With the rapid economic development of our city, great increases in private mobility as well as in public transport and vehicular goods services must be anticipated and it would be imprudent not to recognize the possibility of a demand beyond anything now envisaged for the use of the new crossing.

The Probable Average Daily Traffic which the Road Research Laboratory expected will use the crossing in 1971 was 47,000 and the Possible Average Traffic 64,000 vehicles per day. It was the tunnel consultants' opinion that a 4-lane crossing could not carry even the Probable Traffic. Since this recommendation was made four years ago, I find it impossible to understand the present proposal to reduce the tunnel's capacity from five to four lanes. It would be a failure in long term planning not to have an adequate capacity in anticipation of future traffic growth; a fifth lane could be provided at a little over 10% increase in initial costs which surely could be easily met without involving subsidy by a slight adjustment of either the royalty percentage or the franchise period. The 5th or reversible lane would serve the heavy peak flows estimated at 5,600 vehicles per hour. In fact, the Consultants suggested that careful consideration might be given to a 6-lane facility, which would offer several advantages.

The Advisory Committee on Public Transport has declared that when the ancillary roadwork and attendant facilities are complete, the tunnel will be beneficial to the public transport systems on both sides of the harbour due to increased mobility. The tunnel will produce a demand for cross-harbour services and it is important that the two bus companies should jointly plan a Colony-wide network of bus routes though this may require new legislation to overcome the present territorial limitation in their franchises. However, there would appear to be no insurmountable difficulties in devising, if necessary, a less ambitious cross-harbour route for commuters to be operated by both companies with terminals at both extremities of the crossing and connexions for various destinations on an interchange service. One of these terminals may be located at the old Dockyard land to which I have just referred, and another at Victoria Park for connexions for east-bound and southbound transport. The Kowloon terminal would be at the new Railway Terminus at Hung Hom which will be adjacent to the toll plaza of the tunnel.

Some people are of the opinion that the adoption of the road tunnel proposal should be deferred until the outcome of the investigation on the Mass Rapid Transit System is made known for fear that the Consultants now engaged may have their hands tied by a positive decision made now, or that their ultimate findings and recommendations may not favour a road crossing. It is, however, to be realized that the present investigation is not confined to traffic problems in the urban areas but also covers the new towns now being planned, and is designed to find a suitable mass rapid transit system to link up the satellite towns with the urban areas. Although the consultants' interim report is expected in about 9 months, their final recommendations based on detailed studies of economic and engineering feasibilities of the various forms of transit systems will require considerably more time. Also more time will be consumed in deliberating over the recommendations. However, it may be safe to assume that some form of rail transport, be it surface, elevated, monorail or underground trains system; is likely to be proposed if our rapidly growing traffic requirements are to be satisfied.

It would therefore be advisable to include rail transport in the present tunnel project, and the possibility of such a venture should not be ruled out before its engineering and economic feasibilities have been studied. Early investigations should be made with a view to combining road and rail crossings in the tunnel, possibly by designing the central or 5th reversible lane as a 2-lane rail compartment by a slight increase in its width. The inclusion of a commuter train service in the tunnel would go a long way to help solve the heavy commuter traffic anticipated between the two urban areas in the future, especially at peak hours, and would relieve the pressure of heavy bus traffic on the other

four lanes. The rail terminals may be incorporated underground in the Communications Centre at the old Dockyard land below the bus terminus and a multi-storey car park thus exploiting to the full the new concept of town planning termed "Traffic Architecture" advanced by Professor BUCHANAN, in which buildings, being generators of traffic, are integrated with the traffic arrangements and therefore purpose-designed for the efficient handling of traffic. On the Island side the electric trains would run under the new Waterfront Road, which is now the sea, and Harcourt Road and into the Dockyard land. The opportunities now existing should be grasped whilst the areas involved on both sides of the harbour are still undeveloped and no appreciable physical or economic obstructions stand in the way of constructing such a commuter underground system. The Dockyard land offers great possibilities for comprehensive redevelopment to reshape our city centre in conjunction with the new pattern of traffic that will arise from the road crossing; the disappointing result of its tendered sale may yet prove to be a blessing in disguise.

If rail transport is to be included in the tunnel the question of gradient would necessitate the north rail terminal being located some 35 feet below the tunnel toll plaza; from this terminal passengers would proceed through a branch access tunnel to the new Railway Station for main line connexions to the New Territories, or to the bus terminus, private car and taxi concourse, or the multi-storey car park in this area all through pedestrian subways radiating from the Railway Station Building. It appears possible to plan a system whereby a commuter, after boarding the train at the old Dockyard Centre, can reach his car, bus or main line train all under cover and segregated from surface moving vehicles. The underground train may emerge on the land now occupied by the existing Railway Workshops north of the new complex of interchanges and east of Nairn Road. At this point it could be shunted onto the new KCR main lines and use the service facilities of the new railway yard, or switched and sped on its way to the suburbs and the New Territories once the main line has been electrified. If this proposal is feasible, the Kowloon-Canton Railway would undoubtedly be the most suitable Authority to operate the underground trains, and Government would need to contribute towards the construction of the rail-compartment of the tunnel and other associated works.

In the event that the outcome of the Mass Rapid Transit System Investigation favours the electrification of the existing railway and its extension to serve Yuen Long, Castle Peak and Tsuen Wan, it may then possibly return to Kowloon via Kwai Chung and across the Lai Chi Kok Bay. From there it could go underground along the route of Lai Chi Kok Road, Nathan Road and Gascoigne Road and swing into the tunnel. I suggest therefore that it would be ill-advised to plan now a tunnel which would be impossible of being used in the manner I have described, and that further thought should be given to this idea.

With regard to the proposed franchise conditions, it can be assumed that Government has arrived at them after having considered with the greatest care all the economic data presented by the promoters, and that the interests of the public have been well safeguarded by the usual shrewdness of my honourable Friend the Financial Secretary especially in the present case when competitive tendering for the franchise was not adopted. I believe there are strong arguments against going out to tender now, one of which is that the complexity and magnitude of the scheme with its many factors of uncertainty would make tendering a time consuming process, and there is no guarantee that Government would get any better terms than those which have been achieved by the present negotiations. It will be recollected that in the case of the old Dockyard land only one tender, and that unacceptable to Government, was received after a great deal of work and time had been spent in the preparation of tender documents. However, there are some points on which I have the following comments to make.

The proposed royalty of 12½% on gross revenue is calculated on a fare structure which appears to be rather arbitrary. In assessing the revenue, the promoters' consultants have assumed toll charges equivalent to those of the present ferry services instead of basing them on capital investment, operating and maintenance costs and a return which is considered reasonable for a public transport undertaking after allowing for royalty payment. It has only now come to public knowledge that there exists cross-subsidization of certain of the ferry services from the good profit derived from the vehicular ferries. The Advisory Committee on Public Transport has given its opinion that charges should reflect costs, and that public transport operators should not be allowed to charge some of the users more in order to subsidize others. In the case of the tunnel, estimated revenue has been based on the Probable Traffic, but it is to be recognized that Possible Traffic, which has a much greater volume, might exist in future especially in view of the phenomenal growth of Hong Kong. I suggest therefore that the fare structure should be based on a reasonable return on capital costs; I note that Government will have the power to approve or disapprove these charges, and trust that provision will be made in the Ordinance relating to the tunnel for reviews of toll charges to ensure that inordinate profits will not be permitted.

My honourable Friend the Director of Public Works has described the system of high-capacity roads and complexes of expensive fly-overs and interchanges to fit in with the tunnel. Some of these are ordinary roadworks and would have been required whether we have a tunnel or not, but some are special requirements imposed by the crossing. The \$12M contribution by the promoters towards the cost of these roadworks appears rather small and one which, I presume, represents the cost of the special requirements for roads only and does not include

the cost of additional parking facilities which would not have arisen had it not been for the easy crossing. The maintenance of these roadworks has also to be taken into account. In this connexion, the maximum contribution envisaged by the Company's consultants was an annual one of the order of £200,000 after the Average Daily Traffic had exceeded 35,000 vehicles. This is the figure appearing on page 56 of Volume II of their Report. This traffic volume would probably be reached in 1980 (based on Minimum Traffic) or 1971 (based on Probable Traffic). If the franchise begins in January 1967, then this sum of £200,000 would have been payable to Government for 17 years based on Minimum Traffic estimates, and for some 25 years based on Probable Traffic. I therefore find it difficult to understand why Government is settling for the comparatively insignificant sum of \$12M, amounting to £200,000 per annum for less than four years in respect of the roads and other works made necessary by this tunnel project.

Sir, in spite of the several observations I have made, I believe the tunnel crossing will be a long-term benefit to the economic and social development of the Colony. Its construction will be a momentous step with far reaching effects and a manifestation of private enterprise's great confidence in the economy and destiny of Hong Kong. I shall therefore vote for the Resolution.

MR WILFRED WONG:—Your Excellency, coming near the end of the batting order as I do there are very few points which have not already been covered by the honourable Members who have spoken this afternoon. Nevertheless, I will have my say even though it comes as an old man's maiden speech.

It has been said that very little public airing has been given to the Tunnel Scheme and that even Members of this Council were given very little time to study the proposal and the resolution connected with it.

The only semi-public airing of the Cross Harbour Scheme that I can recall was given at the Rotary Club of Hong Kong. On 18th October 1955, Mr Lawrence KADOORIE spoke on Hongkong's cross-harbour tunnel. Mr KADOORIE therefore is the first proponent of the tunnel scheme and nearly all the points he made in 1955 are still valid. On 17th July 1956, Mr A. B. ALLPORT spoke and put up a case for the cross-harbour bridge. On 13th November 1956, the then Mr Ken WATSON spoke on "The Alternative to Bridge or Tunnel" which he described as the Western Approaches envisaging a bridge on stilts and a high bridge for the shipping channel.

All three speeches were extremely interesting bringing out their own respective merits and occasionally the weak points of the other

schemes. Most of the audience had a very good opportunity to make up their minds and draw their own conclusions after these three speeches and the ensuing discussions.

Ten years have elapsed and now the tunnel scheme has emerged from Government like a sub-marine suddenly surfacing.

In debating the subject of the tunnel the first and most important question is "Do we need a Tunnel between Hong Kong and Kowloon?" The question would convey a greater meaning if we re-phrase it to read "Do we need a Tunnel in addition to the Ferry Services now plying between Hong Kong and Kowloon?"

I should like to say that the number of vehicles registered as from 31st December 1964 was 84,600. Assuming the annual rate of increase at 15%, the number of vehicles in 5 years' time would be 150,000. From the viewpoint of public transport, even if we do not need a tunnel today, we would need it in 1969 and onwards.

Vehicles using the North Point and Yaumati Vehicular Ferries have minimum waiting periods of 9 to 18 minutes respectively. The tunnel presumably will be open at all times and traffic, barring accidents, will keep on moving. The dynamics of traffic is such that when there is continuous movement there will not be a long queue of waiting cars. This appears to be the main advantage of the tunnel with our population nearing four million, a considerable proportion of whom must commute between the Island and the Mainland.

The most cogent point about the tunnel scheme is that the public will be able to cross the harbour in a private car, bus or lorry at rates roughly one-third cheaper than before, and perhaps in less than one-third of the time than by ferry. The savings in money will be considerable. In addition there will be enormous savings in time which nowadays is more valuable than money. Hence the benefit that will accrue to the individual user of the tunnel will be two-fold.

Having mentioned the principles, I shall now comment on the details of the scheme. I do not know the engineering details of the construction, particularly as to what extent the removal of granite is involved in this particular location. If the granite is similar to the type found at Morrison Hill which appeared to be connected with the very core of this earth, construction will require much more time than the estimated 5 year-period. Even if this is the right period for construction a net period of 25 years of operation is not too long. If the scheme is to be put into effect, I do believe no more time should be lost.

A royalty of 12½% on gross operating receipts is a commendable formula for the Government to negotiate. If the royalties were to be

based on net operations, all kinds of argument would arise. In my opinion, circumstances justifying a reduction of the royalty to as low as 7½% during the first 10 years need to be reviewed. The factors that should be considered in this connexion are the actual capital cost incurred and the mean percentage of actual traffic in relation to the estimated percentage.

The Government's moral responsibility to compensate the Ferry Companies is an issue which should not be lightly disposed of by merely stating that the Hong Kong & Yaumati Ferry Company Limited and the Star Ferry Company are to be given the option of taking up to 5% each of the equity capital of the new tunnel company.

As the Hong Kong & Yaumati Ferry Company may lose nearly all its business the option for taking up a much larger percentage of the equity capital of the new company should be offered to it. With due respect to the other utility companies, it is generally recognized that the Hong Kong & Yaumati Ferry Company operates an extraordinarily efficient public transport in Hong Kong. We must not lose sight of this point when the question of moral responsibility is considered. In my humble opinion because of its greater potential loss a larger share of equity should be offered to it in the interest of fairness.

The zone Crown rent and the rate of premium for land for the erection of buildings for the tunnel company are similar to the standard terms for land granted by private treaty to utilities and therefore do not require much scrutiny. The scheme is in the general interest of Hong Kong and contributes to its development.

There is one technical problem which I would like to see solved. This is the problem of the collection of tolls. If the collection is to be made on the same basis as it is done with the Vehicular Ferries, the advantage of a continuous flow of traffic will have been lost. Could some automatic machine be devised whereby one can throw in the fare, presumably metallic in material, and if it is not the proper fare the machine would throw it back into the car. In this way there would be insured a quick disposal of the collection of tolls without slowing down the traffic and causing a queue. If this type of automatic machine is not available, perhaps a large number of toll booths or collectors should be stationed in order to save time.

Are there any risks involved? Yes, there are risks involving the strength and fatigue of materials. The water pressure per square inch which will make all the surface of the tunnel as strong as its weakest point, an occasional incision by the keel of a ship with deep draft at low tide, etc., etc. However I would say that in any large engineering project risks are inevitable and they can be discounted if they are well calculated.

It has been said that I am safe and unimaginative. In this instance I propose to be a bit reckless and imaginative. I shall vote for the tunnel.

Furthermore, since a project of this nature and magnitude requires years to plan and organize, years to construct and complete, and in the interest of improved public transport as soon as possible, I am prepared to vote for the motion before this Council.

MRS LI SHU-PUI: —Your Excellency, I have not prepared a formal speech for this debate this afternoon not because I am not interested in this tunnel proposal and its effects on our transport facilities but simply because I was quite sure that all my colleagues who are in business and are more qualified would have covered all the relevant points.

We are not debating this afternoon on whether or not we need a tunnel. Everyone agrees that the need for cross-harbour transportation facilities is forever increasing and the tunnel is just one more facility to meet the need. This will not be the end but just the beginning of a possible solution to our complicated problem.

Our main concern is the terms of the franchise which on the face of it seem rather generous as compared with the other sets of franchise terms. Many figures quoted are based on estimated or expert assumptions only, taking into account of course the high cost of capital outlay and the repayment of capital, etcetera.

The only thing that worries me is whether or not the 12½% royalty is a fair one. As a citizen I would very much like to see that Government and indirectly the community share in the future prosperity of the venture by a proportionate percentage to the assumed increasing profit at later years. There is a provision for the company to pay a lower percentage at the beginning and to repay the remainder later, but there is no clear-cut provision for an increasing percentage in case the company is earning excessive profit.

I shall be much happier and more satisfied if Government's interest is protected by a more clear-cut arrangement for periodical revision of the percentage of royalties so that Government and indirectly the community will benefit from this venture, not forgetting the terrific capital involvement of the complex road system which Government will have to undertake to make the tunnel possible.

I am actually in favour of this motion provided the Government's and the community's future interest is protected.

DR S. Y. CHUNG:—Your Excellency, one of the striking characteristics of Hong Kong is her integrated operations over a very small and densely populated area, which contributes substantially to the efficiency of her commercial and industrial activities. The recent success of our industrialization tends to separate the commercial and industrial activities into two distinct areas. Due to limited land resources which influence population distribution and to other existing facilities, the Victoria City remains the commercial centre whereas the Kowloon peninsula has become the industrial township. Although these two lands are separated by a harbour of only a mile in distance, the lack of an efficient and fast crossing has created an artificial barrier to the natural interchange of people and business.

The transportation system of a nation closely resembles the arteries of a human body. Poor circulation of blood will cause deterioration of health and retardation of growth. Similarly inefficient transportation of people and goods will lower commercial and industrial productivity and impede better utilization of land in more distant areas. If Hong Kong is to maintain efficient activities and prosperous growth this major barrier in transportation created by the harbour between the Island and Kowloon must be surmounted as quickly as possible.

Sir, allow me to make a brief review of some statistics pertaining to cross-harbour vehicular traffic over the last fifteen years. During this period of review, the population has been growing at a fairly constant rate of between 4 and 5 percent per annum, whereas the number of registered motorized vehicles increased annually at a rate increasing from 3% during the five-year period of 1949 to 1954 to 16% in the last five years ending 1964. This is a good sign of increasing economic prosperity and rising standard of living. I not only subscribe to the view that there is no reason why this fast increase of motor vehicles in Hong Kong should not continue, but do hope that it will continue.

Before 1960 when there was only one vehicular ferry route, the growth on the number of vehicles carried by the ferries was rather nominal from 3% per annum during the five-year period of 1949 to 1954 to less than 6% per annum during the following five years ending 1959. When an additional ferry route was introduced in 1960, the number of motor vehicles crossing the harbour sharply increased by 14% during that year. This high annual growth rate was not only maintained but surpassed during the four successive years following. The average compound growth rate for the immediate past five years ending 1964 was nearly 20% per annum. Unless the quality of the cross-harbour service is to deteriorate due to supply being unable to cope with demand or our economic growth is to slow down, I can not see why this annual growth rate of 20 percent should not be maintained

or even increased during the next decade. By early 1971 when the tunnel is open to traffic, the demand for cross-harbour vehicular traffic will have reached 30,000 cars per day, which will require six fully utilized vehicle ferry routes. Based on the same rate of growth as in the last five years, ten years from now, that is in 1975, the vehicular traffic across the harbour will be six times today and it will need twelve vehicle ferry routes.

From these simple statistics, we can see how the magnitude of this problem will be increased geometrically year after year and there can be no dispute with the view that the method of transporting vehicles across the harbour by ferries must one day be obsolete. The earlier we build the tunnel, the less will be the loss incurred on investment in the piers and ferries and the higher will be the efficiency achieved in our commercial and industrial activities. I do realize that such a basic change of cross-harbour vehicular transport will cause hardship to some existing companies but since we are living in a dynamic world we must be prepared to accept these changes for the good of the community as a whole.

Some people have expressed the view that the proposed four-lane tunnel is under-sized and it will soon become congested. My honourable Friend Mr SZETO has touched upon this point but I would like to expand it a little further. If the 20 percent average annual growth rate of vehicular cross-harbour traffic during the last five years is maintained, the proposed four-lane tunnel will be operating at full capacity during the peak hours by 1975 or 1976—only five or six years after its opening to traffic. The recent report of the Advisory Committee on Public Transport makes a similar prediction.

In the 1961 Report, the Joint Consulting Engineers proposed a five-lane tunnel with a reversible centre lane contained in a separate compartment. I agree with my honourable Friend, the Director of Public Works, that the tunnel will not run to full capacity in both directions simultaneously, and this is a very important point in considering the maximum capacity of the tunnel. Therefore the incorporation of the reversible central or fifth lane will mean in effect an increase of the tunnel capacity by 50 percent and not 25 percent as it appears.

The reversible centre lane in the middle compartment of the three can further be widened at relatively little additional cost to take two lanes of traffic. The provision of the reversible sixth lane will increase the maximum traffic capacity in a single direction of 4,000 vehicles per hour, which is double that of the proposed four-lane tunnel.

Another important consideration which points to the favour of the fifth lane is safety. The 1961 Report made repeated remarks that the tunnel because of its particular design would be very susceptible to

temporary loss of traffic capacity in the event of an accident. A serious accident such as a fire might stop the flow in a compartment of the tunnel altogether, and if this were to happen at a peak period, the Report warned, there would be consequential delay and serious disruption of traffic. Even an ordinary breakdown of a vehicle in the tunnel compartment will temporarily reduce the traffic capacity to 25 percent or less. The provision of the third compartment containing one or two reversible lanes will avoid such risks of cross-harbour traffic disruption.

The total cost of the five-lane tunnel as proposed in the 1961 Report is £13.7 million and the additional cost required for the sixth lane as estimated in the Report is £1.0 million or about 7½ percent of the five-lane cost. I do not know the exact reduction in cost which will be achieved for a four-lane tunnel, but I estimate that the reduction will not be more than £2 million or 14½ percent of the five-lane cost. I realize that the present costs might be different from the 1961 estimates. Nevertheless, the importance is on relative costs and not on absolute costs.

I think that it would be a grave mistake for the sake of saving 14½ percent on the initial cost to build a four-lane tunnel which firstly might become congested during the peak hours in less than five years after its opening, secondly provides no flexibility in traffic flow, and lastly but not the least important is so susceptible to serious traffic disruption. By spending an additional sum of about 17 percent of the four-lane tunnel cost, not only the capacity of the tunnel can be increased by 50 percent, but it will have the necessary flexibility in traffic flow and the desirable safeguard against serious traffic disruption. This I consider is indeed a very worthwhile additional investment. Including the sum of £750,000 which the Company has to pay to Government as a contribution towards the cost of constructing roads and other engineering works as mentioned in Condition No. 8 of the Schedule, the total initial investment cost will amount to £14.45 million for a five-lane tunnel and £15.45 million for a six-lane tunnel.

As far as return on investment is concerned, the granting of the franchise under the twenty-six basic conditions listed in the Schedule is extremely favourable to the Company even for a tunnel with six-lane construction. I have worked out the financial return with assumptions similar to those used by my honourable Friend, the Financial Secretary. On the basis of probable traffic and the annual revenue estimates as given in the 1961 Report (after paying operating and maintenance costs but before paying royalty), the net return after 12½ percent royalty on gross receipts and after 12½ percent corporation profit tax amounts to £1.98 million in 1971, which is the first year of operation. No interest on borrowed money has been taken into account in this estimation as

I do not consider it appropriate to do so because the method of financing the project is a policy decision of the Company itself and should not be of concern in the framing of the franchise Conditions.

Due to the annual increase of traffic, the net return will increase by about £120,000 per annum, and the whole initial capital cost of £15.45 million for the six-lane tunnel will be paid off in 1977 which is the seventh year after the opening of the tunnel to traffic. For a five-lane tunnel the pay-off period will be even shorter. There can be no dispute that such a return on investment is very attractive even for a six-lane tunnel, and I can not understand why the franchise does not call at least for a five-lane tunnel which provides so many distinct advantages in respect of capacity, flexibility and safety over the four-lane one.

I do not however advocate a tunnel size of more than six-lane construction. Because of its geographical shape, the activities on the Hong Kong Island are confined to the sea-coast covering a long but relatively thin belt of area. To locate a very large tunnel of more than six lanes, even at the centre of the seacoast area, will certainly create a large amount of east/west traffic which adds to the loading on the urban motorway system. Should the first five or six-lane tunnel become congested, it would be much better, as far as urban traffic is concerned, to build the second or even the third cross-harbour tunnel at different appropriate locations. The large number of tunnels and bridges in New York City is a very good example of this approach. With these considerations in mind, it is obvious that a five or six-lane tunnel is the most optimum size for this case.

I was very pleased to hear the statement made by my honourable Friend, the Director of Public Works, in connexion with the long-range planning of the waterfront road and in particular to the provision for a high-level road running from Des Voeux Road West to the tunnel itself. The success of the two-decker motorway design in Tokyo in recent years should provide sufficient confidence for Government to proceed as soon as possible with this new type of road construction to improve the flow of urban road traffic in Hong Kong.

There is just one more point I should like to bring up at this stage. In Condition 8 of the Schedule, the Government undertakes to complete sufficient road works to enable the tunnel to operate as soon as it is completed. I consider that it is imperative that all, and I repeat all, the road works directly relating to the tunnel traffic be completed in time to enable the tunnel not only to operate but to operate efficiently and effectively when it first opens to traffic. Unless Government undertakes this guarantee, it will defeat the purpose of the tunnel project.

Sir, having regard to the views I have expressed with regard to the capacity, flexibility and safety of the tunnel, I abstain from voting on the motion before the Council.

MR R. M. HETHERINGTON:—Sir, I propose to deal with some of the main financial matters raised in the course of the debate this afternoon and to leave to my honourable Friend, the Director of Public Works, other matters which more properly fall to be dealt with by him. It may help if I go step by step through the basic conditions set down in the schedule of the resolution at present under discussion and deal with separate subjects rather than attempt to answer points made in individual speeches in chronological order.

Item 4(a) refers to a royalty of 12½% on gross operating receipts. This figure was assessed on the basis of taking into consideration the reasonable charges which should be levied on various vehicle-users passing through the tunnel, the reasonable return to investors in the equity capital of the company granted the franchise, and a reasonable share to Government of the gross operating receipts. Income from tolls was based on traffic forecasts—for the purpose of calculation revenue from advertising was excluded—of the probable, rather than the minimum or maximum, volume of vehicles using the tunnel. The value of the royalty for the full term of the franchise, based on the probable traffic, is calculated at \$224 millions, varying at an annual rate of about \$5.75 millions at the beginning to about \$10.6 millions at the end of the franchise. The proposed rate of royalty of 12½% is considered to be fair on the basis of the best information available and bearing in mind the considerations examined regarding a reasonable return to investors and a reasonable toll structure. I would like to draw attention, at this stage, to item 14 which empowers Government, subject to the safeguard of a reasonable return on capital, to agree to any revised fare structure which may become necessary after some experience of operating the tunnel. This may involve subsequent adjustments in royalty rates to ensure that the company's return is neither too large or too small. As my honourable Friend, the Financial Secretary, mentioned in his speech, it is intended to include in legislation for the tunnel provisions which would allow changes in fares and royalty if future circumstances make such changes appropriate. I hope that this assurance will allay the fears that my honourable Friend Mrs LI has expressed. We did consider her suggestion of a sliding scale in relation to growth of traffic but had to abandon the idea because of the difficulty of making accurate forecasts.

My honourable Friend, Mr LI, stresses the importance of ensuring that the legitimate rewards of risk and enterprise are made sufficiently attractive.

My honourable Friend, Mr RUTTONJEE, on the other hand, alleges that the terms offered in the franchise are too favourable. He cites rates of royalties—and the bases for calculating them—of other public utilities in support of his argument. It is not possible to demonstrate by listing rates of royalties that there is necessarily any advantage or disadvantage between any two rates without taking into consideration the revenue from fares which are controlled by statute and other sources of income and the relations between net and gross revenues. The important consideration for the shareholders is the return on their assets and not the scale of fares or the rate of royalty. In respect of the tunnel the royalty is, in effect, on the arrangements proposed, a charge on the user. Some of the royalty may be said to represent a return on some of the investment of the community in the project and the remainder to represent a surplus in the nature of a tax as my honourable Friend, Mr KAN, has elsewhere pointed out with regard to royalties on bus companies. I doubt if my honourable Friend, the Financial Secretary, would be reluctant to refuse a larger surplus in the form of a tax on users of the tunnel if it were proposed that the royalty rate should be increased.

In passing, I would like to dispose of the allegation by Mr RUTTONJEE that the two electricity companies have received no special consideration by Government. Without the free grant of way-leaves over Crown land and public roads none of the electricity generated by the companies could be passed from the power stations to the general public.

My honourable Friends, Mr RUTTONJEE and Mr SZETO, express concern over the effects of the tunnel on the provision of carparking facilities. Mr RUTTONJEE has referred, in particular, to the cost of subsidizing such facilities in relation to the adequacy of the royalties. The question of subsidizing car parks is a matter wholly unconnected with the construction of the tunnel. No obligations arise to subsidize the construction of car parks solely in connexion with the tunnel or the tunnel users. This is a matter to be decided in a much wider context. The tunnel may, in fact, not result in any substantial net increase in demands for parking facilities although it may shift the demands from some locations to other locations.

Some misunderstanding appears evident over the ferry royalties as the result of attempting to relate the possibility of a reduction in the amounts payable to Government with the royalties to be received from the operation of the tunnel. Any falls in the amounts of royalties payable by ferry companies are irrelevant to new sources of royalty from the tunnel. Each royalty arises from a separate franchise for a separate sort of service. Each franchise holder is free to operate existing or proposed exclusive rights without interference from any other franchise

holder. Each franchise holder is in no way restricted by the operations of another from deriving the maximum benefits from the franchise as it exists or will exist.

This leads me to refer to item 5(a) on the payment of compensation which it may be decided to pay to ferry companies arising from Government's public statement in 1956. Compensation may in fact arise from this statement and it is intended that, if it should arise, it will be payable out of the royalty from the tunnel operations. How this may arise and what it may amount to have yet to be considered. I would like to assure my honourable Friend, Mr Woo, that since it could, in the ordinary course of Government accounting, involve a disbursement from public funds the amount and the method of computation would require the approval of the Finance Committee of this Council and, ultimately, of the subsequent consent of the Legislative Council. As I have earlier mentioned, the grant of a franchise for the tunnel in no way interferes with the existing exclusive rights of franchise holders and no compensation will be payable for any loss of profits by such holders.

My honourable Friend, Mr WONG, comments that item 5(b) provides that both the Hong Kong and Yaumati Ferry Company Limited and the Star Ferry Company Limited have each an option to take up to 5% of the equity of the capital of the tunnel company. It was thought that this percentage was a reasonable figure without going into the niceties of hypothetical calculations of how the operations of each may be affected *vis a vis* each other. The right to take up this percentage of the equity is entirely optional. Either company may decide to take less than 5% or none at all. Alternatively, either may seek to take more than 5%. In such a case it is for the individual company to negotiate with the tunnel company for a share greater than 5%. All that item 5(b) does is to ensure that each has the right to opt for at least 5% without further to do.

Item 10 deals with a similar option to Government for taking up to 25% of the equity capital and to provide for appropriate representation on the board of directors. In response to my honourable Friend, Mr Woo, I re-iterate the previous statement of my honourable Friend, the Financial Secretary, that Government has not yet made up its mind whether or not to exercise this option. The question will be considered at a later date and honourable Members will have a further opportunity to examine any proposals which may be advanced in the exercise or non-exercise of this right of option.

It has been suggested that it is wrong in principle to protect the public interest by seeking to be represented on the board of directors. As I have just mentioned the right to be represented on the board of directors is directly related to the extent of Government's participation in the equity of the company. Representation on the board is connected

solely with the protection of Government's equity in the company. It is not related to the public interest which will be protected by such legislation as may be found necessary to control the grant of a franchise. Such legislation will in due course be presented to this Council and honourable Members will have every opportunity of ensuring that the public interest is adequately protected by its provisions.

I would like to correct what appears to be an arithmetical misunderstanding by my honourable Friend, Mr LI. Item 9 requires the company to raise a minimum of 25% of the capital cost of the tunnel in the form of equity. The options accorded to Government and to the two ferry companies are part of the equity raised by the company, that is, to the minimum of 25% of the capital cost. They do not relate to the total capital cost of the project.

Some concern has been expressed that the company may not be able to raise the necessary capital for the project and that it will be come necessary for Government, willy-nilly, to pledge a maximum contribution of 25% of the equity. It was not considered appropriate to include in the schedule an item requiring an assurance that the company has adequate resources for undertaking the construction of the tunnel. I am to assure honourable Members that it is the intention that Government will require the company to provide adequate evidence to the satisfaction of Government that the company has adequate financial resources, whether or not any of the options mentioned in the schedule, are exercised, before work is started on the project. This safeguard is implicit in the provisions of item 13.

Sir, in this immediate reply to speeches of honourable Members I have confined my remarks to some of the major financial issues mentioned. There are several detailed matters which have also been raised. I can assure honourable Members that the text of their speeches will be carefully and thoroughly examined. If, as has been indicated, the resolution before Council is passed today, it will be the first of a number of steps to be taken and some of these steps will involve further deliberation and consideration by honourable Members. During these processes further opportunities will present themselves to deal with those points which arise from a more detailed study of the speeches made today.

Sir, I beg to support the resolution before Council.

MR A. M. J. WRIGHT:—Your Excellency, I have listened with interest to the views expressed this afternoon, and I welcome the opportunity to reply to some of the points which have been raised.

I cannot accept my honourable Friend Mr RUTTONJEE'S contention that the matter before Council has been proceeded with in undue haste,

nor his accusation that there has been a complete lack of pre-planning, coupled with indecision, on the part of Government. The matter has proceeded in logical steps, from Government's announcement in 1956 that it was prepared to consider privately sponsored schemes, until the decision in 1963 that the scheme should not be put out to tender, and that Government would be prepared to negotiate a franchise with the Victoria City Development Company.

I have little to add to my previous remarks on the subject of tenders. There was, so far as I recall, no criticism of the 1963 decision to negotiate a franchise in preference to the calling of tenders. The offer to consider any scheme had been open for five years, and had been well publicized, but at that time the idea of a cross-harbour tunnel was generally received with scepticism rather than with enthusiasm.

MR SZETO Wai has suggested that the tunnel should be re-designed to include a railway. He goes on to suggest how this cross harbour rail link could be incorporated in the future planning of the Dockyard land in Hong Kong, and Hung Horn in Kowloon. His ideas may well be sound, indeed I would be surprised if they were not—but personally I doubt very much if the ideal line for a cross-harbour rail link would run between these two points. However, it is to advise us, among other things, on this very matter that we have recently appointed Consultants to undertake a feasibility study and prepare a report. In this case I suggest that we await their report before jumping to conclusions.

Even if Mr SZETO'S planning proposals are sound, it is surely not essential to incorporate the rail tunnel with the road tunnel to put them into effect. Indeed, it seems to me that his proposal would complicate rather than simplify construction—certainly at the landfalls where the railway gradient of 1 in 100 would conflict with the road gradient of 1 in 20. Any savings that could result from constructing a combined road/rail tunnel might, I suggest, be lost in the extra costs incurred at the Hong Kong and Kowloon landfalls.

Both Mr RUTTONJEE and Mr SZETO have referred to the \$12 million contribution towards the cost of associated road and other engineering works. There seems to be a reluctance to believe that this sum of \$12 million will cover the costs involved. In assessing the sum to be paid account has been taken of all road works directly attributable to the tunnel and required to enable tunnel traffic to merge with general traffic, and the Company will be paying the full cost of these works. If the sum of \$12 million appears to be low it is because of very careful planning, and the neat way in which the tunnel landfalls have been fitted in with our long term road plans. It shows the value of careful pre-planning—the element which my friend Mr RUTTONJEE says is lacking.

Mr SZETO has drawn attention to a proposal in the Consultants' report that after a certain period an annual contribution of £200,000 (\$3.2 million) might be paid towards the cost of ancilliary road works, and finds it difficult to understand why we are settling for the "comparatively insignificant sum of \$12 million". The answer is simply that it would be unreasonable to charge the Company more than the estimated cost of the ancilliary road works, directly attributable to the tunnel.

Both Mr SZETO and Dr CHUNG criticize the tunnel for being too small. There are many attractions in the idea of a five lane tunnel, but I find it difficult to accept Mr SZETO's contention that the cost would be only 10% above that of a four lane tunnel. Dr CHUNG'S 17% may be nearer the mark, and this represents quite a lot of additional capital which will not produce any revenue for several years, and then only at peak hours. If one adds to this the fact that the traffic distribution system at each landfall would need to be designed and constructed for the ultimate peak traffic, the proposition becomes even less attractive financially. Apart from this, like Dr CHUNG I do not relish the idea of a tunnel disgorging too much traffic on the east-west roads of Hong Kong Island. We differ only in degree—Dr CHUNG puts the limit at six lanes; I am rather more conservative and put it at something less. I believe that while it would not be difficult to disperse the traffic from a five lane tunnel, the road network generally on the Island is likely to be better suited to absorb the 2,000 vehicles per hour peak flow from a four lane tunnel, than the 3,000 per hour from a five lane tunnel. Our future planning must make provision for the possibility of other cross harbour tunnels, and though there is nothing to stop anyone from applying for a franchise to build a second road tunnel from Hung Horn to Wan Chai, I would prefer to see any future route sited to the west of the City Centre.

Dr CHUNG also refers to the disruption that would result from an accident in the tunnel, and advances this as another reason for a five lane tunnel. Delays caused by accidents or breakdowns are always possible on any road, but the road through the tunnel will be the only one in the Colony with a day and night breakdown service. Clearly there would be advantages in having a spare lane for emergency use, but it would be an expensive luxury.

Mr RUTTONJEE makes the surprising statement that "there can be no suggestion that it will be of benefit to the community as a whole—it is a tunnel primarily for the car owner". This tunnel, we expect, will be used by thousands of bus travellers daily, it will also be used by hundreds of goods vehicles each day—the vehicles which at the moment one can see queuing up to cross the harbour on the vehicle ferries. Surely these are uses—and very important uses—that will benefit the community as a whole.

In concluding this debate I should like to emphasize that this Resolution simply sets down basic principles. Several points have been made by honourable Members which do not affect the basic conditions, but which can be taken account of either in drafting the Bill, which will make detailed provision for the franchise, or when considering the option to participate in the equity. The provision of public transport services through the tunnel will also require legislation and will need considerable thought on its own. Finally, funds will be required as the detailed schemes for road works are prepared, and these will be applied for in the normal manner.

The passing of this Resolution will mark the end of the initial phase of thought and planning that has brought us to the point of decision as to whether to proceed. It marks also the beginning of the long, and perhaps difficult, development of the scheme in such a way as to spread its benefits as widely as possible.

The question was put.

MR DHUN RUTTONJEE:—Your Excellency, with your permission, may I ask for a division?

HIS EXCELLENCY THE GOVERNOR:—I call for a division.

A division was taken on the motion. Mr Dhun J. RUTTONJEE voted against the motion. Messrs S. S. GORDON, F. S. LI, P. Y. TANG, TSE Yu-Chuen, P. C. Woo, G. R. Ross, SZETO Wai, Wilfred WONG, Mrs Ellen LI, the Commander British Forces, the Colonial Secretary, the Attorney General, the Acting Secretary for Chinese Affairs, the Financial Secretary, Messrs K. S. KINGHORN, A. M. J. WRIGHT, W. D. GREGG, D. R. HOLMES and R. M. HETHERINGTON voted in favour of the motion. Dr S. Y. CHUNG abstained from voting. The president voted in favour of the motion.

HIS EXCELLENCY THE GOVERNOR:—The number of votes for the “ayes” is 20; the number of votes for the “noes” is 1; and the number of abstentions is 1. The “ayes” have it.

LIBRARY BILL 1965

MR K. S. KINGHORN moved the First reading of a Bill intituled “An Ordinance to make provision for the management of public libraries maintained by the Government in the urban area.”

He said: —Your Excellency, whereas the management of the public library in the City Hall is provided for in the City Hall Ordinance 1961 and the City Hall Regulations 1961, the approved development of public

libraries to be administered by the Urban Council outside the City Hall makes it necessary to have formal provision for their management also.

The purpose of the Bill is explained concisely and clearly in the Objects and Reasons. It vests the management of such public libraries as may from time to time be maintained in the urban area formally in the Urban Council and gives the Council authority to make any necessary by-laws, subject to their submission to Your Excellency and to their receiving the approval of this Council.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

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

This Bill seeks to vest the management of public libraries in the urban area in the Urban Council.

2. Detailed provision for the operation of such libraries will be contained in the by-laws which clause 4 empowers the Urban Council to make.

**SCHOOL MEDICAL SERVICE BOARD INCORPORATION
(AMENDMENT) BILL 1965.**

MR W. D. GREGG moved the First reading of a Bill intituled "An Ordinance to amend the School Medical Service Board Incorporation Ordinance 1964."

He said: —Your Excellency, experience of the first year's working of the School Medical Service has shown the need for certain minor amendments to the School Medical Service Incorporation Ordinance. The first amendment will allow the Board to make provision for dealing with the manner in which representatives of the medical practitioners taking part in the scheme shall be elected to the Board while the second amendment changes the date of the Board's financial year from the end of August to the end of September, since the latter date is more convenient with regard to the calculation of the Government subvention and the accounting for fees from participants.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

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

This Bill makes two small amendments to the School Medical Service Board Incorporation Ordinance 1964.

2. The Board is given power to make standing orders for the conduct of elections of members of the Board who are required to be elected under the provisions of section 3. These are members of the Board to be elected from among those medical practitioners taking part in the scheme operated by the Board. At present there are no provisions dealing with the manner in which such members should be elected.

3. The other amendment is to section 8 of the principal Ordinance which requires the Board to keep accounts and to draw up a statement of the accounts of the Board for every period of twelve months ending on the 31st day of August each year. The Board desires that the date of its financial year be changed to the 30th day of September in each year as this will accord better with the periods for which Government subventions are received.

ADJOURNMENT

HIS EXCELLENCY THE GOVERNOR:—That concludes the business for today. The next meeting of Council will be held on the 25th August.