

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 7th December 1966****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY
MR MICHAEL DAVID IRVING GASS, CMG
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, OBE, QC
THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS
MR DAVID RONALD HOLMES, CBE, MC, ED
THE HONOURABLE THE FINANCIAL SECRETARY
MR JOHN JAMES COWPERTHWAITHE, CMG, OBE
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT
DIRECTOR OF PUBLIC WORKS
DR THE HONOURABLE TENG PIN-HUI, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC
COMMISSIONER OF LABOUR
THE HONOURABLE GEOFFREY MARSH TINGLE
DIRECTOR OF URBAN SERVICES
THE HONOURABLE ALASTAIR TODD
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE IAN MACDONALD LIGHTBODY
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE TERENCE DARE SORBY
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE KENNETH JOHN ATTWELL
ACTING DIRECTOR OF EDUCATION
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE
THE HONOURABLE KAN YUET-KEUNG, OBE
THE HONOURABLE LI FOOK-SHU, OBE
THE HONOURABLE FUNG HON-CHU, OBE
THE HONOURABLE TANG PING-YUAN
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE SZETO WAI
THE HONOURABLE WILFRED WONG SIEN-BING
THE HONOURABLE ELLEN LI SHU-PUI, OBE
THE HONOURABLE JAMES DICKSON LEACH, OBE

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS
MR DONALD BARTON

MINUTES

The minutes of the meeting of the Council held on 23rd November 1966 were confirmed.

PAPERS

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

Sessional Paper 1966: —

No 27—Annual Report by the Director of Marine for the year 1965-66.

SUPPLEMENTARY PROVISIONS FOR THE QUARTER ENDED 30TH SEPTEMBER 1966

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Supplementary Provisions for the Quarter ended 30th September 1966, as set out in Schedule No 2 of 1966-67, be approved.

He said: —Your Excellency, I rise to move the Resolution standing in my name as item 3(1) in the Order of Business.

The Schedule for the second quarter of this financial year covers supplementary provision totalling \$83.5 million. The largest single item arises from the payment of arrears of salaries following the acceptance of the 1965 Salaries Commission recommendations. For this purpose a sum of \$43 million was required. A sum of \$17 million was needed for the repair of widespread damage caused by the June rains; and an additional \$12.7 million was required for Public Works Non-Recurrent, of which \$6 million was in respect of revotes from the last financial year.

All the items in the Schedule have been approved by Finance Committee and the covering approval of this Council is now sought.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

DEVELOPMENT LOAN FUND

THE FINANCIAL SECRETARY moved the following resolution: —

Whereas it was resolved by this Council on the 22nd day of October 1958*, *inter alia* that the Financial Secretary

* 1958 Hansard, pages 273-4.

may from time to time appropriate from the Fund monies for the purpose of financing by loans or advances such schemes of development within the Colony as may be approved by the Governor, provided that the amount of appropriation and the terms and conditions of the loan or advance, shall in every case be subject to the prior approval of the Finance Committee of this Council:

Now it is further resolved that the Financial Secretary may also, from time to time, appropriate from the Fund monies for the purpose of financing by investments such schemes of development within the Colony as may be approved by the Governor, provided that the amount of appropriation and the terms and conditions of the investment shall in every case be subject to the prior approval of the Finance Committee of this Council.

He said: —Your Excellency, the present Development Loan Fund was constituted in 1958 by the amalgamation of the Local Loans Fund and the Development Fund. The former was concerned only with loans for educational projects while the latter was used to finance development schemes either by loan or by grant. The new combined Development Loan Fund was restricted, however, to finance by way of loan or advance; finance by way of grant is no longer permitted.

Under the old Development Fund a number of schemes were in fact financed by other means than loan. For example, the original Kwun Tong Reclamation was paid for by the Fund and the proceeds of sale of some of the land reclaimed there is still to-day being credited to the Fund. It was also used to underwrite two share issues by the Telephone Company and in the event took up a few shares.

We now feel that the restriction of the present fund to financing by way of loan or advance unnecessarily limits its uses for development and that its uses should be extended to include investment in the equity capital of viable schemes of development. For example, I think it might be appropriate to provide from the Fund the capital required to set up the Export Credit Insurance Corporation; I shall be introducing the Bill to set up that Corporation later this afternoon*. Again, any investment in the equity of the Cross-Harbour Tunnel Company which we may eventually decide to make could more appropriately come, I think, from the Fund than from General Revenue.

The resolution I am moving is designed to extend the use of the Fund to investments of this kind. Any such investment would, of

* 1966 Hansard, pages 436-9.

course, be subject to the prior approval of the Finance Committee of this Council, as are loans from the Fund as it stands at present.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

HONG KONG EXPORT CREDIT INSURANCE CORPORATION BILL 1966

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to provide for the establishment of the Hong Kong Export Credit Insurance Corporation, and to define its powers and functions."

He said: —Sir, honourable Members will recall that in 1962 a Working Party on Export Credit Insurance was appointed to advise whether an export credit insurance scheme should be set up in Hong Kong. This working party came to the conclusion that such a scheme should be established and in their Report*, which was laid on the table of this Council in December 1963, recommended that the scheme should be run as part of the Commerce and Industry Department.

Subsequently, honourable Members will also recall, Mr FREEMAN of the Export Credits Guarantee Department of the Board of Trade, who had advised the Australian Government on the establishment of the Australian Export Payments Insurance Corporation, was invited to visit us to give advice on the establishment and staffing of the proposed scheme in Hong Kong. As a result of his investigations Mr FREEMAN came to the conclusion that it would not be appropriate that such a scheme should be run as a branch of a Government department, and in his Report, which was laid on the table of this Council in May 1965, he recommended that the scheme should be put in the hands of a statutory corporation. Mr FREEMAN'S recommendations were accepted and work has proceeded on the necessary preliminaries to the establishment of the Corporation and on the drafting of the enabling legislation to bring it into being. This is the Bill before honourable Members to-day.

As honourable Members are aware, a Commissioner-designate for the Corporation—Mr K. D. ROBERTSON—has been appointed and under his direction an office for the Corporation has been provisionally established, staff has been recruited and trained and policies have been prepared so that the Corporation will be in a position to go into business as soon as the enabling legislation has been passed.

* 1963 Hansard, page 286.

The Bill is modelled on the Australian Act, considerably simplified and adjusted, where necessary, to take account of our different form of government. I do not propose to go through the Bill in detail to-day but to confine myself to three important matters of principle, more or less interconnected.

In the first place, the Corporation is charged with an obligation to cover its expenditure from revenue; in other words, there is no intention of subsidizing credit insurance from public funds. This is an essential qualification for membership of the Berne Union of credit insurers which the Corporation hopes to join. Equally, on the other hand, it is not the intention that the Corporation should make a profit for the benefit of the exchequer. The aim will be to break even.

I should, however, mention two special aspects of this. The Corporation is to be provided with an initial capital of \$10 million. As it is also provided by clause 18 that the Government guarantees the payment of all monies due by the Corporation, it may be asked why any capital is necessary. One reason, but not the only reason, is that this capital will provide the Corporation with funds during its period of establishment when losses may be expected. This form of subsidy is permissible. But, equally, there is provision in clauses 14(2) and 12(1) for surpluses to be paid over to Government. This does not imply that the Corporation is designed to make a profit. The intention behind it is that when the day comes when the Corporation has built up its own sufficient reserves, the Corporation should refund its original capital to the exchequer and thus become fully self-supporting.

This brings me to my second point. The Corporation is basically a mutual insurance organization covering those risks, both political and commercial, against which commercial insurance cannot normally be obtained. Such a scheme, like any insurance scheme, can work only if there is an adequate spread of risk. I must emphasize, as the Commissioner-designate has frequently emphasized, that the Corporation does not exist to carry a merchant's doubtful risks only or to allow him to assume bad risks at public expense. A merchant must offer the Corporation a reasonable spread of risks; while, on the other hand, the Corporation must have the right to exclude some risks on the grounds that they are excessively bad. If these conditions are not met, credit insurance becomes either inordinately expensive or entirely impracticable.

My third point relates to the policy and practices of the Corporation. Clause 12 lays down that the Corporation's policy in a number of matters requires the approval of the Financial Secretary. These are matters of general policy, the classes of insurance to be offered, the nature and extent of risks to be covered, etc. This is necessary because the Corporation will be assuming very heavy potential liabilities backed

by a Government guarantee. As guardian of the public purse, I must admit to cold feet at times when I contemplate \$300 million or more of public funds being at risk at one time on contracts of credit insurance. But the Commissioner-designate and I have in fact already reached agreement on the matters of policy on which decisions are required as a preliminary to the start of business. But while policy is to require the approval of the Financial Secretary, clause 12(2) lays it down categorically that his approval is not, I repeat not, required for the entering by the Corporation into any particular contract of insurance, so long as that contract is in accordance with approved policy. Equally, while the Commissioner may on occasion go to the Advisory Board constituted by clause 12 for advice on questions affecting particular matters of policy, he is not bound by their advice. This is, perhaps, the most vital of the three principles I am speaking of. It is the Commissioner's job to run an insurance business for the benefit of commerce generally and to do so on a no-profit, no-loss basis. It is a matter requiring technical skills, knowledge and judgment and he must be allowed to carry out his business without interference from special interests. I hope and trust, therefore, that the business community will accept his decisions on particular contracts without complaint or protests without attempting to bring pressures, public or private, on him with the intention of influencing his judgment. Otherwise, the scheme will not work. This is indeed one of the main reasons for preferring a statutory corporation to a Government department. I must confess that I am happy that I myself shall be statutorily barred from interfering.

We shall, if we pass this Bill, have provided one more of those institutions which are necessary for the successful conduct of foreign trade in the world today. I must confess to a touch of regret that it should be necessary at all and, more particularly, that it must be a public institution rather than a further manifestation of our private enterprise system. But we have fashioned the institution as close to the private enterprise model as we can, given that so large a potential liability will fall on public funds. I am confident that, if we pass this Bill, the Commissioner-designate and his staff will perform a most valuable service in adding a further element of growth to the already rapid development of our export trade. I understand that, if all goes according to plan, he hopes to open his doors for business before the end of the year.

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 establish a corporation, to be known as the Hong Kong Export Credit Insurance Corporation, whose function will be to carry on the business of insurance under the contracts of insurance to which the Bill will apply. The Governor will be empowered to appoint a commissioner of the Hong Kong Export Credit Insurance Corporation, who may exercise and perform all the powers, functions and duties of the Corporation in its name and on its behalf.

The Bill also seeks to establish an Advisory Board whose function will be to advise the Corporation in the conduct of its business. The Corporation will not, however, be bound by the advice which it receives from the Advisory Board.

It will be the duty of the Corporation to keep the Financial Secretary informed of the policies which it is pursuing, and clause 12 provides that the policy pursued by the Corporation in relation to certain fundamental matters will be subject to the approval of the Financial Secretary.

By clause 9(4), the Corporation is required to conduct its business in such a way as to ensure that its revenue will be sufficient to meet all expenditure properly chargeable to revenue account. Detailed provision with respect to the Corporation's finances are contained in Part VII of the Bill. Clause 18 is declaratory of the Government's intention to guarantee the payment of all moneys due by the Corporation.

It will be an offence for any person who, in the performance of his functions or duty, or in the course of his employment, under or in connexion with this legislation, has acquired information relating to the affairs of any person to disclose that information to any other person otherwise than as may be necessary in the performance of his functions or duty or in the course of his employment.

MEDICAL CLINICS (AMENDMENT) (NO 2) BILL 1966

DR TENG PIN-HUI moved the Second reading of a Bill intituled "An Ordinance further to amend the Medical Clinics Ordinance 1963."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 to 4 were agreed to.

Clause 5.

DR TENG PIN-HUI: —I rise to move that Clause 5 be amended as set forth in the paper before honourable Members.

Proposed Amendment.

2. In subsection (1) of the new section 8, leave out "1st day of January 1964" and substitute the following—
"5th day of September 1963"

Clause 5, as amended, was agreed to.

Clauses 6 and 7 were agreed to.

Council then resumed.

DR TENG PIN-HUI reported that the Medical Clinics (Amendment) (No 2) Bill 1966 had passed through Committee with one amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed.

ADJOURNMENT

THE COLONIAL SECRETARY moved the adjournment.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

NEXT MEETING

HIS EXCELLENCY THE GOVERNOR: —Council will now adjourn. The next meeting will be held on 21st December.