

**OFFICIAL REPORT OF PROCEEDINGS**  
**Meeting of 1st March 1967**

**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, QBE, QC  
THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS  
MR DAVID RONALD HOLMES, CBE, MC, ED  
THE HONOURABLE THE FINANCIAL SECRETARY  
MR JOHN JAMES COWPERTHWAITTE, CMG, OBE  
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT, CMG  
DIRECTOR OF PUBLIC WORKS  
DR THE HONOURABLE TENG PIN-HUI, CMG, OBE  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE WILLIAM DAVID GREGG  
DIRECTOR OF EDUCATION  
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC  
COMMISSIONER OF LABOUR  
THE HONOURABLE ALASTAIR TODD  
DIRECTOR OF SOCIAL WELFARE  
THE HONOURABLE TERENCE DARE SORBY  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE GEOFFREY MARSH TINGLE  
DIRECTOR OF URBAN SERVICES  
THE HONOURABLE KENNETH STRATHMORE KINGHORN  
DISTRICT COMMISSIONER, NEW TERRITORIES  
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, OBE  
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 15th February 1967 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>
Subsidiary Legislation: —	
Pensions Ordinance.	
Pensions (Amendment) Regulations 1967 .....	15
Pharmacy and Poisons Ordinance.	
Poisons (Amendment) Regulations 1967 .....	16
Pharmacy and Poisons Ordinance.	
Poisons List (Amendment) Regulations 1967 .....	17
Resettlement Ordinance.	
Resettlement (Amendment) Regulations 1967 .....	18
Probation of Offenders Ordinance.	
Probation of Offenders (Amendment) Rules 1967 ...	19
Other Papers:—	
Draft Estimates of Revenue and Expenditure with Explanatory Memoranda for the year ending 31st March 1968.	
Report of the Establishment Sub-Committee of Finance Committee for the year 1967-68.	
Report of the Public Works Sub-Committee of Finance Committee for the year 1967-68.	
Report on the Public Service 1967.	
Hong Kong Annual Report 1966.	
Special Committee on Higher Education Interim Report 1966.	
Report of the Commission of Inquiry into the Kowloon Disturbances, 1966.	
Annual Report of the School Medical Service Board for the year ended 30th September 1966.	

He said:—Sir, in doing so, I beg leave to invite special attention to two of these papers, both of which have already been published.

The Report of the Commission of Inquiry into the Kowloon Disturbances in April last year was published on 20th February in both English and Chinese. The Government is most grateful to Sir Michael HOGAN, the Chairman, and to his fellow Commissioners for the thoroughness of their investigations and the clarity of their Report, which is now being closely studied.

Secondly, I invite attention to the Interim Report of the Special Committee on Higher Education, which was published on 27th February, with a full summary in both English and Chinese. This Report makes a preliminary analysis of Hong Kong's future needs for higher education and makes recommendations for the future work of the Committee, which have been accepted by the Government as a basis for further planning. The Government is much indebted to Sir Albert RODRIGUES and the members of his Committee for this most valuable Interim Report.

#### **ADDRESS BY HIS EXCELLENCY THE GOVERNOR**

Honourable Members of the Legislative Council, once again it falls to me to try to give some short account of the year that has passed, and to attempt to look a little into the future. In a year such as 1966, this is not a particularly easy task; for, as we all know, it has been a year full of incident. We have made remarkable progress in many directions: but have also had to suffer one or two unhappy experiences.

But before I review these events, I would like once again to thank honourable Members and express to them my sincere personal thanks and appreciation for their continued services to the Colony. It has been a busy year by any standards, and the work falling to this Council and its committees has been very considerable. When to this is added honourable Members' duties on a wide variety of advisory committees, and 'in numerous other activities for the good of the community, the whole I know makes heavy demands on all. Nevertheless, the critical but constructive and informed interest which Members always display is essential to the proper conduct of public business, and provides fresh insights into our problems before decisions are finally taken, which are always most helpful.

I said a moment ago that it had been a busy year for Council, and indeed the legislative programme has been a substantial one. 38 Ordinances were passed, and these included such important measures as the Legal Aid Ordinance, the Interpretation Ordinance, the Urban

Council (Amendment) Ordinance, the Hong Kong Export Credit Insurance Corporation Ordinance, the Hong Kong Trade Development Council Ordinance, the Medical Clinics (Amendment) Ordinance and the Merchant Shipping (Recruitment of Seamen) Ordinance. 1966 also saw some changes in our procedures. The new system of publishing Bills for general information before they have their first reading will, I hope, assist the public to formulate their views on new legislation and make them known earlier than heretofore. Another innovation has been the introduction of adjournment motions, thus enabling brief debates to be held on matters of current concern to Council. I hope honourable Members will continue to find these useful.

Nor were changes confined to the Legislative Council. The membership of the Executive Council was enlarged during the year by the appointment of two more Unofficial Members, giving that Council an unofficial majority also, for the first time.

The first of last year's notable events was the honour done us by the visit of Her Royal Highness the Princess Margaret, Countess of Snowdon, and Lord Snowdon, during British Week. Her Royal Highness lively interest in all aspects of Hong Kong life endeared her to all whom she met, and I believe she and Lord Snowdon enjoyed their visit as much as we enjoyed having them here.

Following this happy occasion, the next major event of the year was a sombre one, when rioting and looting erupted in the streets of Kowloon in April. The report of the Commission of Inquiry appointed to investigate this unhappy incident is amongst the papers tabled here today; it shows very clearly how patiently and painstakingly the Commission went about its enquiries; and we are all very much indebted to the members of the Commission for the manner in which they discharged this difficult task. Extensive comment on the Commission's findings would be inappropriate here, but one finding certainly deserves mention; this is, that the action taken by the Police Force was characterized by reason and restraint; with no more force used than was necessary; and, further, that the confidence and skill of the Police in putting an end to the disturbances, with a very small number of casualties, was a tribute to their organization and training.

We were subjected to yet another test on June 12th when abnormally heavy rainfall brought life in many parts of Hong Kong and Kowloon to a standstill and caused much loss of life and property. The Police, the Fire Services, the Public Works Department, our public utilities, and, in the clearing-up operations particularly, the Urban Services Department all responded magnificently; greatly aided by the Armed Forces; and by their efforts did much to mitigate the horror and misery of that harrowing day and ensure a quick return to near-normality. A number of major engineering works, however, had to be put in hand at places

where very serious damage had occurred, and these repairs have necessarily taken time to complete.

Towards the end of 1966 we were asked to increase our contribution towards the costs of the Garrison here. The then Secretary of State for the Colonies, Mr Fred LEE, who had already paid us an earlier visit in August, came out again in November to put the matter to us. After much negotiation, a conditional understanding on arrangements for the future was reached, and will require to be formally considered in the course of these proceedings. I do not propose to deal with this subject at any length here, since the honourable the Financial Secretary will be dealing with it later.

But despite the difficulties which we encountered in 1966, it has still, on the whole, been a remarkably successful year. I will not deal here with Government's own financial affairs, since here again the Financial Secretary will be doing so later. I will only say that the strength and resilience of Hong Kong's finances continue to amaze me, used as I am to these phenomena. But, speaking in more general terms, confidence in the banking system has been restored, and deposits now stand at a record figure. Trade has been buoyant, and in all categories, imports, domestic exports and re-exports, we have registered gains in terms of value. Imports are up 13% over 1965; domestic exports up 14%; and re-exports up 22%. I must however add a word of caution: these figures have been inflated, possibly by some 5%, by a sudden rush of import and export declarations towards the end of 1966, as a result of the new legislation designed to provide funds for trade development. Thus the real rate of improvement is less spectacular than these figures indicate, but it is still impressive.

The United States, Britain and Germany, in that order, remained our largest markets and there was a gratifying increase in domestic exports to South East Asia, after a 5% decrease in 1965. All this reflects very creditably on the efforts of our manufacturers and exporters, often in the face of a reluctance by importing countries to take as much as we would like to send them. Our main markets continue to be the more highly developed countries, but the Trade Development Office is making determined efforts to break new ground in the less-developed areas.

The Trade Development Council and the Hong Kong Export Credit Insurance Corporation came into being in September and December respectively, after a great deal of careful planning and preparation. While this was going on, the Trade Development Office went ahead with a major trade promotion programme. The Productivity Council and Centre were formally established in January this year. The setting up of these three new autonomous bodies has been a major step forward; and one result has been to enable the Commerce and

Industry Department to concentrate more of its resources on looking after our overseas trade relations, and on such services as certification and aid to commerce and industry generally.

The Department itself has had a very active year; particularly in the field of bilateral negotiations with other Governments; and, to assist with these problems, new offices have been opened in Geneva and in Washington. The negotiations undertaken included a comprehensive 5-year bilateral agreement with the United States, effective retrospectively from the 1st October 1965, on cotton textile restraints to be applied in Hong Kong; agreement was also reached with the United Kingdom on the level of cotton textile exports to that country from 1966 to 1970. Negotiations were concluded with Canada, on the export of cotton fabrics and garments; with Germany, on woven cotton products and woollen knitwear; and with the Benelux countries, on cotton woven shirts.

We were also actively represented in the G.A.T.T. Cotton Textiles Committee during the year. It is a matter for some congratulation that, in spite of the difficulties of this kind of bargaining, we have been able to reach agreement with our major trading partners on terms which will provide us with scope for growth in our export earnings.

However, much of the good work done by the Commerce and Industry Department in keeping trade channels open can be undone by the actions of a few dishonest and irresponsible manufacturers or exporters. Our certification system guarantees to importing countries that goods so certified are genuine Hong Kong products. We are determined to maintain the integrity of this system, and it is absolutely vital that we should do so. The Department has therefore built up a new Industrial Inspection Branch to enforce it. During 1966 this Branch prosecuted 155 cases and obtained convictions in 152 of them. In addition, I regret to say that there were no less than 82 reported attempts to influence its staff with gifts and bribes; and 3 of these resulted in prison sentences.

Confidence in the economy is reflected also in the continued expansion in industrial employment. In December last some 424,000 workers were employed in recorded industrial undertakings, an increase of 14% over the previous twelve months.

Almost half the increase was in our largest industry, textiles and made-up goods. The second largest was in the electronics industry, now almost our most rapidly developing industry, which expanded by about 65%, employing over 12,000 new workers.

Workers' wages rose by about 7% between October 1965, and September 1966, so far as can be ascertained from wage surveys made by the Labour Department in selected industries. It is estimated that

wages in 1966 were almost twice as high as those in 1958. Wages, therefore, are rising noticeably faster than the cost of living, so raising the standard of living for Hong Kong's workers.

The production of higher quality goods, the use of more sophisticated machinery, the application of better techniques and workers' skills, will be increasingly important in the coming years. In these areas, the Industrial Training Advisory Committee and its associated industrial committees have a vital role to play. The Electronics Industrial Committee recently completed a survey, occupation-by-occupation, of the workers in the electronics industry, the number under training, and future man-power needs; and the Textile Industrial Committee has started a similar survey. Occupational surveys on this scale have never been carried out before, and much groundwork has to be done before this Committee can make a real impact on our training programmes—as I am convinced that it eventually will.

In the real estate market, the output of private domestic accommodation over the year as a whole equalled that of 1965; and over 27,000 premises were occupied, an increase of some 3,000 over the previous year. There were, however, some signs of a tailing-off in output in the last months of the year. At the beginning of 1966, some 18,000 premises stood vacant, this being the highest number of vacant premises ever recorded. Despite the continued high building rate during the year, the number of vacant premises had fallen by the end of 1966 to 16,000 odd, and this seems to offer prospects of a slightly brighter year in the real estate business, at least in so far as demand is concerned.

In the meantime, Government has recognized the difficulties developers face in obtaining building finance by extending the suspension of certain building-covenants, by extending the scope of premium instalment terms in lease-regrants, and by relaxing control on the sub-letting of factory space where the premium is being paid by instalments.

There were few auction sales of Crown land during the year, and not much interest in the sales that were held. Last year saw a considerable decrease in the letting of new contracts for private building work, but during the year the value of new buildings completed was \$1,058 million, an increase of \$79 million over 1965.

Tourism had another good year. Despite airline strikes and various other impediments beyond our control, the number of tourists rose by 13% over 1965. The opening last year of the new Ocean Terminal, perhaps the best of its kind in the world, has introduced new dimensions of comfort and service to visitors arriving by sea. Kai Tak Airport continued to be very heavily used and substantial improvements were made in the passenger-flow arrangements. There was also a spectacular increase in the flow of air-freight through the terminal.

I have so far dealt mainly with economic matters, but for all departments of Government it has been a busy year as they pressed on with their plans for making Hong Kong a better place to live in. Going hand-in-hand with the carrying-out of these plans has been a careful reassessment of our various targets, in both quantitative and qualitative terms. Housing is one example. A great deal of thought, led by the Housing Board, is being given to the proper balance between the building programmes for Resettlement and Government low-cost housing and to the general standards of accommodation to be provided in them. Meantime the Public Works Department, despite difficulties with certain contractors, completed 30 new resettlement blocks during the year. These are the new Mark III and IV blocks, of much improved design; and about 30% of the total resettlement estate population of 829,000 persons are now housed in these blocks. We expect to pass the million mark in settlers this year.

Low cost housing was also affected by the financial difficulties of some contractors. As a result, only 800 living units were completed in 1966, instead of the expected 3,000 odd. At the end of the year, work was proceeding on 4 of these estates which will, when completed, provide 7,600 living units for about 44,000 people.

The Housing Authority is making good progress on its Wah Fu Estate at Pok Fu Lam. On completion in 1969, this estate will house about 54,000 people in almost 7,800 flats. The Authority, I am glad to see, is now able to meet an increasing part of its capital expenditure from rentals. It has continued its search for more economical building methods, and has broken new ground here by using an industrialized building system for its experimental estate in Tsuen Wan.

Education, like housing, is a matter which worries many families in Hong Kong. Hong Kong's achievements in the provision of large numbers of new school places every year are well known, but perhaps we are not sufficiently aware of the Education Department's efforts to improve the quality of our education. For example, there is the current changeover from the old one-year teacher training course to a two-year course. There is also the new English Language Teaching Centre which, by July this year, will have completed courses of instruction in teaching English as a second language to selected teachers from all Government primary schools. In mathematics, the department is seeking to introduce modern teaching methods at both primary and secondary level.

The age of entry in Government and aided primary schools has reverted to six years, and the new sixth year of education at primary level starts in September 1969. New syllabuses have been prepared on this basis, for children at all levels of primary schooling.

As to our quantitative performance in 1966, nearly 40,000 new primary school places were provided, 75% of these being in aided places. There are now 620,000 children in primary school and 66% of these are in Government and in aided schools. Although rather a high proportion of the children presently in primary places are outside the normal primary school age range, it now seems clear that it will be possible for us to provide by 1971 a subsidized primary place for every child of the right age group seeking one.

In the full-time secondary day school sector, some 21,000 extra places were provided in 1966, an increase of 13%. 74% of the primary school leavers in July 1966 were able to go on to day secondary schools of all types; not all of which, however, provide full School Certificate courses. In September 1966 almost 49,000 pupils were enrolled in School Certificate and Matriculation courses in Government and aided schools, and over 130,000 in private schools. This expansion in secondary education has resulted in entries for the Chinese and English School Certificate examinations rising from under 10,000 in 1962 to 33,000 this year.

The Education Department is very conscious of the need to reduce the burden of public examinations on Sixth Form pupils in Anglo-Chinese schools. Results in the English School Certificate examination are now accepted for admission to University; and a pass with credit in this examination is now recognized as the equivalent of a General Certificate of Education pass at Ordinary level by universities and professional institutes in the United Kingdom, in Canada and in Australia. It has thus been possible to discontinue the University of Hong Kong's Ordinary Level examination.

The University Grants Committee, appointed in 1965, began its work in earnest in 1966. At the Committee's request, Government indicated that it favoured an increase in the total number of students at the two Universities from the present level of 4,100 to 4,900 by 1969-70. Allocations to the two universities for recurrent expenditure during the triennium 1967 to 1970 have now been made, while capital grants will be considered later this year. I am most grateful to the members of this Committee, and particularly to the Chairman, Mr HERRIES, for their most helpful advice, and for the business-like and smooth manner in which the committee has been constituted and started its work.

In the field of health, too, we have good cause to be satisfied with what has been achieved. Our vital statistics continue to compare very favourably with those of developed countries, and our preventative measures against infectious diseases remain effective. Up to November last, when a single isolated case occurred, we had enjoyed freedom

from cholera for over two years. The incidence of diphtheria is now one-seventh of the rate seven years ago, and the results of the campaign against poliomyelitis are encouraging.

Our target for hospital beds is 4.25 beds per thousand of population, and by the end of the year the actual ratio was 3.6. The Queen Mary Hospital extension is nearly finished and other major alterations to the hospital should be completed in 1968, increasing the number of beds from 632 to 1,086. At Castle Peak Hospital two new ward blocks with 240 beds have been completed, and planning is proceeding, or work is in hand for a total of 2,786 extra beds at various locations, in addition to another general hospital at Shau Kei Wan, and the Tang Shiu Kin Hospital in Wan Chai.

Three new polyclinics were opened during the year; a large new polyclinic at Yau Ma Tei is nearly complete, and another new clinic at Chai Wan is in an advanced stage of planning. These clinics will meet the needs of new centres of development in the urban area. All major townships in the New Territories are now served by large clinics with resident medical staff. For much of this progress we have to thank the Royal Hong Kong Jockey Club, whose generous donations have much facilitated the programme.

But once again I would like to pay tribute to the various voluntary agencies who provide medical services. A measure of their value to Government is in the subvention item of \$49 million which is included in the Draft Estimates for the coming year. Prominent in this field is the Tung Wah Group of Hospitals, for which a recurrent subvention of slightly over \$27 million is proposed. The Tung Wah Board of Directors are to be congratulated on having almost completed a 300-bed convalescent hospital at Sandy Bay, and on their plans for extending the Wong Tai Sin Infirmary.

Some 218,000 patients were treated in Government and aided hospitals last year, and there were 7,800,000 attendances at Government and aided clinics: that is to say, everyone in Hong Kong, on average, was treated twice during the year in these institutions alone.

The importance we ascribe to our social services is underlined by our choice of this subject for the opening chapter of the Annual Report, which has been tabled today. That chapter gives a good description of our achievements over the past 10 years; but it also indicates how much remains to be done. I will not attempt here to expand on what is said in the Report, but will confine myself to one or two particular points.

Here again, I would like to pay tribute to the part played by the voluntary agencies. Their contribution is a very substantial one, and we are all most grateful for it. I should however sound one word of warning here. An important part of the voluntary effort depends on

overseas funds, and there are signs that these funds might not be available in such quantity in the future. We in Hong Kong may therefore have to recognize that we shall be unable to rely on this assistance to the same extent in the future as we have in the past.

This is perhaps to some extent relevant to proposals which I understand are being discussed for the introduction of the Community Chest System here, whereby a degree of centralization is introduced into local fund-raising activities. Clearly we must keep carefully in mind the need to tailor any such system to meet our own particular circumstances—which is a most important consideration—but perhaps the time has now nearly come when the system merits at least our thoughtful consideration.

The Urban Council and the Urban Services Department have had a busy and successful year and have made excellent progress in providing much-needed recreation facilities. There are now more than 1,000 acres of public open space throughout the Colony, a four-fold increase over the past eight years. In addition there are now over 100 children's playgrounds, more than 200 parks and gardens, and some 300 games pitches, tennis courts, bathing beaches and other active recreation facilities.

This year will see the completion of several important schemes. Major sports grounds will be ready soon at Perth Street and in an extension to the Kowloon Tsai Park. Construction work on the new 45-acre Ta Kwu Ling Park in North Kowloon is under way. Similar facilities for the people of the New Territories will be available shortly when sports grounds in Tai Po and Tsuen Wan are completed.

With the generous help of the Royal Hong Kong Jockey Club, work should soon start on two more large swimming complexes to serve Sham Shui Po and Kwun Tong: areas in which amenities of this very popular type are greatly needed.

In the New Territories, this has been a relatively quiet year and the much-reduced tempo of private development has allowed the New Territories Administration breathing space in which to consolidate and plan ahead. This has been particularly welcome as it has allowed more time to be given to the problems and needs of the New Territories\* inhabitants themselves.

Work on the creation of new industrial and residential land in the Kwai Chung Valley went ahead steadily during the year. About 20 acres of industrial land and some 8 acres of residential land have been formed and provided with road access, and are available to meet development needs when demand picks up again. Meantime the town of Tsuen Wan continues to grow, and its population is now approaching a quarter of a million. Many of the new residents in the town are people from Kowloon who have been given resettlement accommodation in the new estates in Tsuen Wan.

A particularly happy event in the New Territories was the occupation by more than 1,100 villagers from the Plover Cove Reservoir area of their new homes at Tai Po. Once again the people of the urban areas owe a debt of gratitude to the New Territories people for cooperating in projects like this, which involve a major upheaval in traditional ways of life.

In general, 1966 was a not unsatisfactory year for farmers, despite the June floods and the exceptionally dry autumn which destroyed about 25% of the second rice crop and created major problems for pond fish farmers. The Agriculture and Fisheries Department loaned some \$3 million to 2,000 farmers during the year and financial aid from the Kadoorie Agricultural Aid Association, which does such sterling work throughout the New Territories, assisted the equipment of 30 vegetable farms with sprinkler irrigation systems as part of the Department's campaign to improve productivity.

For our fishermen, too, the year was a satisfactory one; reduced catches being offset by higher average prices. The new wholesale fish market at Cheung Sha Wan opened for business in April, and the Fish Marketing Organization is planning a temporary market at Castle Peak. The department has continued to experiment with new types of fishing boats, with encouraging results.

One advance, which greatly pleases me personally, is the recent setting up of a provisional council to advise on the selection and development of country areas for recreational use and for conservation of our flora and fauna. I have been convinced of the need for organizing the better use of our countryside for very many years, and I wish the provisional council every success. However, unless we can stop the disastrous hill fires we have suffered recently, the number of areas suitable for such purposes is, I fear, going to be drastically reduced.

Last year I said that we would no doubt have to give greater consideration to communications. A very considerable amount of work is being done on various aspects of this problem. The final report of the Passenger Transport Survey will be completed very shortly and the report on the Mass Transport Feasibility Study should be to hand in August. Towards the end of 1966 it became apparent that something more was needed, and the Public Works Department has now commissioned a firm of consultants to undertake a survey of our long-term road requirements. The report on this study should be completed before the end of this year.

It has been a busy year for the Public Works Department in other ways too. Action against dangerous buildings continued, and 380 closure orders were obtained and 285 demolition orders issued. This underlines the need to find some solution of the problems created by these old buildings, and certain proposals to this end are contained in

the Report of the Working Party on Slum Clearance\* which was tabled in this Council in July. These matters are very complex and the report is still being studied.

The Department's activities continued at a high level, with expenditure totalling about \$514 million in 1966. Of this, \$123 million was spent on resettlement and low-cost housing.

We have been fortunate in maintaining a 24-hour supply of water during 1966, and I hope that the present restrictions will not last too long. With the closure of the Plover Cove dam, the prospects are brighter. If no unforeseen difficulties arise, and if there is sufficient rain this coming summer, it should be possible to start drawing water from Plover Cove during the coming winter.

Last year, I said that there would be an official study of the problems of local administration in Hong Kong, with a view to producing coherent proposals for further study and debate. A working party which I appointed for this purpose has now reported and its report has already been published. As I said last year, there is no room for mistakes in these matters, and the value of this report is that it contains practical proposals which give a very useful basis for further consideration. All the views we receive on this subject will now be most carefully studied before any concrete proposals are put up for further criticism and study by a body suitably constituted for the purpose. Thereafter, of course, it will fall to this Council to consider the final proposals, not only in general terms, but in relation to the legislation which will eventually have to be produced. This is a long, slow process I fear, but, as I have often said, this is a matter on which we must hasten slowly. But we have come a long step forward with the Working Party's thoughtful and useful report; and I hope from now on we will be able to make steady progress.

Finally, it goes without saying that the progress and development of Hong Kong requires a capable and efficient Public Service. The Hong Kong Public Service receives its fair share of criticism, and often I think rather more than its fair share. Sometimes this criticism seems to the officers concerned to be tendentious, but no one would wish criticism to cease. It is a spur more than a drag—although it is sometimes that also. But I would willingly compare the standards of the Public Services elsewhere with those of our own Public Service, and I am grateful to the many devoted members of it who shew by their devotion to their duties that they realize that public service is one of the most rewarding and practically useful ways there is for helping one's fellow men. Never lavishly staffed, and faced with expanding needs and changing circumstances, many officers are required to assume heavy burdens of work

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\* 1966 Hansard, page 330.

and responsibility. I believe the Hong Kong Public Service as a whole discharges its obligations well, and that the community owes much to them.

I fear there is much that I have missed in this review which I would have liked to have mentioned, had I the time. But, for the future, 1967 will I am certain see further progress in the development of Hong Kong industry and commerce, from which comes the public revenue needed for the betterment of our social services. As commercial and industrial conditions, and our social services, evolve and improve, so the living standards of our people improve also: and this, after all, is our aim; and why we, in this Council, serve here. However, this aim can only be achieved in conditions of good order and stability, and it is these conditions that we must have if Hong Kong is to prosper. I trust that 1967 will see no disturbance of them.

And now I wish honourable Members every success in the deliberations which are before them.

### **RESOLUTION REGARDING THE DRAFT ESTIMATES OF REVENUE AND EXPENDITURE FOR 1967-68**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the draft Estimates of Revenue and Expenditure for 1967-68 be referred to a Select Committee composed of the Colonial Secretary (Chairman), the Financial Secretary and all the Unofficial Members.

He said:—Sir, this budget is a rather more cheerful one than the last two we have had and I shall be very much briefer than I was on last year's unusually painful occasion.

It is apparent that the economy has redeployed itself with speed and with considerable success after the dislocations caused by over-expansion in the real estate field and by difficulties in some parts of the banking system. It has been purged of some of its previous weaknesses and the excessive strains and stresses in some sectors of the economy have been relaxed; and, while we are unlikely ever to return to the very rapid, perhaps over-rapid, growth rate of the early sixties, we now have a sounder base from which the economy is continuing to expand at a steady and satisfactory rate. Even our gloomier Jeremiahs are beginning to accept, some of them it is true, with reluctance, that we are not in the depths of a depression. The figures I shall be producing to-day show clearly that we are not, indeed, that we have not been for some time; if, may I dare suggest it, if we ever were except in some particular sectors of the economy. I suspect that it is because real estate is such an important and extensive base

of our economy, and real estate was most widely affected by events, that the existence of a severe and widespread depression became almost an article of faith, although there was little real evidence of it in terms of productive economic activity. It became the fashion to headline gloomy news while good news was totally ignored or given a sometimes perversely pessimistic interpretation. I am very glad to see that a more optimistic note is now being struck in the press. In general business confidence appears to have returned; and we have been clearly right to ignore the weight of pessimistic opinion and resist any temptation to cut back our development plans—although, possibly we have been a little more cautious in the last year or so in raising our sights still higher.

I shall go straight to the cheerful figures I have promised. First, I should complete the record of the financial year, 1965-66. The revised estimated deficit in the Colony's general revenue accounts at the time of last year's budget was \$190 million. The final deficit was \$137 million from which must be deducted a \$2 million appreciation of investments. The Development Loan Fund had a deficit of \$14 million, bringing the total deficit in these two accounts to \$149 million, the first deficit since 1959-60, but a much smaller one than appeared likely at one time. This was partly offset, however, by an increase of \$72 million in the transferable surplus of the Exchange Fund.

Now I turn to our experience this year. The original estimate of expenditure was \$1,878 million; this did not take into account the salaries award, estimated to cost \$90 million including arrears, which was then impending and has since been implemented. The original estimate of revenue, taking into account increased taxation, was \$1,784 million; giving an estimated deficit of \$94 million, or \$184 million including the salaries award.

The estimate of revenue has now been revised upwards by \$45 million to \$1,829 million. The biggest single element in this increase is attributable to Salaries and Profits Tax, even discounting the effect of the increase in the standard rate. This is particularly gratifying as this year's tax relates generally to earnings in the year 1965-66 when the economy was thought to be in a state of depression. There is, it is true, in this year's revenue a rather more substantial carry-over of arrears of tax arising in the previous year. But the yield has, even so, been very satisfactory; and another encouraging sign has been the promptness with which payment of tax has been made this year.

Taxi concessions helped also by bringing in an unbudgeted \$8¾ million; while Rates are now expected to produce \$8 million more than originally estimated.

Apart from these items, there is very little that is remarkable in the revised revenue estimates. Revenue has been coming in very satisfactorily and very steadily all year at or near the estimated levels.

There is one reduced estimate which is perhaps worthy of passing mention; the estimate of water revenue has been reduced from \$75 million to \$61½ million. The original estimate was erroneous in that it did not take adequate account of the increased proportion of apparent consumption which is attributable to leakage, when the mains are charged with water twenty-four hours a day. We had had little experience of this situation for so many years.

These revised estimates show an increase in recurrent revenue over 1965-66, after making adjustments for increased taxation, of approximately 7%. Capital revenue will be roughly the same as in 1965-66, with revenue from Land Sales virtually the same at \$74½ million.

While, as I have said, there is little remarkable in the revised revenue figures, those for expenditure have a number of unexpected features.

The first of these relates to salaries. The original departmental estimates of personal emoluments were made up on the basis of the Salaries Commission's 12½% interim salary award and excluded any provision for the additional final award which the Commission had recommended. Excluding subvented organizations, this award was calculated to cost some \$39 million in arrears of salary in respect of 1965-66 and \$29 million in increased salaries in 1966-67. In spite of this, it looks at present as if (excluding arrears up to 30th June 1966, which were paid from a special vote) all departments but one will find it possible to pay the increased salaries out of the money provided in their original budgets, without recourse to supplementary provision. I recall that, when I presented the estimates last year, I explained the rather large increase of \$54 million in the personal emoluments estimates (excluding \$24 million for new posts) as being due to the "creep" in costs arising from such features as incremental salary scales. It now appears clear that there was also an element of over-estimating. Although this was due very largely, I believe, to uncertainties caused by impending decisions on the Salaries Commission, we are going to have a close look at the methods employed in calculating estimates of Personal Emoluments to try to achieve more accurate figures.

The second major point about expenditure relates to Public Works Non-Recurrent. The total revised estimate for the four heads involved is only \$497 million compared with the original estimate of \$593 million. This compares with the \$587 million actually spent in 1965-66. This sharp fall is due to a number of causes, for most of which my honourable Friend the Director of Public Works cannot be held responsible in any way. But it is, of course, still a very substantial sum, which has not been exceeded in any year but the record one of 1965-66.

First of all, for reasons partly connected with the agreement on defence costs, spending on the Whitfield scheme will fall short of the estimate by \$12½ million; although this is offset to the extent of \$9 million by increased expenditure under the Services Building Programme in the Miscellaneous Defence Measures head.

In the case of Buildings, where under-expenditure is now estimated at \$47.5 million, this is partly due to over-optimistic estimating; but \$8 million of the saving results from postponement of certain major works such as Police Headquarters, Stage III (which it is hoped, for the time being at least, to house in surplus existing buildings) while the financial difficulties of a few contractors working on large projects were also a material factor.

Civil Engineering is now estimated at \$18 million under the original estimate. This sub-department was particularly hard hit by the June rainstorms because it was necessary to withdraw staff from certain new projects to set up a team to undertake emergency, as well as permanent, repairs. But the under-spending here was partly offset by the additional cost of repairs and maintenance arising from the rainstorms. Late delivery of plant for the Kowloon incinerator was responsible for under-expenditure of \$5 million.

Waterworks are now put at \$15 million under the original estimate. Work on Plover Cove is going well but has not quite been as fast as hoped; while waterworks in general were affected by the June rainstorms.

I should say at this point that this year we instituted a further check on Public Works at the tender stage. Previously once a project had been upgraded to Category A for preparation of working drawings it proceeded on to tender and construction automatically. We felt that, in the rather more uncertain conditions of the last year or so, and in the light of the prevailing high interest rates, it was desirable to have one last look at a project before going to tender to see whether conditions had changed since its upgrading to Category A (which might have been quite a long time ago) so that it was desirable to defer, or possibly consider cancelling, it. The direct effect of this last minute check has been comparatively small in financial terms but it has caused some delays. I do not think we can altogether dispense with the check but I have agreed with my honourable Friend the Director of Public Works a modified arrangement which will, I hope, reduce to a minimum these side-effects. I may add that the procedure has been at no time applied to Resettlement or Low-Cost Housing.

The effect of all this is that the revised estimate of expenditure this year is \$1,846 million compared with the original estimate of \$1,878 million plus \$90 million for salary awards; that is, a shortfall of \$122 million.

The revised deficit on general revenue account is therefore no more than \$17 million instead of the original \$194 million. Honourable Members will not be surprised if I suggest that this is likely to have turned into a small surplus when final accounts are struck; the latest returns of revenue and expenditure certainly suggest this, but March is always a bad month. There was a deficit of \$65 million in March last year.

Expenditure from the Development Loan Fund has also been slow this year, particularly in the field of housing, and the original estimated deficit of \$18½ million has turned into one of only \$6½ million. Because of this, it has not been necessary yet to make the proposed transfer of funds to the Development Loan Fund from the surplus of the Exchange Fund.

In the Exchange Fund itself disposable surplus funds increased by \$114 million during the calendar year 1966, to reach a total of \$426 million at 31st December 1966. This very large increase, which is to be compared with \$72 million in 1965, reflects both the growth of our currency and the high interests rates prevalent in Britain during the year.

The effect of all these transactions will be that we should enter the next financial year with reserves composed of a General Revenue Balance of \$670 million, a Revenue Equalization Fund of \$138 million, a Development Loan Fund of \$31 million and an Exchange Fund surplus of \$426 million; giving total reserves of \$1,265 million. This is a stronger position than we could reasonably have expected a year ago.

Before I go on to next year's estimates I should like to say something about these reserves, although much of what I shall say to-day I have said before. Reserves are of little use unless they are in reasonably liquid form so that they may be readily drawn on when required. The importance of liquidity is evidenced by the fact that we include a special "Statement of Liquidity of Surplus Balances" in the printed Estimates. It is on page 10 of next year's Estimates. For this reason a substantial proportion of these reserves must be kept abroad; for there is no reasonably liquid form in which sums of this magnitude can be kept in Hong Kong. We do keep a fair pro-portion of them here as deposits in the banks but, while there is no problem in normal circumstances in drawing these down when required at a steady rate, a potentially difficult position could arise were we to deposit very large sums in the banks for them to lend from in the normal course, and we were then to find it necessary for some reason to run them down very rapidly. A nasty credit squeeze could result, probably in circumstances of depression where it was particularly undesirable to have one; and, where it was particularly desirable to maintain public expenditure. And, of course, if we kept the balances with the banks here and the banks did

not lend from them, all that would mean would be that the banks would be holding those same overseas funds that Government is holding now. For bank reserves are nearly all held abroad too.

It is normal for countries, independent as well as dependent, to keep a part of their reserves in foreign currency and one of the two main reserve currencies is sterling, the form in which we keep ours. This is not because we are a British colony but because we are members of the sterling area and our currency is linked in practice to sterling. Independent countries such as Singapore and Malaysia follow exactly the same policies as we do in this respect.

I have even heard it alleged that as a Colony we are compelled to hand over our surpluses and reserves to Britain, as if it were some form of tribute. This is very far from the truth. We certainly do not let Britain have our money for nothing. It is all earning interest for us, and we have recently been enjoying the very high rates of interest prevailing in Britain. I estimate that, during the present financial year, our official reserves including the Exchange Fund will have earned us the very large sum of \$137 million in interest from Britain—and free of tax, too. This is one of the costs to Britain of being a reserve currency. The interest so earned is, of course, all taken into account in the figures I am presenting to this Council.

I may add finally that we have not in fact remitted any funds to Britain since 1959; but we *have* left there all interest received on the existing reserves and, as this interest has exceeded our expenditure in Britain on stores, equipment and so on, our balances there have continued to grow. I had thought, when this year's budget was being prepared, that we would have to draw on them this year but it has not been necessary in the event. There is nothing whatsoever to prevent us from doing so whenever we do find it necessary.

It is time now to turn to the coming year. The printed Draft Estimates have been in the hands of honourable Members since Wednesday of last week. While I must congratulate Mr Mervyn THOMAS and his staff again on the efficiency with which these have been put together, the task has perhaps not been quite as difficult as last year's exceptionally difficult one, for there is much less that is provisional this year; their compilation has therefore been rather more straightforward, as will appear from what I have to say.

Revenue next year is estimated at \$1,897 million which is \$68 million or 3.7% more than this year; in terms of recurrent revenue only, it is 3.84% more.

The biggest element in the increase is in Rates. This may surprise some people as we have had the complete revaluation of property assessments I spoke of last year and it has been carried out at a time

when there has been a noticeable, although not serious, decline in rents, in some areas and for some types of property at least.

The new valuation lists come into force on 1st April. They cover approximately 180,000 tenements and the valuation of some 90,000 of these, or one half, has in fact been reduced and their occupiers will pay less in rates next year than this. The overall valuation of existing tenements has fallen by 4.7% but this total figure conceals considerable variations in individual cases. In some areas and for particular classes of tenements rents have actually increased in the face of the general decline and this is reflected in some increased valuations.

But this reduction in the total rateable value of already rated property is very much more than offset by the new property now coming on to the valuation roll on first assessment. I said last year, when commenting on the real estate situation, that the difficulties had been caused by temporary over-supply, not by any decline in demand or in people's ability to pay. This will be borne out very clearly by the figures of occupation and vacancy of new premises which the Commissioner of Rating and Valuation will be publishing very soon and which Your Excellency has already referred to. The total of new premises first occupied in 1966, excluding state-aided housing, was roughly 27,237, which is really a most remarkable figure; the previous record figure for a year was 26,725 in 1964 at the height of the building boom. If we are not careful, indeed, we may find ourselves facing a housing shortage again in two years or so, perhaps even earlier for certain types. Because of this vast increase in new occupations and the Department's pre-occupation this year with revaluation, there is a very substantial backlog of premises awaiting first valuation. We therefore forecast a net increase of \$27 million in the yield from rates, that is, from this year's revised figure of \$251 million to \$278 million next year, an increase of just over 10%.

The estimate for Earnings and Profits Tax is \$452 million, or only \$7 million more than this year's revised estimate. Although one must take into account, when making a comparison, the existence of a substantial backlog this year from 1965-66, I think this may prove to be an underestimate. Business has been generally better this year than in 1965-66—or rather businessmen are prepared to admit that things have been better than they were prepared to admit that they were in 1965-66; while increased civil service salaries generate quite a bit of additional salaries tax, as many of my colleagues have let me know.

Last year my honourable Friend, Mr Wilfred WONG, spoke of the need to increase the yield of Earnings and Profits Tax by prevention of evasion. We have since then recruited an experienced investigation officer whose task will be to set up an effective investigation section and train staff to operate it. There may also be a need for rather

wider powers of investigation than exist at present and this particular question has been put to the Committee which is engaged in reviewing the Inland Revenue Ordinance. I might take this opportunity also to mention the fact that the Commissioner always stands ready to accept a voluntary disclosure of past under-declaration of taxable income, the only penalty being the charging of interest for the delay in payment.

For duties, an increase of \$14 million from \$315 million to \$329 million is forecast. This is a 4½% increase and should be attained, although, because of drawbacks of duty for the export trade, tobacco revenue remains very difficult to estimate with any accuracy over a short period.

There is a new item of revenue in respect of the ½ per mil levy on import and export declarations which was imposed in October last year. It seems to be working well, although there have been a number of fairly minor difficulties; and there is still some uneasiness, I understand, although wholly unjustified uneasiness, that this is the top of a slippery slope leading to a full customs tariff. Such a development is wholly inconceivable to me and my colleagues. It would go against our whole economic philosophy and practice. The levy itself does not conflict with these, because it is levied over the whole range of imports and exports (except imports of food) at a very low rate indeed, in order to pay for promotional services which the business world wants but for which it cannot organize the finance itself. The estimated yield is \$8½ million and, except to the extent of the \$1 per declaration for statistical services, this will go to meet the costs of the Trade Development Council, which is already making its mark both here and abroad. There is a new subhead of Expenditure for the Council under the Miscellaneous Subventions head; it amounts to \$12.6 million.

Land Sales have been put at \$75 million which is approximately the same as the revised figure this year. Much of this revenue is already assured from premia being paid by instalments and, even if auction sales are likely to continue at a relatively slow pace, substantial amounts are realized from sale by private treaty to utilities, housing organizations etc.

Revenue from Resettlement and Low-Cost Housing rents continues to grow fast and next year's estimate for these is \$59.6 million or \$11 million more than this year's revised figure. As I said when discussing public borrowing last year, one of the great strengths of our financial position is that the public domain now includes a very substantial and growing stock of assets which are both debt-free and revenue-producing.

The Expenditure estimates require, perhaps, rather more explanation than the Revenue ones. Their main feature is that, except to

some extent in staff matters, I have not had to propose to Heads of Departments any significant cut in the funds they have requested to enable them to carry out their functions and their approved policies and programmes of expansion. We have, as is normal, made some adjustments to their figures but in most cases for purely technical reasons of estimating, in an attempt to make the estimates as realistic as possible.

On staff, we have had once again the invaluable assistance of the Establishment Sub-Committee of Finance Committee, which has scrutinized all proposals for increases in establishments and whose report lies on the table to-day. Even if we are doing financially rather better than we expected, we still have to keep a very close watch on the growth of the civil service because this represents a permanent commitment on the public purse. Here I am particularly grateful to Heads of Departments for their restraint. I am particularly conscious, too, of the efforts being made to make more productive use of existing staff, especially in the manual grades which can no longer be regarded as cheap. This applies in particular to the Urban Services and Public Works Departments.

The total increase in staff recommended by the Establishment Sub-committee, during the course of this year and in connexion with the estimates, is 2,334 posts or 3.3%. These are very similar to last year's figures. Again a high proportion of this went for the expansion of the Police Force which has now almost reached the end of its present phase of rapid expansion. The total direct cost of the Civil Service, this is, excluding pensions, quarters, and so on, is estimated at \$649 million compared with this year's revised estimate of \$578 million; but because of the dislocations caused by salary awards it is difficult to make a direct comparison. I suspect however that next year's estimates for staff costs will be under-spent in the event. I spoke earlier of the need to devise some means of putting the estimating of Personal Emoluments on a substantially more accurate basis. One of the uncertainties will always be the time taken to recruit staff.

The Defence Contribution was a subject of public controversy during the year. The final agreement reached, which is of course conditional on this Council voting the necessary funds, has had no substantial effect on next year's estimates as the total amount involved is approximately the same as in the two previous years; although there has been a considerable switch from capital to recurrent payments. It has certainly not affected the proposed level of our other spending next year. The sums involved in the agreement are to be found in Head 35, Defence—Miscellaneous Measures, with the exception of the final instalment of \$4 million under the Naval Lands Settlement which remains in Head 68—Public Works Non-Recurrent: Headquarters.

What little remains of the much reduced Whitfield scheme has been transferred from the latter to the former.

There is one matter, however, where these defence estimates are incomplete. Part of the defence costs agreement calls for the Public Works Department to take over the maintenance of certain Service property, at an estimated annual cost of \$7.6 million. A provisional agreement has been reached with the Ministry of Public Building and Works on the general procedure for take-over but it has not been possible yet to reduce this to formal estimates, particularly as the extra staff required by the Public Works Department has not yet been determined. A provisional sum of \$5 million has been put in Head 35 but it will be necessary at a later date to provide additional staff for the Public Works Department and possibly to amend this figure. There is a further complication in that the Public Works Department will also be maintaining, on a repayment basis, certain Service properties which are not Hong Kong's financial responsibility. I am sorry that it has not been possible to reflect all this accurately in the Estimates but we shall be putting the provisional agreement reached with the Ministry before Finance Committee next week.

I should like to take this opportunity to stress once again that none of the funds provided as a Defence Contribution leave Hong Kong. They are all spent in Hong Kong by the Services. Indeed, all the Services taken together are at present spending a great deal more in Hong Kong than we are contributing and in terms of our National Income we are not, I believe, incurring any direct net financial loss at present on this score; although we are possibly not making much profit. Can we reasonably claim the right to make one from our own defence?

Furthermore the \$9.6 million a year to be spent on capital defence works will create assets which will belong to us and are of potential future value.

The cost of Education under the new policy continues to rise fast, particularly in the field of primary education, where the estimates provide for 42,000 more subsidized places next year. There has been a change in the presentation of the Education estimates. All educational subventions, except universities after 30th June, have been transferred from the separate Education Subventions head, which has been deleted, and included under the Education Department head, in a form which will make it easier to analyse educational costs in future—although it does make comparison with the immediate past a little more complicated.

Next year there is a completely new and separate head to deal with the Universities; it is head 78. This includes the operating cost of the

University Grants Committee as well as the actual grants to the universities. The estimates will not in future show the distribution of these grants between the two universities, that being a function of the Committee. Next year's recurrent grant total of \$34 million under this Head represents three quarters of the total sum to be distributed by the Committee in the first year of the first triennial period for which the Committee is to be responsible, academic financial years not coinciding unfortunately with official financial years. In addition a sum of \$8.5 million is shown under the Education Head and represents roughly one quarter of the subsidy already promised the universities for the remainder of this academic year. It was only in 1954 that my predecessor announced a proposal to increase the University's recurrent subvention from \$1½ million to \$4 million. As Your Excellency has already said the total amount agreed for the whole triennium starting next year is the very substantial sum of \$146.7 million.

The sum of \$5 million for capital grants to the universities is a provisional one; application will be made to Finance Committee separately for the release of funds for each specific project.

The estimate for Social Welfare Subventions, based on the recommendations of the Social Welfare Advisory Committee, is increased by \$1 million, or nearly 15%, to a total of \$8 million.

I have already mentioned the new provision for the Trade Development Council. I should also draw attention to the substantially increased provision proposed for the Tourist Association under Head 76—\$5,250,000 against \$4,650,000 this year. This is made possible by the excellent yield from the new Hotels Tax introduced in July last year. In the revenue estimates this is put at \$1,600,000 next year but this figure was based on returns for the July/September quarter of last year, which is the off-season. Returns for the October/December suggest that revenue next year should be nearer \$2 million. I understand that this tax, to which so much objection was taken when it was proposed, has so far produced only one visitor's complaint to the Tourist Association.

The total increase in estimated recurrent expenditure compared with this year's revised estimates is therefore \$157 million or approximately 13%.

I now turn to Public Works Non-Recurrent. The estimate for this is \$460 million compared with a revised figure of \$497 million this year. **If** one excludes defence expenditure, the figures are \$456 million next year and \$477 million this year.

I have already explained how the fall from high levels of the previous year came about this year. Next year will still feel the effects

of the postponement this year of a number of major schemes, as it has not been possible for the architects and engineers to bring forward substitute schemes to the tender stage in time to generate expenditure next year. The effect of this is estimated to be \$10 million.

Because of difficulties over site formation Resettlement has not gone forward quite as fast as earlier expected but here, in particular, (although this applies in other fields of expenditure also) the effect of a fall in tender prices, previously inflated by the building boom, is striking. It is estimated that this factor alone will save \$7½ million on Resettlement in 1967-68.

In the case of civil engineering there is a reduction of \$15.8 million compared with the original estimate for this year, although this represents an increase of \$2.2 million over this year's revised estimate and on roads and bridges taken alone there is an increase of \$1.275 million. The June rainstorms are still having an effect on expenditure in the civil engineering field but the major factor in this reduction is the tapering off of expenditure on Kwai Ghung Development and on Incinerators. It was earlier expected that the running down of Kwai Chung expenditure would be offset by an increasing momentum of expenditure at Castle Peak. But the by-census returns and the general real estate situation has led to some deferment or curtailment of new development schemes; and at Castle Peak, in particular, to a cutting down of the first stage of development from \$200 million to \$50 million.

Waterworks show a reduction of \$46 million on the original 1966-67 estimate or \$31 million on the revised estimate. This results almost wholly from the running down of expenditure on the Plover Cove scheme. While the development of the distribution system will continue to cost substantial sums each year (although, here too, slower land development will have an effect), it is unlikely that we will have to embark on a new storage scheme of major dimensions for a number of years.

These explanations throw up one general point I would like to make, although only in an inconclusive way at present. The by-census returns appear to imply a future population well below that on which existing plans of development, both physical and in the social services, are based. We must await the new population projections before reaching firm conclusions, but it seems clear that all development plans will require radical revision—with just what effects, financial and other, I hesitate to forecast at this stage.

The total of estimated expenditure next year is \$1,920 million, leaving an estimated deficit of \$23 million, only \$6 million more than this year's revised deficit. This is one of the smallest deficits which has been estimated in any post-war budget. Its smallness is, of course,

due very largely to the fall in Public Works Non-Recurrent of \$93 million compared with 1965-66.

Honourable Members will perhaps have noted that the estimate of recurrent expenditure is up by 13% but that of recurrent revenue by 3.7% only. In this connexion I have often pointed out that we have substantial concealed financial strength in the surplus of recurrent revenue we enjoy over current expenditure. This surplus is estimated next year to be \$413<sup>1</sup>/<sub>2</sub> million, which is considerably lower, certainly, than this year's revised estimate of \$505 million and 1965-66's actual surplus of \$482<sup>1</sup>/<sub>2</sub> million; but it is still very substantial.

It is estimated that next year the Development Loan Fund will have revenue of \$38 million and expenditure of \$74<sup>1</sup>/<sub>2</sub> million giving a deficit of \$36<sup>1</sup>/<sub>2</sub> million; making a total deficit of \$59<sup>1</sup>/<sub>2</sub> million on these two main public accounts. If the estimated deficit in the Development Loan Fund eventuates, it will be necessary to top up the Fund by transfer from the surplus in the Exchange Fund. The printed Estimates show the transfer of \$20 million for this purpose.

Against the total estimated deficit of \$59<sup>1</sup>/<sub>2</sub> million must be set, however, an addition during 1967 to the disposable surplus of the Exchange Fund which is likely to be of the order of \$80 million, but possibly more.

I hope it will not be thought that these more cheerful forecasts are a sign that we can now throw all financial caution to the wind and have a spending spree. This is not so, I fear. There still remains a substantial gap in our public services in many fields which we must fill, and it is as important as ever that this should be done with all due economy. We have once again done the exercise known as the Five Year Forecast of Revenue and Expenditure, this time for the years 1966-67 to 1970-71. This exercise, which is based on existing plans of expansion and development, suggests a total deficit of \$661 million over the five years, against total reserves of \$1,175 million at the beginning of the period. It is estimated that recurrent expenditure will rise from its estimated level of \$1,362 million next year to \$1,671 million four years later in 1970-71 and that there will be a roughly matching increase in recurrent revenue at present tax rates. The previous exercise, for a five year period one year earlier, produced a total deficit of \$1,592 million; but since then we have had an increase in taxes which should produce an additional \$500 million during the five year period." The remaining \$430 million of difference represents approximately a forecast reduction in capital spending which may or may not eventuate. Against this small improvement in the forecast of our financial prospects, we must set certain possible fields of high expenditure which we have not taken into account in this exercise. I refer in particular to the proposed Container Port costing almost \$200 million (which to a layman, if I may

venture to say so, looks rather lavish and, perhaps, premature) and, more particularly, to a possible new public transport system, the estimates of cost for which are so terrifying that I will not spoil today's, I hope, not unhappy occasion by mentioning them. And, of course, while the forecast increase in expenditure is for the most part inevitable, we have no guarantee of the forecast increase in revenue.

Honourable Members are aware that a World Bank Survey Mission visited us in November last year. I understand that the Mission's Report is nearly ready but I am unable to hazard any guess as to the recommendations it may contain.

I imagine that honourable Members will by now have concluded that I will not feel myself under any compulsion to propose an increase in taxation next year. Indeed, I feel that, the dangerous corner of large deficits having been turned for the time being, we can afford to consider whether there are any minor taxes or impositions, which are in some degree inequitable or irritating or particularly difficult or expensive to collect, which we should reduce or do away with altogether. I suppose everyone will have his own idea of what taxes can be so characterized. I have three proposals to make.

The first of these concerns broadcast receiving licences. It has been evident for a long time that many unlicensed radios are in use and this problem has been seriously aggravated by the advent of cheap transistor radios. The Postmaster General has made great efforts to enforce the law and has recently achieved a substantial increase in revenue. But, while the fee cannot quite be described as a voluntary one, enforcement remains extremely difficult and we have been giving consideration to other means of licensing, such as, for example, a once for all charge on the purchase of a radio.

One of the popular arguments against the annual \$20 licence fee is that it is out of proportion to the present day cost of a radio receiver. This argument, while understandable, is in fact ill-conceived because basically the licence fee is imposed to meet the expenses of Radio Hong Kong, although at present levels of collection it fails to do so by a substantial margin; and we have never been able to put Radio Hong Kong on a self-supporting basis. I think there was probably some idea, too, many years ago, that radios were potentially dangerous things and that tabs had to be kept on people who had them. This second reason is certainly not relevant now, if it ever was, but the first is also, I think, out-of-date, the more particularly with the advent of Commercial Radio; the fee is, now, at least partly in the nature of a tax.

If the function of Radio Hong Kong were merely to entertain, we should clearly abandon it as a Government institution. Its basic function, however, is to inform, to educate and to act as a bridge between

Government and the people; but entertainment, too, is necessary as a balancing ingredient, which helps to draw and hold the listener.

In these circumstances, it seems to us that a radical solution to the problem is desirable and that the best solution is to abandon radio licensing completely. There are clearly grounds for holding that the programmes of Government's own broadcasting organization should be made available, as a public service, free to those listeners who choose it, and its cost met instead from general taxation. The cost of doing so in terms of revenue (including loss of Rediffusion licence fees which would automatically go with it) is about \$4¼ million a year. This should be a popular measure because, for the poor, a saving of \$20 is a worthwhile saving; while those who can afford the fee without difficulty will be saved the rather irritating business of keeping their licences up-to-date.

The statutory position is that, while the Governor in Council is the authority for determining the amount of licence fees, the requirement to have a licence derives from the Telecommunications Ordinance and this requirement can be abolished only by means of an amending Bill. In order, therefore, to implement this proposal at once and avoid an awkward hiatus, the Governor in Council has made an order reducing the licence fee to nil as from midnight last night. An actual licence will very strictly speaking still be required until an amending Bill is passed (that is—if this Council agrees to pass one); but the public may be assured that no action will be taken to enforce this requirement from to-day.

One further minor point—it is not the intention to make any proportional refund of licence fees already paid in respect of unexpired licences, except any fees which may have been collected to-day.

It is also not our intention, at present at least, to abandon television licence fee's, although we may consider this later when we see how wireless television goes. For the present it is appropriate to regard television as a luxury which can quite properly bear a tax.

My second proposal relates to the stamp duty of 2% on conveyances of property. It has been represented from time to time, and more particularly recently, that this duty should be wholly removed to encourage the real estate market. I do not think we can contemplate going quite as far as that; it is estimated to bring in about \$26 million a year. But I do think that there may be a good case, specifically in the interests of encouraging home-ownership, to give a measure of relief from this duty for the cheaper kind of flat to which the ordinary citizen can aspire. This was done in Britain some years ago. I am proposing therefore that properties under \$20,000 should be free of duty and that the duty be halved from 2% to 1% for properties of \$20,000

or over but under \$40,000. Of the 30,000 or so new tenements and flats for which the Building Authority issued occupation permits in 1966, 9% were in the under \$20,000 price bracket and as many as 60% were in the \$20,000 to \$40,000 bracket. This concession is estimated to cost the revenue \$5 million a year at the present time.

There is one danger however about this proposal, that is, that attempts may be made to split up single transactions into numerous small ones, in an attempt to evade tax. There is a provision in the British law designed to try to prevent this and we shall ourselves have to give the Collector of Stamp Duty fairly wide powers to foil such attempts. Should evasion by such devices become widespread the whole scheme would be jeopardized.

It may be asked why I do not 'also propose to abolish, for these categories, the 3% excess stamp duty on a first post-war conveyance. The reason is that, whoever may in practice pay the sum of money over to the Collector, the real incidence of the 3% duty is not on the buyer but on the original Crown lessee who is selling. Unlike the ordinary duty which is of general application, it applies only to certain properties and not to others; and, clearly, if there are two identical properties, one of which is liable to the duty and (the other not, then the one which is liable will sell at a lower price, excluding duty, than the other. House-buyers should watch this point and never contract to buy without finding out first exactly what stamp duty they are being asked to pay.

I have been considering, quite apart from this, the future of the 3% excess duty itself. It has some unsatisfactory features, particularly when real estate values are not rising; although it does bring in about \$10 million a year. But the problem this presents is not a simple one and I intend to give it more study to determine what modifications, if any, are justified and we can afford.

I should add that the draft Bill to amend generally the Stamp Duty Ordinance which has been in preparation some time is nearly ready but is being held up by some difficult technical problems about Bills of exchange which we have been discussing with the Exchange Banks Association. I have hopes that they may be solved soon; but the solution may involve a further reduction in revenues.

The third measure relates to Estate Duty, which it has been represented, discourages the inflow and encourages the outflow of capital; and in any case, it is said, can be easily avoided by those who wish to do so. I do not accept these arguments altogether and certainly do not think that we can afford to give up completely the \$20 million or so a year that the tax yields at present. I also think it is an essentially fair tax when considered in the light of our system of direct taxation, its non-progressive structure, the absence of a capital gains

tax and so on. I do agree, however, that in relation to our 15% standard rate of tax on Earnings and Profits the 40% top rate of Estate Duty is excessive and may possibly have some of the effects alleged. Ideally, I think, we should aim for a situation where the top rate for Estate Duty is the same as the standard rate of Salaries and Profits Tax (at least while we have no full income tax system). But this would be too expensive a single step to-day and I am therefore proposing to reduce the top rate from its present level of 40% (which is reached on estates of over \$15 million) to 25% (which is the level reached on estates of just over \$4 million). The loss of revenue is particularly difficult to estimate because one very large estate can hardly make a very big difference to a single year; but a reasonable estimate would be about \$2 million a year. This proposal may be criticized as relief for the rich or rather for the heirs of the rich but its real justification is economic, not social, just the opposite in fact of my proposal on Stamp Duty which is made for social rather than economic reasons.

I have one further minor proposal which is of some small financial benefit to taxpayers. The rate of interest on Tax Reserve Certificates (our substitute for Pay As You Earn), is at present 3.6% tax free, which equals about 4¼% before tax at the standard rate. Although these certificates have features which make comparison with other interest rates rather difficult, it does seem that the rate is out of line with interest rates in general. I have therefore suggested to Your Excellency, who is the authority for determining the interest rate, that it should be reduced to 4.2% tax free, which equals just under 5% before tax at the standard rate; and Your Excellency has concurred with my suggestion. The new rate will apply from 1st April both the new Certificates purchased on or after that date and to any held at that date. The actual level of interest rate proposed takes into account the possibility that next year may see some downward pressure on interest rates generally.

The combined effect of all these proposals, if adopted, would be to reduce estimated revenue and, therefore, to increase the estimated deficit, by \$11 million, thereby giving a revised deficit of \$34 million on general revenue account.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

HIS EXCELLENCY THE GOVERNOR:—I now suspend the sitting of Council until fifteen minutes past four.

\* \* \* \* \*

Council resumed at 4.15 p.m.

HIS EXCELLENCY THE GOVERNOR:—Council will now resume.

**PUBLIC HEALTH AND URBAN SERVICES ORDINANCE**

MR G. M. TINGLE moved the following resolution:—

Resolved, pursuant to section 144 of the Public Health and Urban Services Ordinance, that the Offensive Trades (Amendment) By-laws 1967, made by the Urban Council on the 7th day of February 1967 under section 49 of that Ordinance, be approved.

He said:—Your Excellency, the purpose of the Offensive Trades (Amendment) By-laws 1967, which were made by the Urban Council on the 7th February 1967, and which are now before honourable Members for approval, is to alter the categories of offensive trades which may be carried on only in an area designated by the Council. The effect is to increase the number of categories from four to seven. The new categories are: the manufacture of manure; fell-mongery, that is, dealing in animal skins; and the cleaning of hair (with reference to the bleaching of human hair in wig-making).

At the same time the opportunity has been taken to revise existing categories by adding new trades and deleting others.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

**AUXILIARY FORCES PAY AND ALLOWANCES BILL 1967**

THE COLONIAL SECRETARY moved the First reading of:—“A Bill to consolidate and amend various provisions relating to the pay and pensions of members of the auxiliary forces and to provide a pay code and allowances for such members.”

He said: —Sir, as its title indicates, this Bill is designed to provide a new and comprehensive pay code for members of the volunteer auxiliary forces, that is to say, the Royal Hong Kong Defence Force, the Auxiliary Police Force, the Auxiliary Fire Service, the Civil Aid Services, the Auxiliary Medical Services and the Essential Services Corps.

The need for a revised and up to date pay code has been appreciated ever since compulsory service in the auxiliary forces for British subjects was abolished in 1961 but it has proved a difficult and complicated task. Under the existing pay arrangements, which were introduced with conscription in 1951, the rates of pay for hourly instruction were very low, whereas for daily training the high regular army rates including marriage and overseas allowances were payable.

This gives rise to various anomalies: for example, for a day's training of six hours, a married man receives nearly ten times more than he would for six separate hours of instruction; and three times as much as his single colleague. Pay also varies considerably between the different services.

On call out in any emergency the current British Army pay rates including local overseas allowance and marriage allowance become payable and these rates were in fact paid to all auxiliaries called out during the Kowloon disturbances last April. As the membership of all the auxiliary forces now totals some 23,000, a full call out, even for a limited period, becomes extremely expensive. In order that the best use can be made of these now highly trained auxiliaries it is obviously desirable that more realistic and economical arrangements for call out and call out pay should be devised which are more closely related to local conditions.

The Bill now before Council has its origins in the recommendations made by a committee, under the chairmanship of Mr H. B. NEVE, which presented its report in March 1963. Although some of these recommendations have since been modified in discussion with the service commanders concerned, the Government is deeply grateful to the committee for its detailed examination of this difficult problem and for its very realistic and helpful advice.

The Bill provides in the Schedule a comprehensive pay code which will apply equally to all the seven auxiliary services. It sets out 23 different pay classifications which are related to the different ranks in these services. The daily rate of pay in each grade is eight times the hourly rate of pay and no distinction is made in the rates of pay for routine instruction, training camps, or call out. The rates proposed by the Neve Committee have been increased by 16% to take account of the recent general increase in Government pay scales of that amount. Pay for full day training and for camp will be rather less than at present; on the other hand, the rate for hourly training has been increased. Pay will in future be the same for both married and single men, while women auxiliaries will be graded two steps below their male counterparts. The new code will achieve a uniform and very much simplified pay structure and has been designed to ensure that as far as is reasonably practicable the overall annual "take home" pay of an efficient auxiliary will not be reduced by the introduction of the new rates.

I should like to draw the attention of honourable Members to some of the more important clauses of the Bill. Clause 5 empowers the Governor to assign a pay classification to each rank in each service and to limit the amount of paid training which may be undertaken by

members of each unit. Provision, however, is made for the Commanding Officer of each unit to have a “pool” of extra days and hours for additional special training, ceremonial parades and so on.

Clause 6 read in conjunction with the definition of “limited call out” in clause 2, provides for the payment of individual auxiliaries who may be called out for duty when there is no general mobilization. Hitherto, it has not been possible to call out part of a unit or individual members only; every call out has had to be a full call out of the full unit. It is proposed by amending the relevant Ordinances to remove this difficulty in future and provide for a partial call out in appropriate circumstances.

Clause 8 deals with payment on full call out or mobilization and provides that, if the call out lasts for more than 25 days, auxiliaries will receive a monthly rate of either 25 times their daily pay or the lowest pay of their equivalent ranks in the regular services, whichever is the greater.

Clause 9 provides for payment for training at the rates laid down in the Schedule and clause 10 provides for the payment of ration allowances in certain circumstances.

Clause 12 requires a Government servant to opt for either his Government or his auxiliary service pay if a call out exceeds 25 days, while clause 13 provides that full-time Government staff should not draw volunteer pay for attending training of any auxiliary unit as part of their normal duty.

Clause 15 provides for the payment of an annual bounty to those auxiliaries who undertake a week's camp, have fulfilled their annual training commitment, and are in all respects efficient. Since the Bill will have the effect of moving the start of the training year from 1st October to 1st April, to coincide with the financial year, clause 17 provides for the payment of a half-bounty under the present pay system to those auxiliaries who have fulfilled the present efficiency requirement during the year April 1966 to April 1967.

Sir, I am confident that this Bill, together with the consequential Bills to amend the individual Auxiliary Services Ordinances, which I shall shortly introduce into this Council, will effect a great improvement in the administration of our auxiliary services. The introduction of a common pay code will help to put all volunteers on an equal footing, whatever their service. While it will not reduce the training costs of these services, or the auxiliary's average “take home” pay, it will result in a saving in the costs of a call out in times of emergency. There can, however, be no justification for continuing in local conditions to pay rates which were designed for quite a different purpose and which created an unrealistic differentiation between the married and single

volunteer. Furthermore, by providing for a limited or partial call out, it will be possible to use our auxiliary services more flexibly and efficiently and at the same time economically.

In moving this Bill, Sir, I should like to pay tribute to our volunteer auxiliary services. Their keenness and efficiency has been outstanding. In this past year we have had special reason to be grateful to them for their fine achievements and devotion to duty during the Kowloon disturbances and the rainstorms in June. The whole community is indebted to them and they deserve a fair deal. I believe this Bill represents a fair deal.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

The Bill was read a First time.

#### *Objects and Reasons*

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

This Bill seeks to set up a standard pay structure applicable to all auxiliary forces in accordance with certain of the recommendations contained in the report of the Neve Committee. At present persons in the various auxiliary forces receive payment in one of two ways. Pay for active service is made in accordance with the Pay Code of Her Majesty's forces, whilst pay for instruction and training is made in accordance with the Ordinance or regulations establishing the forces. It is proposed to replace these different provisions by the new standard pay structure.

#### **ESSENTIAL SERVICES CORPS (AMENDMENT) BILL 1967**

THE COLONIAL SECRETARY moved the First reading of:—“A Bill to amend the Essential Services Corps Ordinance”.

He said: —Sir, this Bill makes a number of minor amendments to the Essential Services Corps Ordinance to bring it into line with The Auxiliary Forces Pay and Allowances Bill which has just been read a first time.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

The Bill was read a First time.

*Objects and Reasons*

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

This Bill seeks to make minor amendments to section 7 of the principal Ordinance consequential upon the Auxiliary Forces Pay and Allowances Bill and to repeal section 10 of the principal Ordinance which deals with pay and allowances for members of the Essential Services Corps. The Bill also substitutes references to “active service” for the references in the principal Ordinance to “actual service” (clauses 2 and 3).

**HONG KONG AUXILIARY POLICE FORCE (AMENDMENT)  
BILL 1967**

THE COLONIAL SECRETARY moved the First reading of:—“A Bill to amend the Hong Kong Auxiliary Police Force Ordinance.”

He said:—Sir, the principal object of this Bill is to amend the principal Ordinance so as to bring it into line with the provisions of The Auxiliary Forces Pay and Allowances Bill, which I introduced earlier today.

Further amendments are made to clarify the Commissioner of Police's powers to call out all or any part of the Force to assist the Regular Force in the maintenance of law and order.

The opportunity has also been taken to make certain other unrelated changes in the Ordinance which are explained fully in the Objects and Reasons.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

The Bill was read a First time.

*Objects and Reasons*

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

This Bill seeks to make minor amendments to sections 2, 20 and 28 of the principal Ordinance consequential upon the Auxiliary Forces Pay and Allowances Bill 1967 (clauses 2, 10 and 11 respectively).

Secondly the Bill seeks to make further provision concerning the calling out of the Force or any member or part thereof under section 16 of the principal Ordinance. Clause 8 of the Bill seeks

to insert into that section of the principal Ordinance two new subsections to provide for the standing down and recall of members who are called out under subsection (1) of that section.

Thirdly it seeks to provide that where police services are hired under section 18 of the principal Ordinance, the Commissioner is empowered to authorize the payment of the proceeds of the hire to those members of the Force who were so employed (clause 9). Clause 4 amends section 6 of the principal Ordinance to authorize the granting of an honorary rank to an auxiliary superintendent or above on resignation as well as retirement from the Force.

The Bill seeks also to make certain other amendments to the principal Ordinance (clauses 3, 5, 6 and 7). Clause 3 empowers the Governor to determine the personnel of the Force. Clause 5 vests the command of the Force in the Commissioner subject to the ultimate control of the Governor. Clause 6 deals with identification of members of the Force, and clause 7 extends the time for appeal from a decision of a Board of Discipline from seven days to fourteen days.

## **ROYAL HONG KONG DEFENCE FORCE (AMENDMENT)**

### **BILL 1967**

THE COLONIAL SECRETARY moved the First reading of:—"A Bill to amend the Royal Hong Kong Defence Force Ordinance."

He said:—the Objects and Reasons set out clearly the purpose of this Bill, a principal aim of which is to remove from the principal ordinance the provisions relating to pay and allowances which are now to be governed by the separate Auxiliary Forces Pay and Allowances Bill, which has just been introduced into this Council.

In moving the first reading of that Bill I referred to the proposal to make provision for a limited or partial call out of individual units of the Defence Force. This is affected by clauses 7 and 8 of the Bill now before Council, particularly the latter clause. These provisions, it is hoped, will lead to a greater flexibility in the employment of the Force and to its more efficient as well as more economic use.

The Bill also deletes all reference to the Hong Kong Royal Naval Reserve and the Hong Kong Women's Naval Reserve, which are to be disbanded with effect from 31st March. Clause 14, however, permits those officers who are on the Retired List on 1st April 1967, to retain their rank and to wear the uniform of that rank within the Commonwealth on State occasions and on such other occasions of ceremony as the Governor may determine.

Sir, those parts of this Bill which deal with the pay and allowances and the arrangements for the call out and training of the Royal Hong Kong Defence Force are to be welcomed and I commend them to honourable Members. The disbandment of the Naval Reserve, however, is another matter. It is a decision taken by the Government with the greatest regret. The two Inshore Minesweepers maintained by the Reserve have reached an age when very high expenditure indeed must be undertaken on major refits in the near future. In view of increased defence expenditure generally and of the limited role these ships can play in the defence and internal security of the Colony, it is believed that this expenditure is not justified. It has not proved possible to arrange for the exchange of these ships, which are on loan from the Royal Navy, for more modern and suitable vessels and, since a Naval Reserve must have ships on which to train, the conclusion has been reluctantly, but inevitably, reached that the Reserve should be disbanded.

The Hong Kong Royal Naval Reserve, with its associated Women's Reserve, has throughout its long and distinguished existence upheld all the traditions of the Royal Hong Kong Defence Force. On behalf of the Government I should like to thank all members of the Reserve, past and present, for their loyal service and to express my regret that this step should have to be taken. I should like to assure honourable Members that every effort is being made to find alternative employment for those members of the permanent staff who seek it.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

The Bill was read a First time.

#### *Objects and Reasons*

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

The Bill has three main objects.

First, it seeks to make amendments to the principal Ordinance consequential upon the Auxiliary Forces Pay and Allowances Bill 1967. Some of the interpretation provisions in section 2 of the principal Ordinance are amended to bring them into line and others which are no longer applicable are deleted (clause 2). The provisions in section 17 of the principal Ordinance relating to pay and allowances are repealed (clause 8).

Secondly, the Bill seeks to authorize Service Commanders to order a limited call out of the whole or any part of their units, with the prior approval of the Governor (clause 8). Special provision is made in the new section 17 for the standing down of

members and for their recall. A similar provision is inserted in section 16 of the principal Ordinance (which relates to a full call out by the Governor) by clause 7 of the Bill.

Thirdly, the Bill seeks to delete all references in the principal Ordinance to the Hong Kong Royal Naval Reserve, the Hong Kong Women's Naval Reserve and the Hong Kong Women's Auxiliary Air Force which are now disbanded.

Clause 14 provides that an officer on the Retired List of the Hong Kong Royal Naval Reserve or the Hong Kong Women's Naval Reserve shall retain the rank that he or she held on retirement for so long as the Governor thinks fit.

## **PROBATE AND ADMINISTRATION (AMENDMENT)**

### **BILL 1967**

THE ATTORNEY GENERAL moved the First reading of:—"A Bill to amend further the Probate and Administration Ordinance."

He said:—the principal object of this Bill, which is dealt with in clause 3, is to provide that, where the estate of a deceased person proves to be insolvent, the funeral testamentary and administration expenses shall have priority over the other liabilities of the estate. At present, such debts enjoy no priority where the estate proves to be insolvent, though they do if the deceased was bankrupt before his death.

In English law, priority is accorded to funeral, testamentary and administration expenses in the case of all estates, and this Bill will put our law in the same position.

The Bill also deals with unrelated matters which are largely of an administrative nature.

Clauses 2 and 5 repeal section 27 of the principal Ordinance and its related Schedule. Section 27 requires returns of estates vested in the Official Administrator to be sent twice a year to the Chief Justice and the Colonial Secretary and for unclaimed balances to be paid to the Accountant General when an estate is closed. Provision for the payment of balances of estate, however, is now provided for in the Unclaimed Balances Ordinance and therefore section 27 is unnecessary.

Clause 4 is concerned with the estates of police and prison officers, for the summary administration of which provision is made in section 62 of the Ordinance. The first amendment, to subsection (1), is intended merely to bring the limit of the ranks above which the section may not be used into line with the present structures of the two forces. The second amendment will enable the Commissioner of Police or the

Commissioner of Prisons instead of the Financial Secretary, in whose hands this power now resides, to sign an order for the payment by the Accountant General of the balance of the estate of a police or prison officer to those entitled.

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:—

Clause 2 of the Bill repeals section 27 of the Probate and Administration Ordinance thus removing the need for half-yearly returns of estates vested in the Official Administrator to be furnished to the Chief Justice and to the Colonial Secretary. The continuance of this practice is no longer necessary in view of the routine checks made by the Director of Audit.

2. Clause 3 of the Bill seeks to bring the provisions of the principal Ordinance relating to priority of debts in the administration of insolvent estates into line with the provisions of the Administration of Estates Act 1925 of the United Kingdom. The effect of this measure will be to remove the anomaly which at present exists between the case of an insolvent estate wound up under the principal Ordinance and that of an insolvent estate wound up under the Bankruptcy Ordinance. In the former case the funeral, testamentary and administration expenses have no priority over other liabilities of the estate whereas in the latter case they have.

3. Clause 4 makes two amendments. The first is consequential upon changes in rank structure of the Hong Kong Police Force and the Prisons Department. The second deletes the role played by the Financial Secretary in the administration of estates of subordinate police and prison officers.

4. Clause 5 is consequential upon the repeal of section 27 of the principal Ordinance.

#### **HOLIDAYS (AMENDMENT) BILL 1967**

THE SECRETARY FOR CHINESE AFFAIRS moved the First reading of:—“A Bill to amend further the Holidays Ordinance.”

He said:—the effects which the proposed amendments will have, if enacted, are set out clearly and at some length in the Objects and Reasons. My remarks will therefore be brief. I shall deal only with the main changes which will come into effect in 1968 if the Bill is passed, and with the main purpose behind the Bill.

Sir, the reason why these changes are put forward is that we believe the new arrangements will conform more closely with actual practice in Hong Kong society, and with popular sentiment, than do the present arrangements. In working out the proposals the need to have a reasonably even spacing of holidays throughout the year has also been borne carefully in mind.

Four new general holidays are proposed; those are days which have for long been celebrated here as important traditional festivals, or popular holiday occasions, and they are as follows:—

The third day of the lunar year, (年初三); the Tuen Ng(端午) or Dragon Boat Festival; and the Ching Ming (清明) and Chung Yeung (重陽) festivals, which are respectively the spring and autumn grave-tending festivals.

By way of compensation it is proposed to delete three days from the present list of general holidays, as follows:—

Whit Monday, the third Monday in October and the day after Remembrance Sunday.

Thus the net effect on the number of holidays will be to increase the total number of week-day general holidays by one, that is from 16 to 17 a year.

In addition, the Bill proposes that the holiday appointed in connexion with the Mid-autumn Festival (中秋) should in future fall on the day after the festival instead of on the day of the festival itself as at present. This is thought desirable because of the nature of the festivities and observances traditionally associated with this occasion. Finally, Sir, the Bill seeks to provide that Liberation Day, which at present falls on the fixed date of 30th August, should instead be the last Monday in August in order to form a long week-end.

Sir, these changes are proposed after consultations with both religious and secular bodies and after extensive investigation into the views of the public at large on these matters. The Bill was published for general information some four weeks ago, and there seems every reason to suppose that the changes it seeks to make will be generally welcomed.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

#### *Objects and Reasons*

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

The object of clause 4 of this Bill is to alter the list of general holidays appointed under section 3 of the Holidays Ordinance so as to include certain days which, although not at present general holidays under section 3, are observed by the general public as important holiday occasions.

2. Ching Ming, Tuen Ng and Chung Yeung are important festivals widely celebrated in Hong Kong. It is proposed to appoint general holidays for these festival days and to cancel the existing general holidays on Whit Monday, the third Monday in October and the day after Remembrance Sunday.

3. Because of the nature of the Mid-Autumn Festival festivities, it is proposed that the general holiday which is now on Mid-Autumn Festival Day shall in future be on the day following. It is also proposed that the third day of the Chinese New Year, which is observed as a holiday by the majority of the Chinese population and business establishments in Hong Kong, shall be a general holiday, thereby adding one more to the total number of general holidays now provided for under section 3.

4. It is further proposed that the Governor should be empowered, by order published in the *Gazette*, to appoint another day to be a general holiday in lieu of the general holiday appointed under the Ordinance for Ching Ming Festival, the day following the Chinese Mid-Autumn Festival Day or Chung Yeung Festival. Finally, clause 4 seeks to provide that, for the celebration of the Liberation Day, the last Monday in August shall be a general holiday in place of the 30th day of August.

5. By virtue of the definition of “general holiday” in section 2 of the principal Ordinance a general holiday is a *dies non juridicus*. It is considered that this statutory restriction on the doing of judicial acts on such days should be removed, and clause 3 of this Bill seeks to amend the definition “general holiday” accordingly. At the same time, the opportunity has been taken to insert a reference to the provisions of section 9 in that definition.

6. It is no longer considered appropriate to prescribe the school holiday on Commonwealth Day by statute. Accordingly

clause 5 of the Bill will repeal section 4 of the Ordinance and clause 2 will amend the Long Title by deleting the reference to school holidays.

7. Section 5 of the Ordinance enables the Governor by regulation to exclude any public office or Government department from the operation of section 3 of the Ordinance. Clause 6 of the Bill seeks to repeal and replace section 5 so as to enable the Chief Justice or the head of a Government department to direct that any court or the Government department shall be open on a general holiday and thus to dispense with the necessity for the Governor to make regulations for this purpose.

8. Clause 7 of the Bill will amend section 7 of the Ordinance so as to provide that the Legislative Council may by resolution appoint days to be general holidays in addition to or in substitution for any day mentioned in section 3. At present this power is vested in the Governor in Council.

### **COMMONWEALTH PREFERENCE (MOTOR VEHICLES) BILL 1967**

THE FINANCIAL SECRETARY moved the Second reading of: —“A Bill to repeal and replace the Commonwealth Preference (Motor Vehicles) Ordinance.”

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 14 were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Commonwealth Preference (Motor Vehicles) Bill 1967 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed.

**MOTOR VEHICLES (FIRST REGISTRATION TAX)  
(AMENDMENT) BILL 1967**

THE FINANCIAL SECRETARY moved the Second reading of: —“A Bill to amend the Motor Vehicles (First Registration Tax) Ordinance.”

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 6 were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Motor Vehicles (First Registration Tax) (Amendment) Bill 1967 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed.

**ADJOURNMENT**

THE COLONIAL SECRETARY moved that the Council be now adjourned.

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 15th March.