

OFFICIAL REPORT OF PROCEEDINGS**Meetings of 29th and 30th 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, OBE, QC
THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS
MR DAVID RONALD HOLMES, CBE, MC, ED
THE HONOURABLE THE FINANCIAL SECRETARY
MR JOHN JAMES COWPERTHWAIT, 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 SZETO WAI
THE HONOURABLE WILFRED WONG SIEN-BING, OBE
THE HONOURABLE ELLEN LI SHU-PUI, OBE
THE HONOURABLE JAMES DICKSON LEACH, OBE
THE HONOURABLE MICHAEL ALEXANDER ROBERT YOUNG-
HERRIES, MC

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS
MR DONALD BARTON

Wednesday, 29th March 1967

MINUTES

The minutes of the meeting of the Council held on 15th/16th March 1967, were confirmed.

OATH

MR M. A. R. YOUNG-HERRIES took the Oath of Allegiance and assumed his seat as a Member of the Council.

HIS EXCELLENCY THE GOVERNOR:—May I welcome Mr HERRIES to this Council.

PAPERS

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REPORT OF THE SELECT COMMITTEE ON THE ESTIMATES FOR 1967-68

HIS EXCELLENCY THE GOVERNOR: —We will now resume the debate on the motion for adoption of the Report of the Select Committee on the Estimates.

MR G. M. TINGLE:—Your Excellency, my honourable Friend Mr Dickson LEACH spoke about the problem of hawkers. I agree with him that this is a matter of universal concern, and I can assure him that it is receiving very serious attention from the Urban Council. During 1966 the Council spent a great deal of time on a long-term plan for hawkers. This is now being examined by the Government departments most directly concerned. The problem is so large and complex that it is going to take a lot of time, and cost a lot of money, to effect improvements. Be it remembered that a large part of the community wants hawkers. If this were not the case they would not buy from them, and hawkers would be off our streets for lack of business inside a week.

All I can do this afternoon is to touch on the points brought up by my honourable Friend. He mentioned the Hawker Control Force. This Force was set up in 1960 in order to relieve the Police of the burden of hawker control work. Unfortunately, the unpopular nature of the work, and the comparatively unattractive conditions of service of the Force, have meant that it has not expanded at the rate which was hoped for. Out of an establishment of 430, only 355 posts have been filled, and recruitment is at present barely keeping up with the loss of staff through resignations and transfers to other departments. As a consequence, omitting from the account some special operations, it can be said that the Force at present only operates regularly in 28 designated hawker areas in Hong Kong and Kowloon. In all other parts of the urban area the Police Force are still compelled by force

of circumstances to exercise control over hawkers. During the financial year 1965-66, the Police brought 71,883 hawking cases before the Courts compared to 18,708 brought by the Hawker Control Force, and this shows clearly the heavy burden which is still being carried by the Police.

I agree that if some of the 6,500 advertised vacancies in industry could be filled by able-bodied hawkers this might well be to the benefit of our economy, though I am afraid that in many cases the jobs offered would, on examination, turn out to be insufficiently well paid to compete with hawking, to be in unsuitable locations, or perhaps requiring skills which hawkers do not possess. Even so, the suggestion would only go part of the way towards solving the hawker problem, and I think other solutions will have to be found.

The provision of technical education for young people would undoubtedly help to divert them away from hawking and into industry. I believe, however, that we must accept the principle that any such training must be provided as a service not for hawkers alone but for the community as a whole.

My honourable Friend has suggested that hawkers could be persuaded to take up industrial jobs by the cancellation of a certain percentage of hawker licences each year. I am afraid such a course would offer difficulties and lead to numerous objections on the ground of hardship.

Many will agree that in the long-term hawking in our streets must be greatly reduced in order to relieve the already serious congestion in them. For that reason I welcome my honourable Friend Mr SZETO Wai's suggestion that we should consider the construction of markets on the ground floors of new multi-storey car parks, and perhaps other buildings designed for community use. It is, in my view, a desirable aim to wish to convert a static hawker in a public street into a rent-paying market stallholder.

I have noted the suggestion that a Working Party of experts in the field of hawking is required to find a long-term answer which will be in the general interests of Hong Kong. As I have said, a plan has already been produced and is under study as to its feasibility. What is needed now therefore, in my view, is not so much a new examination of the problem as provision of the means whereby a solution can be found. This means, amongst other things, that it should be a priority task to concentrate on the strengthening of those organs of the Urban Council which deal with hawkers, in particular the Hawker Control Force and the Hawker Licensing Section of the Urban Services Department, and to provide more and suitable off-street bazaars and markets.

I turn now to my honourable Friend Mr Ross's remarks about recreational facilities for the young. In common with a world-wide trend, there seems to be a growing awareness in Hong Kong that the problems of young people demand close and serious attention. If youthful energy is to be channelled along acceptable and constructive paths, opportunities for leisure and recreation must be provided. I would not claim that we have yet reached an acceptable provision of facilities for play. However, in your address to this Council on 1st March, Your Excellency was able to refer to 'the progress in this direction made by the Urban Council and the Urban Services Department, pointing out that the area of public open space throughout the Colony, which now exceeds 1,000 acres, represents a four-fold increase over a brief eight years. It is significant, I suggest, that the number of children's playgrounds, parks and gardens, which a decade ago could be counted only in their tens, may now be reckoned in their hundreds. And the rate of growth is increasing.

The Colony's beaches have been improved and additional ones prepared for public enjoyment. You, Sir, referred to the opportunities for bathers in our swimming pools. More than a million people each season make use of the two existing pools at Victoria Park and Kowloon Tsai. Those now being planned, for which funds have been set aside, are being designed each to accommodate 5,000 people at a time. The idea of an oceanarium is being studied.

I am conscious of the need to encourage the fullest possible use of existing recreational areas, both in terms of their hours of opening and in the variety of facility provided. Since lighting determines the limits of opening and closing parks and playgrounds, it is encouraging to note that the amount of money included in the Estimates for floodlighting games pitches in the coming year is double the current year's provision. The floodlighting of school playgrounds is a possibility worth examining, but their public use would not be without its problems. A recent experiment proved discouraging by emphasising the need for careful supervision to ensure the security of school property.

In referring to areas of land which are held on lease by private bodies for sport, it is not quite correct to suggest that the wider public is necessarily excluded. The conditions of grant of short-term recreational leases provide for the use of grounds by school children, and many of them are, in fact, heavily patronized by youngsters. Whether this principle should be extended falls within the terms of reference of the Advisory Committee on Private Recreational Leases, which has not yet made known its findings.

Priority must, I think, continue to be given to providing basic *open-air* facilities for recreation in the built-up areas. A real effort is now being made to plan these with imagination, and there is no reason why they should not incorporate covered games areas for

activities such as gymnastics and badminton. It is possible that this trend will lead to the eventual acceptance of the need to provide an indoor stadium.

My honourable Friend the Director of Public Works will be commenting on the problems of finding adequate open space in the built-up areas. In the existing situation I can only invite attention to the efforts which are being made to exploit every available opportunity. This includes the use of roof-tops in resettlement estates, the roofs of markets and other Government buildings, and the use of streets which have been closed to vehicular traffic.

I cannot leave this subject without trying to correct an impression, which may have been given, on the level of public expenditure for recreational facilities. Mr Ross referred to a provision in the estimates, for urban amenities, which amounts to less than \$2½ million. This is correct, but it relates only to expenditure next year under Head 61. A further \$2 million is included under Head 79 for urban amenities, parks and playgrounds. These funds are used for relatively minor projects costing less than \$150,000 each. This sum, incidentally, represents an increase of one-third over the provision made in the current financial year. I might also add that a glance at the total costs of the major recreation projects in the Public Works Programme listed on pages 161, 162 and 163 of the draft Estimates, and reference to recreation works in the planning stage on pages 238 and 239, should give sufficient assurance that expenditure in the next few years is to be at an impressively high level.

The provision of facilities is not the entire story and I am glad that both Mrs LI and Mr Ross have drawn attention to the need for guidance in the development of recreation. The advantage of providing leadership in recreation is acknowledged, but as always there are competing claims on the money and personnel available. I believe that my honourable Friend Mr TODD will have a few words to say on this subject of trained leadership.

My references to progress in the field of recreation do not, I trust, reflect complacency. My staff are moved by a sense of urgency, and I am conscious especially of the need to co-ordinate effort and to plan in a comprehensive way. It seems to me that significant progress has been made in this direction in recent months, for example, by the re-organization of the former Amenities and General Division of the Urban Services Department and by the appointment of a Provisional Council for the Use and Conservation of the Countryside.

With these remarks, Sir, I beg to support the motion.

MR T. D. SORBY:—Your Excellency, Government has been invited to re-examine two matters connected with the Trade Development Council.

My honourable Friend Mr FUNG Hon-chu, supported by Mr Ross, suggested that the Hong Kong Exporters' Association should be officially represented on the Council. My honourable Friend, Mr P. Y. TANG, has proposed substantial modifications in the method of financing the Council's activities. Both these suggestions have one point in common. They envisage changes in the considered views of a representative Committee appointed by Your Excellency which went very closely into what are controversial matters. The recommendations of the Working Committee on Export Promotion Organization were accepted by this Council only after considerable deliberation, and the Legislation enacted in September of last year specifically endorsed the views of the Committee on these two matters, with one modification. I do not think that the reasons my honourable Friends have advanced for overturning the Committee's views justify changes in the legislation six months later. It should surely be tested fully in practice before it is condemned in detail.

The reasoning behind the composition of the Council is set forth in paragraphs 53 and 54 of the Working Committee's report. Out of its fourteen members, seven are experienced, indeed considerable exporters in their own right. Every member has direct knowledge and experience of export promotion techniques and their application. And it must be remembered that a substantial part of the Council's business is concerned as much with what might be called selling Hong Kong as with selling its exports. It is within my personal knowledge that the interests of exporters are constantly in the minds of members of the Trade Development Council, not only of those nominated by the Chamber of Commerce, the Federation of Hong Kong Industries, and the Chinese Manufacturers' Association, but also of the other members appointed by you, Sir.

Inevitably during this formative period the Council, and the Trade Development Office under its capable Executive Director, have been much preoccupied with complex initial housekeeping matters, but they have at the same time been making up their minds on general policy. Not only have they kept a vigorous trade promotion programme going, but, in conjunction with overseas executives gathered together in Hong Kong, they have concerted a carefully thought out programme of activities for the next twelve months and more. In the execution of the Council's policies and activities, there will be a need for assistance by lively and informed committees of various kinds. The Council will, I am sure, welcome the participation by representatives of the Exporters' Association on such Committees.

When this Council resolved last year to introduce the amended Registration of Imports and Exports Regulations,* it was Government's

* 1966 Hansard, pages 376-378.

intention to review the new *ad valorem* duty provisions in 1968. The object of the review would be to ascertain whether the duty still remained the most practical means for trade and industry to make their own substantial contribution towards an enlarged trade development programme. The views of the Working Committee on the source of funds for this purpose are expounded in paragraphs 74 to 77 of its report. The recommendation that it be raised in substantial part from an *ad valorem* duty on trade declarations was made after examining and rejecting other possible sources of revenue, and only after prolonged consultations with the principal commercial and industrial associations.

Honourable Members are now, I think, aware that Government has reached agreement with the Trade Development Council that they will receive the revenue from the new *ad valorem* charges, less one dollar for each declaration to cover the administrative costs of registering the trade statistics, plus a minimum of \$5.1 million from general revenue. In the twelve months just ending, a sum of \$6.4 million has been made available on the basis of an estimate of what the yield from the *ad valorem* charges might have been had they been imposed on 1st April 1966. This then is how matters stand at present.

The reasons put forward by the Working Committee for a total appropriation from revenue of this order are set forth in paragraphs 70 to 73 of the Committee's report. Government did not feel able to accept the arguments advanced in the report for an assured income tied to one quarter per cent of the value of export trade, but this Council nevertheless made an appropriation which had some relation to this concept.

The objections to the *ad valorem* duty, mentioned by my honourable Friend, that is to say—the inequities of incidence, the complexities of collecting, association of a tax with collecting trade statistics, and so on,—all these are well known. A graduated specific duty of the kind which my honourable Friend suggests has certain merit,—it is less complex for one thing,—but it also produces its own inequities, most importantly that proportionately it bears harder on the small businessman, and much more lightly on those most likely to benefit directly or indirectly from development of the trading sector of our economy. Moreover, however small the specific amount, it remains a cess on trade, which is one of the principal arguments advanced against the charge being levied at all. Finally, my honourable Friend's proposals would, as it were, disrupt the compact between industry and trade on the one hand and the general taxpayer on the other, which the appropriation for the Trade Development Council now represents. I do not think my honourable Friend the Financial Secretary, would accept that an extra \$2½ million could be found painlessly from general revenue for this particular object rather than for any other.

Having said all this, I must also say that the collection of duty has proceeded reasonably smoothly, at a cost calculated to be 3.3% of the additional revenue realized. There have been a number of complaints, and I should be the first to admit that some are not unreasonable complaints. Some we have been able to eliminate, some we have not, or at least not yet. There is a great danger that the search for absolute equity will result in complexity incommensurate with the practical incidence of the charge itself.

In his review of the Estimates the Financial Secretary made it clear that Government has no intention of increasing the charge. I can assure 'this Council that I have no intention of 'recommending an increase.

I shall on the other hand be happy to review the position earlier than at the end of two years, as originally intended. This review might appropriately be made towards the end of this year.

I should like to say a few words on what my honourable Friend Mr TANG has described as the "EFTA pinch". My department has the problems which arise or may arise from it constantly under review, and recently I had the opportunity to speak about them to the Secretary of State for Commonwealth Affairs; they were also raised with him by representatives of industry during his stay here. But this is only one of many developments arising from the formation of free trade areas and common markets which engage our attention.

Fortunately I have the assistance of the Trade and Industry Advisory Board and the Cotton Advisory Board in these and many other matters. I take the opportunity of acknowledging the debt to which I and my predecessor personally owe to the members of both these very hard-worked boards. The quality of their advice on what are frequently very complex issues remains consistently high. They serve Hong Kong very well indeed.

With these words, Sir, I beg to support the motion.

MR A. TODD:—Your Excellency, my honourable Friend Mrs LI referred to the need for a change in attitudes about social welfare towards more positive if less tangible services such as leadership training, community development, and youth work rather than simple relief. In her emphasis on positive factors in social welfare I am very much with her; but it is too sweeping to imply that public assistance is essentially a negative provision. Relief, or public assistance, in some form or another, is required, and I cannot see any likelihood of its ever being obsolete; it is however only a part of what a social welfare

programme should be. Acceptance of this is implicit in the White Paper “Aims and Policy for Social Welfare in Hong Kong”, which allows for the drafting of plans with a comprehensive, constructive and positive basis to preserve, support and reinforce the family and help it to remain a strong natural unit, capable of caring for its children and its handicapped; to help individuals to become independent and productive quickly and economically; and to help those resettled in new towns and resettlement estates to establish and acquire the characteristics and attitude of communities.

The Hong Kong Council of Social Service and its member agencies are now working closely with my Department to translate this policy into a comprehensive plan of joint action, and I hope that, within the next few months, it will prove possible to present this Five Year Plan for consideration by Government. The process has been slower than one would like, but what we are doing is nothing less than building a foundation for future co-operation, and I do not think that the time spent on it will have been wasted.

Mrs LI suggests that we consider the possibility of adopting a general policy of subsidizing part of the salaries of social workers in the voluntary agencies on more or less the same principle as applies in the field of education, taking into account their academic qualifications, years of service and in-service training experience. There are already cases in which subventions are calculated to cover the salaries of particular posts, or to supplement salaries in order to enable an agency to pay an adequate amount. But my honourable Friend is perfectly correct in implying that there is no general policy on how subventions are calculated in relation to salaries. We are at present considering how the calculation of subvention might be made simpler and surer. When or whether we can produce an acceptable general formula related to salaries I would hesitate to predict. In principle the proposition is apparently reasonable, but the comparison of qualifications and functions may be less simple in this field than in that of education. Moreover, if subvention is to be related to salaries equated with Government salaries, we should have to have something like the equivalent of the class/teacher ratio. An agency would have to accept the same staffing ratios as Government provides if its staff were to be paid the same. It is very likely that we should have to secure a closer departmental scrutiny of agency affairs than has hitherto been the case. I do not mention these points to deny the validity of Mrs LI’s proposal, which can certainly be examined, but only to indicate that where substantially greater cost may result we must ensure that it is based on sound and acceptable principles.

My honourable Friend Mrs LI has suggested that voluntary agencies should be registered. We can of course legislate to regulate specific kinds of work—for example to set standards for children’s institutions

or day nurseries—and anyone operating such facilities would have to comply with the requirements. Similarly there could, I suppose, be a stronger supervision over the work of agencies in receipt of subvention, though this would not, I think, require any form of registration. Unless registration was to be largely a matter of form it might merely create additional cost without any clearly identifiable benefit. What possibly does call for closer control is the collection of funds from the public for purposes which are or claim to be charitable. Consultations on this question have been in progress, and serious consideration is being given to the preparation of instructions for the drafting of legislation.

My honourable Friend Mr Ross has urged the need for more effective action against the display of obscene publications and for control of boarding houses, ballrooms and other places which have an unhealthy influence on young persons. As regards obscene publications, there is now an item in the legislative drafting programme for the amendment of the Indecent Exhibitions Ordinance; if enacted these provisions should strengthen the hand of the Police in taking action against the traffic in pornography and blue films. As to boarding houses, I am at present conducting an inter-departmental Working Party which is considering proposals for legislation aimed at curtailing undesirable uses of boarding-houses, the aim 'being the protection of young people. The problem is complex and difficult but progress is being made, and I hope that practical proposals will emerge within the next few months.

I do not altogether agree with my honourable Friend's remarks about dance halls. It is true that dance halls and dancing schools used to cause much concern, but, so far as I am aware, this is no longer the case and I understand that these establishments are well under control. Dancing in itself seems to me to be something that we might indeed do more to encourage as an activity for the young. I would certainly like to see youth clubs and social centres give greater prominence to it. It can be—and usually is—a healthy activity and a natural one, in which many young people find innocent enjoyment. Indeed I wonder if thought might not be given to the development, under proper conditions, of what might be termed "low cost dancing", as well as dancing tournaments and competitions. Possibly the soft drinks trade might find some attraction in the idea. It is perhaps unnecessary for me to state that I have no interest to declare as a potential contestant. None who has seen me perform on the dance floor could possibly suppose that I have.

I do not offer these suggestions to take the place of the increased provision for recreational facilities and use of the countryside to which my honourable Friend Mr Ross has referred. I am very much in favour of as much recreational outlet in a wide variety of forms as we can afford. What I particularly welcome in my honourable Friend's

remarks is his thought that the youth problem and juvenile delinquency are not one and the same; I do not believe that we shall get the youth services that we ought to have if we are constantly looking over our shoulder at the spectre of delinquency. Our aims should be more positive than that. Much good and positive work is being done. The potential scope is very wide; but, in considering the development of youth services, I think we have to bear in mind two further points.

The first is that services for young people are not cheap and even if, as I believe, there is a case for more public funds to be committed to this work in the future, I think that we should not overlook the need for real community participation in providing service and in financial support. Furthermore I believe that, though participation should naturally be within the reach of the poor, there are many young people who can afford to and are willing to contribute to the cost of their participation. Some organizations for young people recognize this and make charges for various purposes, but it is possible that such charges are not always on a realistic scale. As to fund-raising for youth work, one very large organization for young people has recently grasped this nettle firmly and has just completed a very successful campaign to raise funds. Perhaps this may encourage others.

The other point is that there is a need for trained leadership. This applies to youth work and recreation work, and I am glad that both Mr Ross and Mrs Li have stressed this. A new training centre is at present under planning which will include facilities for training youth leaders. The Hong Kong Council for Social Service is consulting its member agencies on the type, content, level etc. of the courses which they would require for youth and recreation leadership, and I hope that it may be possible for the Department to introduce such courses even before the new building is completed. This is a field in which the voluntary agencies have much to offer, and I am certain that Government should be ready to accept help from them.

From the young to the old and the problems to which my honourable Friend, Mr TSE, has referred in terms of deep concern. Old people's homes generally speaking are not able to cope with the really infirm, of whom he seems chiefly to speak, and who are in need of some nursing care. The provision for these is more in the field of geriatrics which I must leave to my honourable Friend the Director of Medical and Health Services. There is however a growing problem of old people, aside from actual illness and disability, and this is causing concern. There do seem to be more old people in need of assistance. While I think it is true that the majority of people still care for their old folk to the best of their ability, this is not always so, and there are limits to what they can sometimes do. There are also, of course old people who no longer have a family to rely on. The present capacity of homes for the aged is 1,971. A new home was built in 1966 with

assistance from the Lotteries Fund and, according to my information, there are plans for extension or construction within the next few years which may raise the capacity to 3,000. Institutions, of course, are not the only answer and indeed not always the right answer. Old people very often prefer to continue living in the community where life and activity give interest. This to some extent we are able to facilitate by the use of a part of the allocation for compassionate resettlement which is available to my Department and to the Medical and Health Department. I am engaged also at present in discussion involving the voluntary field which might result, if a satisfactory outcome is secured, in an experiment in housing for old people in other low cost housing.

My honourable Friend also expressed concern about the difficulties of unmarried mothers. These are very real, but the facilities that we can provide by way of counselling and care of the mother before and after the birth of the child, as well as of the child itself are, I believe, reasonably adequate for those who seek to use them, though greater convenience might arise if there was a home in Kowloon. It is true that the number of such cases that come to our notice is apparently lower than might 'be expected in a community of this size, but there may be a cultural pattern which accounts for this. So' far as I am aware there is no significant connexion between suicide and unwanted pregnancy, nor am I aware of abortion on any significant scale in the case of unmarried mothers.

My honourable Friend, Mr HETHERINGTON, will have something to say about social security. The other matter arising out of the debate on social welfare policy about which my honourable Friend Mr TSE asked is the grant of cash assistance in relief cases. The White Paper as finally adopted did not provide for cash assistance as a general relief provision, but the then Colonial Secretary undertook to look into the possibility of giving cash assistance where the circumstances warrant this. We have been working on this, as well as on a number of other improvements in the administration of relief assistance, and proposals have been formulated which, if approved, would, I hope, enable us to afford assistance in some cases in a more efficacious manner than is now possible. I hope that Finance Committee will, within a very few weeks, have an opportunity to discuss these proposals.

My honourable Friend Mr RUTTONJEE, himself an ardent and effective promoter of rehabilitation, has urged strong support for programmes of rehabilitation for the physically and mentally handicapped. There is ample authority in the White Paper on Social Welfare Policy for support of rehabilitation from the Social Welfare Department. We already maintain quite considerable services for the disabled, and have a number of projects for further development in various stages of implementation. Within the next twelve months we should be operating the new World Rehabilitation Fund Day Centre at Kwun Tong,

which will ultimately provide 360 places, 80 for sheltered work, 140 for vocational training and 140 for pre-vocational training for young people between the ages of 14 and 18 who are suffering from some handicap and who are not yet prepared for the full range of vocational training or for employment. This programme will provide for the blind, the deaf, the physically handicapped and for those of the mentally retarded for whom training is a practical possibility. Also coming into use next year, I hope, will be a Combined Training Centre and Hostel at Kwun Tong for the mentally handicapped which will provide for adults and children.

Progress in the field of rehabilitation is admittedly rather uneven, and some disabilities are less well provided for than others. My honourable Friend, Mr Dickson LEACH, pin-pointed one of these in the doubts he has expressed about the provision for the mentally handicapped. In March 1966, 1,635 mentally retarded people were registered with the Department, of whom 504 were stated to be severely retarded, 899 of medium grade and 86 educationally subnormal: by December 1966 the number of registrations had risen to 1,685. Registration is of course voluntary and I suspect that these figures do not present a full picture. If figures that have been determined elsewhere have any validity for Hong Kong we might expect to have 4,380 severe and medium-grade mentally retarded people. At present there are facilities for 238 people in institutions, and 216 in day care centres.

A home for 200 severely retarded children, who are the concern of the Medical and Health Department, is now in Category A of the Public Works programme. As for the medium grade, for whom my Department has the responsibility of co-ordinating provision, the two new institutions at Kwun Tong will afford some relief, so far as day care is concerned. Possibly an equally pressing need is the provision of more residential and training accommodation for abandoned mentally handicapped children of the medium grade. This is clearly a matter that will have to be assessed in connexion with the 5 year development plan, and in relation to other needs within the planning period. I am grateful to my honourable Friend for his helpful remarks. At this stage I can, I fear, offer him nothing to alleviate his concern except my own. As to the problem of trained staff, we have at present in the Social Welfare Department five people who have been sent abroad for higher training in this field and another will be going away in September.

One of the worrying aspects of this whole area of work is whether in the community we have adequate means for assessing the degree of mental retardation or emotional disturbance in particular cases. The facilities available for this seem to be under severe pressure; such assessment

is, of course, essential if we are to provide the right treatment or training in remedial and corrective services.

I have referred several times to the 5 year plan and I hope that before long such utterances may be phrased in the present indicative or even in the imperative rather than in the future conditional. To what extent they will affect the figure of 1.1% to which my honourable Friend Mr KAN has referred I hesitate to predict; at the risk of shocking the honourable Gentleman immediately in front of me I would hope noticeably.

Sir, I have pleasure in supporting the motion.

MR R. M. HETHERINGTON:—Sir, I noticed that, when my honourable Colleague, Mrs Ellen LI addressed you in this Council, late in the afternoon some two weeks ago, there were only three members of the public present to hear her speak. These three persons were, appropriately, all women. However, I wish to assure her that at least one Member of the opposite sex not only listened to her but studied her speech and I welcome the opportunity which she has given me of making some remarks about the problems of youth in the field of employment.

I confirm that, at the end of 1966, only 6,215 young persons between the ages of 14 and 18 years were reported as being employed in industrial undertakings. Bearing in mind the total industrial working force of over 424,000 reported at the same time, the percentage of young persons employed in industry is very small. It amounts to less than 1½%. This situation may seem extraordinary in the light of the large proportion of the population which is made up of young persons between the ages of 14 and 18 years. I regret that I have no detailed statistics on the distribution of those young persons in various forms of employment. This is a deficiency which is being examined in the context of collecting a wider range of information about employment. Nonetheless, the Labour Department is, at present, seeking to solve important problems of employment for young persons in three ways.

Since August, 1964, an Employment Information Service has been in operation in the Labour Department. Its purposes are to provide, free of charge, assistance to workers looking for employment and to employers seeking to fill vacancies by introducing one to the other. While this service caters for people of all ages only about 20% of those who have asked for assistance in finding employment are below the age of 21 years. It is not intended that the Employment Information Service should attempt to supplant traditional methods of recruitment if these continue to be satisfactory. There are indications that increasing

numbers of employers and workers are registering with this service and I hope that this tendency continues. I hope, too, that more young persons will seek the assistance of the department when they first begin to look for jobs and that more employers will notify me of vacancies for young persons.

I must emphasize that the Employment Information Service can only introduce people to vacancies reported to it. Finding a job is one thing: finding the right sort of job is another. It is not only important that young people should obtain employment. They should also be placed in jobs for which they are fitted and in which they will have a satisfying career. For such reasons, I have prepared plans for the establishment of a Youth Employment Advisory Service which I propose shortly to place before the Labour Advisory Board for consideration. Briefly, these plans involve the preparation and maintenance of a comprehensive guide to careers in Hong Kong. Close liaison will be established with the Hong Kong Association of Careers' Masters to ensure that the guide, when prepared, is available in schools. Subsequently, talks to school children on these careers will also be arranged by officers of the service. It is hoped that the service will help young people while still at school to make a deliberate choice of the employment best suited to their individual interests, temperament, ability, and skill. The system has worked elsewhere and I am optimistic about good results from it in Hong Kong. It involves a lot of preliminary preparation and any immediate benefits are unlikely in the near future. Basically, it is a long-term plan but I am convinced that only in this thorough way can there be beneficial results for our future workers.

My predecessor spoke at some length in last year's Budget* debate about the Industrial Training Advisory Committee. Honourable Members will recall that this non-statutory body was established by Government in June, 1965. It consists of 22 members, comprising eight representatives of Government departments, four representatives of employers' associations, four workers' representatives serving on the Labour Advisory Board, and five representatives of other organizations concerned either directly or indirectly with industry, with myself as chairman. The aims of the Industrial Training Advisory Committee are to ensure that, in general, an adequate amount of training for industry is carried out, to see that the right types of workers are trained, and to improve the quality of training now being given. Its terms of reference include a requirement to recommend, in the light of experience gained during the first two years of its operations, what permanent machinery should be set up for ensuring a comprehensive system of industrial training geared to meet the needs of Hong Kong's industry as they develop.

* 1966 Hansard, pages 176-179.

It would be timely for me, at this stage, to re-state Government's policy in the field of operative training. Here, it is considered that industry must play a major part. The training which operatives require can best be provided by a process of on-the-job training known as learnership for which the responsibility must rest with employers, either individually or in collaboration through associations or through voluntary agencies. Government has offered to assist in the form of granting land free of premium for the establishment of non-profit-making, group-training schemes organized by employers. Alternatively, Government may be prepared to grant loans from the Development Loan Fund for the purchase of flatted-factory space, the loans to be repaid over a period of years. The capital and recurrent costs of any training schemes for operative would remain the responsibility of the industries concerned. Honourable Members may be interested to know that, up to the present date, only one such application for a grant of land free of premium has been received.

The first meeting of the ITAC took place in November, 1965, and, since then, six meetings have been held. During this period, it has so far established six associated industrial committees consisting primarily of leading industrialists directly concerned with a particular industry or trade. These committees cover electronics, clothing, textiles, plastics, engineering trades, and building trades. The first four committees cover industrial employing over half of Hong Kong's industrial labour force and accounting for over two-thirds of the total Value of Hong Kong's exports. Of the remaining two committees, the Building Trades Industrial Committee covers Hong Kong's largest domestic industry and the Engineering Trades Industrial Committee is interested in practically every branch of manufacturing industry. The latter committee recently decided that its work could best be furthered by the creation of four separate groups dealing with shipbuilding and ship repairs, electrical apparatus and appliances, machine shops and metal working, and automobile repairs and servicing. It is likely that a similar division may take place in some of the other industrial committees.

Most of these industrial committees have completed the first task of classifying and describing principal occupations and are now in the process of attempting to identify, occupation by occupation, the present and future manpower needs of the industry or trade concerned. The Electronics Industrial Committee will, it is hoped, shortly be presenting the results of a survey conducted in the autumn of last year and the Textile Industrial Committee has just completed a similar survey. Further surveys are planned later in 1967 for other industries and the committees are turning to other important matters such as training standards, examinations, and certification.

Towards the end of 1966, the ITAC created a functional committee to co-ordinate vocational training currently undertaken by voluntary agencies and several Government departments. As a first step, this functional committee recently prepared a report on industrial training performed by such agencies. Honourable Members may be interested to know that, of the 1,300 students attending classes in the seven centres covered by the survey, over 60% are aged between 13 to 16 years.

The work of the ITAC has been somewhat hampered by difficulties encountered in obtaining suitably qualified and experienced advisers from the International Labour Organization from which assistance has been sought in the form of two experts, one to advise on vocational training and the other to assist him in manpower problems. It is desirable that these two experts should work together but it has not yet been possible to find an adviser on vocational training suitable for our local needs. For this reason the recruitment of an adviser on manpower has been held up.

I must not leave the subject of the Industrial Training Advisory Committee without publicly acknowledging the very great help given to me by the 43 industrialists, representing 20 employers' or trade associations, and by the 17 other unofficials who serve on its main committee and its complex of associated committees. Without their assistance and enthusiasm little progress could have been made in tackling the basic problems which must first be resolved. Many of these have now been identified and brought under consideration, thus laying the basic groundwork for a planned industrial training programme designed to suit the needs of individual industries. I acknowledge that, for the present, there is little to show for the hard work which has been put into the activities of these committees. They are concerned not only with short-term problems which undoubtedly exist but also with long-term planning necessary to ensure that Hong Kong has an adequate supply of trained workers in the future. The ITAC believes that it is advisable to proceed step by step along carefully-considered and generally-agreed lines. It is dealing with the future of the young people of Hong Kong and what it eventually recommends will shape the working lives of the on-coming generation.

My honourable Colleague, Mr Ross, welcomed the establishment of the Committee on air pollution under the chairmanship of Mr MARDEN. As a member of this Committee, I can assure him that it has already met several times to consider what happens to the complex chemical composition of the vast volume of air which passes over Hong Kong every day from the pollutants which all of us contribute in one form or another. The terms of reference of the Committee are such that all aspects of air pollution can be considered. One aspect is the emissions from motor vehicles, using either petrol or diesel fuel, and

some preliminary discussions on this subject have already taken place. At this stage, it is not possible or proper for me to forecast what recommendations may be made regarding exhaust emissions from motor vehicles. Recent technological developments, including devices to restrict these emissions, which Mr Ross mentions, should be of valuable help to the committee.

The terms of reference of the committee also provide for an examination of the adequacy of the provisions of the dean Air Ordinance and of the necessity for additional statutory or other controls which may be required to ensure that appropriate measures can be taken to deal with the increasing problem of air pollution in Hong Kong. This examination has already begun.

My honourable Colleague, Mr TSE, inquired about the progress of an interdepartmental working party established to consider certain aspects of social security. Its terms of reference include an examination of problems of protection against the contingencies of old age to which Mr TSE specially referred. As my predecessor in the office of Commissioner of Labour, Mr. WAKEFIELD, stated in the Budget* debate last year, this working party was appointed in February 1966 under his chairmanship. When I succeeded him, it was decided that Mr WAKEFIELD should continue as chairman of the working party because the preliminary steps in drafting its report were then in train. I am informed that the working party has so far met on 27 occasions and that its report is likely to run to over 200 pages of text. It is in an advanced state of preparation and should be ready for presentation to you, Sir, before the end of April. I am advised that it deals, among other matters, with the special needs of older people in the context of measures for social security.

Sir, I propose to support the resolution.

MR W. D. GREGG:—Your Excellency, apart from two brief references to primary education, the observations of honourable Members on the subject of education have mainly been concerned in this year's Budget debate with technical education and vocational training. I propose therefore to deal with this matter first.

The appeal which my honourable Friend Mr FUNG Hon-chu has made to industrialists on the one hand to accept more of our young students particularly from the Secondary Technical Schools is very timely, as also is his appeal to parents and others to abandon or at least to modify their traditional antipathy to what he calls "blue collar jobs" in industry. The two sides of this question are of course closely interrelated. Current statistics appear to show that in the field of

* 1966 Hansard, pages 180-181.

juvenile employment in industry the number of young persons employed under the age of 16 is almost negligible, while the number employed between the ages of 16 and 18 is surprisingly small, having regard to the overall numbers involved. This may be due to a fundamental reluctance on the part of young people to seek employment in this vital sphere; but I suspect that it may also be due in some measure to a reluctance on the part of industrial employers to offer reasonable employment opportunities to these young people. If in fact it is true that employment prospects in industry are restricted—by employment prospects I do not simply mean a dead-end kind of unskilled job, but genuine prospects in which it is clearly seen that the employer is accepting his share of the responsibility for enabling these young people to obtain further training and that he does provide attractive and progressive career opportunities for those who with his positive help and encouragement acquire the skills and efficiency which the industry requires—If, as I say, these employment prospects are not clearly evident, and if it appears that the industrialist does not himself regard these immature learners as an investment for the future in his industry, it is hardly surprising if parents continue to seek other avenues for the future careers of their children. I agree with Mr FUNG that Industrial Associations have a responsibility for helping to overcome the traditional prejudice of parents against manual labour, and the best way they can do this—indeed I suspect it is the only way it can be done—is to provide attractive conditions of employment. This means not only offering appropriate initial financial rewards, but also organizing and/or financing suitable training schemes which will ensure good career prospects. It is important that managements should participate directly in technician training, whether such training is to be effected “on the job” or in training centres, through day or block release schemes. After basic technical education has been provided in the schools, it is up to industry to build on this the specialisms that it needs.

My honourable Friend Mr FUNG Hon-chu, while commending the value of our secondary ‘technical schools, made a number of statements which are not quite in accordance with the facts and I would like to correct them. In the first place his statement that these schools have not been able to attract students in the numbers they should is not quite true. In September 1966 all of the places in Form I available for school certificate courses in the government secondary technical schools were filled in competition without difficulty. Bearing in mind therefore the popularity of all good opportunities for school certificate courses, I doubt whether any further special inducement is necessary to get more young boys to join these schools. I would remind honourable Members that in spite of the higher costs of operating these schools, the fees in the urban area are \$280 per annum as compared with \$400 in grammar schools; in the rural areas they are \$140 per annum as compared with \$200 in grammar schools. Fee remissions are the

same in secondary technical schools as in grammar schools (40%). The report of the Working Party on the recommendations of the Education Commission of 1963 said there was no justification for continuing the practice of charging fees in secondary technical schools lower than those in grammar schools and recommended that they should gradually be brought into line. This recommendation is being implemented by stages.

We have, however, tried to encourage some of the more gifted candidates for the Secondary School Entrance Examination to seek admission to the secondary technical schools by providing 20 scholarships tenable at these schools.

As far as further training prospects are concerned, students who complete the school certificate course satisfactorily can qualify for matriculation courses and for full-time courses at the Technical College. It is true, however, that they have to compete with grammar school candidates for many of the available places. This is inevitable since the academic requirements of the courses are high, but as far as matriculation courses in the secondary technical schools themselves are concerned, preference is given to pupils from those schools, while in the final selection of students for the Technical College, other factors being equal, preference is given to those candidates who come from secondary technical schools.

Of the 510 students who successfully completed school certificate courses in government secondary technical schools in the summer of 1966, 142 succeeded in gaining admission to matriculation courses and 175 were offered places in the Technical College. It is of interest that 41 of the latter did not accept the offer, presumably because they wanted to do something different. Some of these perhaps are included in the number who went on to Sixth Forms. I think perhaps one reason why the secondary technical schools do not appear to figure so prominently in the diploma course of the Technical College is because the total number of pupils enrolled in grammar schools is far in excess of those in the technical schools. It is true that 80% of those accepted in these courses for the 1966-67 course come from grammar schools and 20% from technical schools but the grammar school intake represented only 3% of those finishing the five year course, as compared with 14% from the technical schools. This meant that offers of admission were given to 44% of the applicants from these technical schools. Bearing in mind what the Honourable G. R. Ross had to say about the keen competition for entry into the full-time courses at the Technical College, the technical school boys do not appear to have done too badly. But I am now investigating what else can be done to enhance the prospects of these students in gaining admission to the Technical College.

With regard to direct employment into industry on completion of the school certificate course, the picture is a little different. Available

records indicate that only about 12% embarked on such courses. I have already indicated some of the reasons why this may be so.

I must emphasize that these schools are designed to provide a sound general secondary education to pupils of high promise who have a leaning towards a technical or scientific career. And so the courses are biased in favour of those subjects, including additional practical facilities, which are likely to be of special benefit to the students in this respect. Most people nowadays agree that modern industry with its increasingly complicated technical processes needs brains. Our secondary technical schools in Hong Kong, although they do not yet attract so many pupils from the top of the examination lists as do the older grammar schools, nevertheless they enrol students of quality from the top 15% of the primary school output. But, we must make no mistake about it, if the content of the courses is so altered by overemphasizing the vocational side at the expense of the general educational side, so that these schools cease to offer equal opportunities with the grammar schools for university entrance or other advanced technical courses, they will become less and less attractive to students of great ability and high promise. Mr FUNG may very well be correct in his statement that the secondary technical schools should have a greater technical bias. If the extent of the bias at the moment is so low as to make industrialists reluctant to accept the students for employment, it would be of great value for future planning purposes to know just what form of practical training in the schools would overcome this reluctance. But it must be appreciated that these schools are intended to educate pupils of good potential who are capable of absorbing further training rapidly and intelligently, but they are not craft schools nor are they intended to turn out trained technicians at this stage.

Mr FUNG's further suggestion that the Hong Kong Technical College should become a College of Technology, with power to confer degrees in technology is an interesting one, which will certainly need to be borne in mind. At present the function of the College is mainly to train for the middle levels with some higher and some lower courses. If the College were now to concentrate its attentions exclusively or mainly on the training of technologists to full degree level, in order to supplement the output of the University of Hong Kong, this could only be done at the expense of technician and craft training. I suspect that the demand for technicians is at least as high, if not higher in terms of numbers than for fully qualified technologists. There may well be a man-power shortage at the highest technological level; this is a situation which all countries are experiencing; but any serious reduction in the supply of mid-level skills, which are also in great demand as Mr FUNG rightly points out, would not I suggest be in the best interests of industry as a whole. It may be that when the proposed new Technical Institute is in full operation, the College will be able to curtail some of its technician courses and concentrate more on its advanced courses,

including the possibility of raising some of them to higher standards of attainment. But so long as the Technical College is the only public institution which Hong Kong possesses for technician training in a wide variety of skills and occupations, I think it would be unwise to take any step which would result in a curtailment of these limited facilities for mid-level training.

They are limited, as Mr Ross has pointed out. He suggests that more schools and halls should be made available in built-up areas for technical and vocational subjects in the evening. The Technical College Evening Department already runs 22 such centres catering for over 11,000 students and about 80 schools are used for courses of a more academic nature and for Adult Education and Recreation Centres. Vocational training is not, however, solely a matter of classrooms. Our expansion of this programme does depend in the long run on what facilities for the complementary practical work can be made available either in workshops or in laboratories. I agree that an increase in these facilities is most desirable, but what particular courses are needed is not quite so clear. My honourable Friend the Commissioner of Labour has already referred to the investigations which have been put in hand by the Industrial Training Advisory Committee on this matter and I am sure that much useful information will be forthcoming as a result.

I would now like to turn to a lower level of education, in particular to a matter raised by my honourable Friend Mrs Ellen Li. Mrs Li has spoken about the gap which exists in our own educational system. By this I think she means that the age at which a child is expected to complete a normal course of primary education—the only stage at which Government has undertaken to ensure universal provision—is much lower than the age at which a young person can expect to obtain suitable employment. This is perfectly true; but it is also true that in practice the gap is not as wide as one might suppose. In the first place it must be noted that last year no less than 74% of our primary school leavers went on to some form of full-time post-primary education, usually in secondary schools. Although not all of them will be expected to complete a five year secondary course, I think it is fair to say that few of them will expect to leave before the age of 15 or 16. It should also be realized that of those who were enrolled in the primary schools last March, no less than 14½ thousand attending day schools were already at that time over the age of 14. Whilst in the evening primary schools no less than 12½ thousand, almost one third of the total enrolment in these schools, were similarly already over the age of 14.

Moreover many thousands of young people join in the Education Department's Evening Institute and Adult Education Centres, where many courses have been established for those who have left school with nothing more than a primary school education. My honourable

Friend in her capacity as President of the YWCA is herself actively promoting this kind of work particularly for young factory girls.

Nevertheless there is a gap and the correct solution or rather series of solutions is by no means easy to determine. We have already tried adding additional classes in primary schools at the end of the normal six year course but the response was disappointing. The one year pre-apprenticeship courses that were established experimentally three years ago at the Technical College have been quite successful, particularly from the point of view of obtaining suitable jobs in industry for the young students. But again the success of the scheme has been partly due perhaps to the prestige of the College itself and partly, if not mainly, due to the fact that most of the pre-apprentices were already over-age primary leavers rather than of normal age.

Honourable Members will recall that one of the proposals put forward in the White Paper for dealing with this problem was the establishment of a number of centres offering a one year, or if necessary, a two year course of vocational training to bridge the 12 - 14 year old age gap. The implementation of this policy has been the subject of close study during the past year both in the Education Department, the Labour and Social Welfare Departments and also by a number of voluntary agencies who are anxious to participate in the field of vocational training at this level. Considerable misgivings have been expressed in many quarters not so much of the shortness of the course, but because it is only designed to cover the 12 to 14 year old age group. It is felt that if these courses are to be a genuine attempt to cope with the period immediately prior to employment, it would be unrealistic to exclude the 15 to 16 year old age group. Proposals which take into account some of the points mentioned are now being formulated, which will be discussed with interested parties and, of course, with the Industrial Training Advisory Committee; since it is most important that any schemes for pre-employment training shall be consistent with any schemes for in-service training which may be devised, later on, whether these are "on the job" or in training institutions.

I turn now to an entirely different topic, one raised by my honourable Friend, Dr P. C. Woo, who passes on a complaint about the new staff-pupil ratios in primary and secondary schools. This is a matter which has been raised on at least two previous occasions in this House and I do not therefore propose to deal with it at great length.

The proposal originated from the recommendations of the Education Commission of 1963. The Commission made a number of proposals which would increase the rate of government expenditure on education. They also suggested certain economics which would have the reverse effect. I would like to quote one short statement from the report which is relevant. "We have not deliberately sought to provide

the annual income to set off against our recommendations involving additional expenditure, but just as we 'believe that the proposals we make for educational developments are necessary, so do we believe that the economies which we propose are realistic and desirable". The Commissioners go on to say in the same paragraph: "The revision of the teaching staff ratios in the manner we propose, while materially reducing annual expenditure, can, we feel, be effected without any detriment to teaching standards in schools". I am sure that this statement was made in the full knowledge that staff ratios in Hong Kong both originally and in their revised form were as generous, if not more generous, than anywhere else in the world. Representations have been made on behalf of very small schools that the revised staffing ratios operate very harshly in their case. This has been accepted by Government, and it is not now proposed to vary the original scheme in respect of these small schools.

Finally, Sir, I would like to revert to the subject of primary education and in particular to the Honourable Mrs Ellen Li's suggestion that we should begin now to plan for free primary education step by step to start in 1971. I need hardly remind honourable Members that this suggestion or something very like it was re-affirmed as an ultimate aim of Government policy as recently as the 1965 White Paper, but with the warning that this aim was not capable of early achievement. Government at the present moment, in accordance with the intermediate aims which were approved in this Council, is engaged in a whole series of expensive gap-filling exercises in various parts of our educational system. Admittedly in one sphere, that of primary education itself, we have made impressive progress, as has been acknowledged. In other areas, some of which have been touched upon in this debate, little more than a start has been made. The fact is that we are not yet able at this stage to gauge with any acceptable degree of accuracy what the total financial effects of all our desired development plans will be. I should have thought that it would have been more prudent, therefore, to wait at least until the intermediate aim's of our policy on all fronts were closer to realization, before we even contemplated the abandonment of what in a few years time will amount to some 20 to 30 million dollars of revenue, which would have to be made good somehow by increased taxation without any corresponding improvement in the facilities offered. I am fairly well acquainted with the educational systems of many so called developed countries, including those who have abolished primary school fees as a political gesture even before they we're anywhere near achieving universal primary education and I do not think that our delegates to international conferences need feel any shame at Hong Kong's unique performance in the educational field over the past decade or so. Nevertheless my attitude to the honourable Member's suggestion would have been rather different, if I believed that the charging of fees in public primary schools

at a modest level was a genuine hardship to parents and a serious discouragement to their sending their children to school. In 1965, although the primary school fees were not raised nor have they been raised for the past 15 years, the rates of remission fees were doubled, from 10% to 20%. The object of this measure was to try and ensure that no child from a poor home should be deprived of a place in a public school to which he had been admitted solely through the inability of his parents to pay the school fees. So far it has not been necessary for me to utilize all of the funds which have been set aside for this purpose. It may be that some parents who are in genuine need of assistance are unaware of the relief that is available to them, if they apply to their respective schools. In this connexion I am arranging for a letter to be sent to all the schools concerned and I am also arranging through the Government Information Services for a leaflet to be prepared in simple language explaining the scheme of fee remissions, which will be made available to the public at all Information Centres. I would also like to give this assurance to honourable Members. If at any time it should appear that the funds at my disposal are inadequate to meet the demand for remission of fees in public primary schools in all cases of genuine hardship, the Government will immediately make proposals to the Finance Committee of this Council for the authorization of further expenditure, even if this means that the rate of remission is raised to 30% or higher. I am confident that honourable Members will support such proposals if they have to be made.

Sir, I am most grateful to honourable Members for their constructive advice and helpful suggestions, and I hope that my explanations will at least go some way to showing why it does not seem possible to go quite so far or as fast as we all would like.

Sir, I have much pleasure in supporting the motion before Council.

HIS EXCELLENCY THE GOVERNOR:—It is now nearly 4 o'clock. I think perhaps honourable Members may like a short break, and I will suspend the sitting of Council until five minutes past 4 o'clock.

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HIS EXCELLENCY THE GOVERNOR:—Council will resume.

DR P. H. TENG:—Your Excellency, my honourable Friend, Mr RUTTONJEE, has expressed grave concern regarding the staffing position in the medical officers' grade. I have to confess that this problem has also caused me considerable anxiety for some time although Government has been exploring every method and field of recruitment.

I shall now say a few words on Nursing. I agree whole-heartedly with my honourable Friend that the time has come to examine our training facilities for nurses and to improve still further the quality of our nursing service. It was these objectives that prompted the Nursing Board to appoint a Working Party, under the able Chairmanship of Miss Sheila IU, Matron of the Grantham Hospital, to consider the whole field of nursing education and training, taking into consideration the planned medical expansion programme, and to make appropriate recommendations. This Working Party has just completed its Report which has been submitted to the Nursing Board. I can assure my honourable Friend that the recommendations contained in the Report not only will be carefully studied by the Nursing Board, but also very close attention to the findings and recommendations will be given by the Medical and Health Department. I can give further assurance that although we may not be the first by whom the new is tried yet we will not be the last to cast the old aside.

In the field of tuberculosis, we are generally satisfied with the progress made in our overall programme of prevention, treatment and rehabilitation. The figures quoted by my honourable Friend are encouraging but it would be prudent to sound a word of warning. In the years ahead, we cannot afford to be complacent. Hitherto our resources have only enabled us to cope with cases who come to our clinics. We have now started on a programme of seeking out new cases instead of waiting for them to present themselves for treatment long after the appearance of symptoms and signs. This will not only add to the load on all units of the tuberculosis service but the figures of new cases might be greatly increased in the immediate future. It may be that more will show a resistance to the first line drugs; hence the cost of treating the resistant cases with second line drugs and the increasing necessity for surgical and other treatment will increase the total bill. But there is a silver lining to the dark clouds because in the Colony's overall tuberculosis control programme, the Medical and Health Department enjoys the most useful and effective co-operation of the Hong Kong Anti-Tuberculosis and Thoracic Diseases Association and other voluntary agencies.

My honourable Friend, Mr FUNG Hon-chu, spoke at some length on the Tung Wah Group of Hospitals. The Constitution of this charitable institution is being considered by the Tung Wah Working Party under the chairmanship of my honourable Friend, Mr FUNG Ping-fan. As the general question concerning fees charged by the Tung Wah

Group of Hospitals is closely linked up with the Constitution, it would not be proper for me to comment on this question at the present moment. I would, however, point out that the rising cost of the rapidly expanding and comprehensive medical services for the greater part of the population, in particular the hospital services, continues to be borne either wholly or to the major extent by public funds without any assistance from all-embracing contributory state insurance schemes which have made possible such developments as the National Health Service in the United Kingdom. I cannot agree with my honourable Friend that there is any difference in income levels between the patients attending out-patient departments managed by the Tung Wah Hospitals as compared with those operated by the Medical and Health Department; Government clinics are distributed widely throughout the Colony and it is difficult to believe that convenience will be overlooked to the extent of travelling a considerable distance. The Report of the Advisory Committee on Clinics stressed the useful contribution that clinics registered and exempted under the Medical Clinics Ordinance provide to the medical care of the poorer section of the community. It cannot be denied that the patients who attend the low cost clinics also come from the same social class as those attending the Tung Wah Hospitals out-patient clinics and the Government clinics, and we find in the Report that about 3¾ million persons of this social class had paid \$3 - \$4 for each attendance.

In respect of hospital charges, the proportion of paying beds in the Group stands at the figure of 28.9% and it would appear that a revised appraisal and stratification of charges to replace more of the free beds would be a more realistic approach to the problem.

Having said this, I would express my complete agreement with my honourable Friend that money spent on the Tung Wah Group of Hospitals is a very sound investment; Government's concurrence with this opinion is shown in past years, and in the present Budgets. Capital subvention to the Group has amounted to roughly \$30¼ million over the past ten years, representing approximately four-fifths of the cost of the great expansion which has taken place during that time. For recurrent expenditure over the past five years, Government has provided a total of \$93,117,000, representing 90.7 per cent of the total running costs; out of the remaining 9.3 per cent, 3.5% was income from fees and 5.8% was from donations and contributions from the public and the Board of Directors. This recurrent subvention has been rising rapidly from a figure of \$13.58 million in 1962-63 to \$27.3 million in the coming financial year, an increase of 101%. Equivalent figures for the Medical and Health Department show a rise of 80%, from \$73 million in 1962-63 to \$129 million for the coming financial year. My honourable Friend quoted certain statistics on the work done by the Tung Wah Group but it is also relevant to compare these figures with those related to

Government institutions. During the period of 1962 to 1966, in-patients treated in the Group's hospitals have risen by 12% while admissions to Government hospitals have risen by 35%; last year there were 631,011 out-patient attendances at the Group's three hospitals while 6,849,596 attendances were recorded at Government's 143 general and specialized out-patient clinics. Furthermore, Government, in addition to maintaining the two equivalents of regional and teaching hospitals which cater for the Colony's needs in a comprehensive range of specialities, must also provide a variety of curative and preventive services which cannot be undertaken by any private organization.

As an example of the friendly and useful co-operation which exists between the Tung Wah Group of Hospitals and Government, the Medical and Health Department affords considerable help to the Group by making available highly-specialized laboratory and other ancillary services and personnel; for example, of the 31 honorary consultants to the Tung Wah Hospitals, no less than 13 or 42%, are staff of the University or of the Government Medical and Health Department. Such assistance, measured in financial terms, does not appear on any balance sheet but amounts to over \$2 million.

I trust these figures will re-inforce my assurance to my honourable Friend that sufficient funds have always been made available to ensure that the Group's hospitals can operate at a high level of efficiency. As my honourable Friend knows, the annual budget for the Group is always carefully prepared by the Budget Sub-Committee consisting of the current Chairman and three Principal Directors of the Board, a Permanent Advisor to the Board, the Secretary of the Medical Committee, a representative of my honourable Friend the Financial Secretary, and the three Medical Superintendents; this sub-committee is under the skilled and experienced chairmanship of Mr LEE lu-cheung to whom I must pay sincere tribute as he has been associated with the Budget Sub-Committee for the past twenty years. This budget is then examined by the full Medical Committee, on which the Group is represented by the Chairman, his three Principal Directors and two Permanent Advisors; this examination is conducted in the light of the overall provision of medical services in the Colony so that any unnecessary or wasteful and expensive re-duplication of services is avoided; I regret that I must refute the implication that any reasonable request is turned down and I am not prepared to give the assurance requested by my honourable Friend that each and every request for whatever instrument or equipment an individual specialist feels to be desirable will be supported willy-nilly. I would stress that the same limitations are applied in my own Department to any requests or suggestions for expansion of services or provision of facilities and no request from a specialist is submitted to Government unless my administrative colleagues and I are satisfied beyond doubt that the

expenditure of public funds is truly justified. This much I can say, that no cut from the Tung Wah budget is or ever will be made at the expense of efficient and efficacious patient care.

My honourable Friend would appear to have misunderstood the recent movements of nursing staff within the Group's hospitals. These were undertaken on the recommendation of the Budget Subcommittee of the Tung Wah Hospitals that training of nurses for the Group be concentrated at the Kwong Wah Hospital. This is obviously more satisfactory than maintaining three small and comparatively independent training schools, as far more efficient use can be made of teaching personnel as well as allowing improvements in and standardization of training. The Nursing Board has welcomed this proposal; this statutory Board has felt for some time that student nurses in the Tung Wah and Tung Wah Eastern Hospitals have not been receiving the benefit of training in a complete range of specialities, as in these two hospitals there is little or no opportunity to care for certain categories of patients; to single out one example, those suffering from the acute effects of injuries such as accidents. Accordingly, all pupil nurses are now accommodated and working in the Kwong Wah Hospital, side by side with qualified nurses, while the Tung Wah and Tung Wah Eastern Hospitals are now staffed by fully-trained nurses. I feel that such an arrangement should be welcomed rather than deplored.

My honourable Friend suggested that a temporary Casualty Department be provided at the Tung Wah Eastern Hospital. The possibility of such use both of this hospital and of the Tung Wah Hospital itself had occurred to my Department three years ago and was examined in great detail last year; the conclusion was that neither was really suitable. In the case of the Tung Wah Hospital, road access is extremely limited and would be unable to accommodate the numbers of vehicles which are drawn as if by a magnet to "Casualty", while the construction, layout and supporting services of the Tung Wah Eastern Hospital are such that the building cannot be adapted to provide such a department. Construction of the Tang Shiu-kin Hospital is now under way and I can assure my honourable Friend that not only is this building designed for the correct operation of a Casualty Department but that there will be adequate staff and facilities to ensure the efficient treatment of all emergencies attending there.

Finally I feel constrained to refer to my honourable Friend's somewhat surprising plea that the Directors should be given, and I quote "a maximum measure of free hand to administer the organization and their voice should be increasingly heard" unquote. As all the members on the successive Board of Directors of the Tung Wah Group of Hospitals are experienced members of the community, fully conscious of their civic responsibilities, their active participation in the management of the affairs of the Hospitals is unquestionably their right and

privilege. I have never used blinkers or gags on these public-spirited persons whose wisdom and mental capacity far exceed my own. On the contrary, I have shared their aspirations, their anxieties and their frustrations, and have helped them in every way possible to maintain and enhance their good image in the eyes of the community. The Hospitals are administered by a main Medical Committee and a number of sub-committees on all of which they are represented in strength. I cannot recollect any instance where the discussions have not been most cordial and harmonious. Their voices have always been heard and respected at these meetings, and in public. On the other hand, I consider it my duty to maintain an active and personal interest in the conduct of the affairs of these hospitals because I have a responsibility to Government, to the Legislature, and to the Community to ensure that the huge amounts paid out of public funds are spent to the best advantage, and that the taxpayers' money is not wasted either through lack of control or faulty administration.

My honourable Friend, Mr TSE Yu-chuen, referred to the problem of accommodation and care for the aged sick or persons suffering from permanent and severe disabilities. I can assure him that neither Government nor charitable institutions have overlooked this problem and my honourable Friend, the Director of Social Welfare, has already outlined some of the steps which have been taken to care for old people. In the medical sphere, the White Paper on the Development of Medical Services in Hong Kong recommended the provision of one hospital bed per thousand population to serve the needs of these unfortunate people; this aim is being actively pursued by Government in cooperation with a number of voluntary agencies, notably the Tung Wah Group of Hospitals, and there are now over 900 beds available for this purpose, while 450 more are now under construction.

My honourable Friend, Mr Dickson LEACH, has commented on the limited scope of the School Medical Service, stating that the scheme is, in its present form, inadequate and pays only lip service to the needs of school children. As the administration of the School Medical Service is in the hands of the School Medical Service Board, an independent statutory body, I have to reply on its behalf.

I share my honourable Friend's concern over the depressing lack of public support for the scheme, and I agree whole-heartedly that its limitations make it appear, at least to the layman, unworthy of the great efforts made by the Board since its inception to popularize it. It is true, too, that so far there has been no scheme of subsidy for those who cannot afford the pupil's \$7 annual participation fee but it is equally true that the Board is unaware of the existence of any genuine case of hardship which precludes any participant from joining the scheme.

However, I am asked to point out that the scheme was never intended as a free and comprehensive one, covering every aspect of medical and dental care, and that limitations were expressly implied by the terms of reference given to the 1962 Working Party, terms which clearly placed the scheme on a dollar-for-dollar basis. To this extent the present scheme should be considered as satisfactory.

The Board's formulary, which is periodically revised and is appropriate to such ailments as are normally found among children, was drawn up by a body of doctors and pharmacists, and has by experience been found to be adequate. Referrals to specialists in my Department are open to doctors participating in the scheme, and the closest liaison on all medical matters is maintained by my representative on the Board.

My honourable Friend is quite right in drawing the attention of honourable Members to the scheme's limitations, and I would agree that a fully comprehensive Service would mean an annual commitment of public funds of many times the figure of \$4 million quoted elsewhere. But while the 1962 Working Party did not contemplate a more comprehensive scheme, I think it is only fair to say that within the limits of \$14 per annum on a dollar-for-dollar basis the participant receives, for his \$7, medical attention and treatment of a standard he would not receive so economically outside the scheme.

Connected with this subject is the question asked by my honourable Friend, Mr Ross, concerning the setting up of a training school for dental nurses, and I am glad to say that some progress has been made in this since the last Annual Debate.

A small working party was set up to study the feasibility and implications of such a training school. As a first step, Government has agreed to a proposal to send one dental officer and two dental nurses to New Zealand this year, the former to observe teaching techniques and training methods for dental nurses, and the latter two to undergo training as Dental Nurse Tutors. The financial implications to establish such a school are being studied.

Finally I must express my thanks to those honourable Members who have so kindly brought up the many problems concerning the medical and health services, on this occasion. I would like to say in conclusion that I welcome suggestions and constructive criticisms in order to make continued improvements in the quality of services provided not only in the Government hospitals and clinics but also in the Government subvented institutions.

Sir, I have the honour to support the motion before Council.

MR A. M. J. WRIGHT:—Your Excellency, it is extremely disappointing to me that with so much to be done in the field of Public Works we were unable to make the progress which we had planned, and for which we had budgetted, in 1966-67. My honourable Friend the Financial Secretary has explained to honourable Members why much of the under-spending occurred and there is little that I can add.

However, one or two matters do require clarification. My honourable Friend Mr SZETO Wai questioned the \$16 million (the incorrectly quoted a figure of \$26 million) drop in Civil Engineering expenditure, and enquired how much of this was to the detriment of traffic. The answer is none; my honourable Friend the Financial Secretary has already explained that this drop is due almost entirely to the running down of the Kwai Chung development scheme as the project nears completion. The overall provision for roads and traffic engineering for 1967-68 is in fact slightly up on the provision for 1966-67.

There is one aspect of our under-spending on which I would like to speak at some length. Since the banking crisis of February 1965, 26 contracts have had to be terminated or transferred to other contractors; 14 of these were terminated and fresh contracts were—or are being—let, while the remaining 12 were transferred to the assignees of the original contractors. We have adopted this latter procedure wherever practicable in order to eliminate the long delays which follow termination and the calling of fresh tenders.

Of the 26 contracts involved, ten were site formation contracts and ten were building contracts; seventeen out of the 26 involved Resettlement or Government Low Cost Housing. Ten different contractors were affected. It is important that these figures should be seen in their true perspective; in the two years since 1st April 1965—a date which coincides nearly enough with the banking crisis—we have let 1,269 contracts including specialist sub-contracts. Thus, the number of failures represents only 2%.

Honourable Members will have noted that ten out of the 26 contracts were for site formation. Prior to the banking crisis there was a very strong demand for granite aggregate for concrete work and contractors, expecting a profitable sale of crushed stone, tended to quote very low prices for rock excavation. This was advantageous to Government as well as to the successful contractor, but the recession in private building which followed the banking crisis resulted in a slackening of demand and the prices quoted for rock excavation by these contractors were no longer economic. This, I believe, has been the main cause of the difficulties being faced by contractors on site formation and certain other civil engineering works.

Besides the 26 contracts which have had to be terminated or transferred there have been others—some 30 in number, mainly civil engineering projects—where progress has been slow, and in some cases it still is; but not so slow as to warrant termination. One Resettlement contract and two Government Low Cost Housing contracts are included in this category; progress on the former is still slower than it should be, but the latter—that is the two Government Low Cost Housing contracts—are now going well.

Under-expenditure on account of these troubles has been considerable, particularly where termination and the letting of new contracts, with all the attendant delays, has been necessary. The output of completed Resettlement and Government Low Cost Housing blocks has been temporarily affected, but Resettlement has picked up in the last few months and will continue at a high rate. To allay any fears on the progress of the six-year (1964-1970) Building Target for Resettlement, we have—for the third successive year—topped the hundred thousand mark. During the last 12 months we have completed 28 blocks containing 125,260 individual units of accommodation as well as 11 resettlement schools having 264 classrooms. Today we have building contracts in hand for 57 resettlement blocks which will contain 240,000 individual units; and 8 sites for new estates to house another 340,000 are in the process of being formed.

Although, because of the delays on the two contracts to which I have already referred, we were only able to complete 5,000 individual units of Government Low Cost Housing during the year, the overall picture is satisfactory. We have 18 blocks to house 66,000 under construction, and 4 sites for new estates to house another 145,000 are being formed.

At no time has my honourable Friend the Financial Secretary deferred or refused any request for funds to enable us to prosecute these housing and resettlement schemes with the utmost vigour, and they continue to be given the highest priority by all concerned at all levels.

My honourable Friend Mr RUTTONJEE, when advocating the development of Lantau and its connexion with the mainland by a road bridge, referred to Hong Kong's shortage of land. I have never fully subscribed to the view that Hong Kong is short of land; what we are short of is land which is easily accessible and can be developed simply and comparatively inexpensively. Even this situation has improved in the last few years, for the widespread land formation projects which have been put in hand during the last decade are now bearing fruit. Most of the land at Kwun Tong itself has already been developed, but we have recently reclaimed 168 acres in Kowloon Bay and within the next four or five years this will increase to 579 acres. We have

62 acres at Ho Man Tin, 536 at Kwai Chung with still more to come, 110 at Cheung Sha Wan and 20 at Hung Hom. On the Island we have 65 acres at Chai Wan with an ultimate goal of 255 acres. The Central Reclamation is nearing completion, and a start has been made on a new reclamation at Wan Chai which, when completed in a few years time will provide 90 acres close to the city centre. This, Sir, is a long list, yet it is by no means all.

To ensure that the Colony should not again be faced with an acute shortage of formed land, as it was in the mid-fifties, funds have already been voted to enable the Public Works Department to undertake vast land development schemes at Sha Tin and Castle Peak. My honourable Friend Mr RUTTONJEE in putting forward the claims of Lantau made no reference to either of these areas. Is Lantau to be in addition to them, or in place of one or the other or both? If he proposes that Lantau should be developed simultaneously with Castle Peak and Sha Tin I wonder if he can justify the development of three such areas to the extent contemplated by the draft plans for Sha Tin and Castle Peak. I do not think he could, either in terms of population growth over the next ten or fifteen years, or the anticipated demand for industrial land. If he is proposing that Lantau should take the place of Castle Peak one may well ask why. The possibility of recommending a large scale development scheme for Lantau has been considered within the Public Works Department but we have not been able to satisfy ourselves that we could justify such a proposal. Lantau has some advantages—particularly the proximity of its east coast to the harbour—but preliminary indications are that compared with Castle Peak its cost would be very much higher.

In regard to the Cross-Harbour Tunnel and Mr RUTTONJEE'S suggestion that we should make more use of our harbour by allowing five or six more vehicular ferry routes, I cannot do better than quote from a speech which I made in this Chamber in July 1965.* I then said: —

“I have not always been a staunch supporter of a cross-harbour link, but it is apparent that within a few years—by 1970, if not before—demand for cross-harbour vehicle movement may be such that we shall need to open a new vehicle ferry route each year if demand is to be met. To meet this demand by means of ferries is, I suggest, likely to prove impractical for several reasons, not the least of which is the multiplicity of cross-harbour vehicle services which would be needed, and the resultant increases in harbour congestion.”

My honourable Friend Mr F. S. LI questioned the curtailment of what he called “major” Public Works projects, and referred in particular to Castle Peak. No reduction in the ultimate development of Castle

* 1965 Hansard, page 461.

Peak is contemplated, but the by-census return, coupled with the very large areas of land already formed, or in the process of being formed, suggested that the need for land at Castle Peak was not so urgent as we had earlier thought. It was consequently decided to reduce the scope of Stage I, but if the situation should change the rate of development can be speeded up. At an estimated cost of \$50 million this reduced Stage I of Castle Peak is still no small undertaking.

For similar reasons it was decided to defer the later stages of land formation projects for residential land at Ho Man Tin and north Kowloon near the Lung Cheung Road. Much formed land already exists in these areas and the deferred projects can quickly be put in hand if the demand shows signs of building up.

Mr LI also spoke of the appointment of locally qualified graduates to professional posts in Government. The Public Works Department is a large employer of local graduates and the local man is playing a bigger and bigger part in the planning and development of this Colony. We have at present a strength of 114 Civil Engineers and Senior Civil Engineers of whom 65 are local officers, and in the last five years out of 81 posts filled only 30 have been filled by expatriates on contract, and then only because we're unable to fill the vacancies with local graduates. For Structural Engineers the figures are 24 of whom 22 are local officers, and in the last five years only two expatriates were appointed. Out of 34 Architects, 24 are local officers, and in the last five years no expatriates have been appointed. Many of these local graduates are filling senior posts in the department, particularly on the structural and civil engineering sides.

My honourable Friend the Director of Urban Services has already explained that he has a block vote of \$2 million which is used for the development of urban amenities. Besides this, my honourable Friend Mr Ross will be glad to know that a very large sum of money is spent each year from the Resettlement and Government Low Cost Housing sub-heads of the Public Works Vote on the formation and surfacing of recreation areas within the estates which comprise some 10% of the formed area of each Estate. Nevertheless, I endorse Mr Ross's emphasis on the need for recreation space, not only in areas of new development but also in the existing densely populated areas. For many years the Superintendent of Crown Lands & Survey and his staff have been conscious of this need and have been submitting a steady stream of sites—some large and some small—which they recommend should be set aside for development as public open space. Recently, the Town Planning Board adopted a formula for the provision of open space in all new development areas. This formula provides for 28 acres of public open space per 100,000 estimated population; 10% of the area of each residential zone is planned as local open space and the balance of the 28 acres per 100,000, spread throughout the area covered by

the plan, is zoned as district open space. This formula has been applied to the area covered by the Tsuen Wan/Kwai Chung plan, as well as the new towns at Castle Peak and Sha Tin.

In preparing plans for areas which are already developed the Board attempts to achieve these standards, but the difficulties are formidable and some degree of compromise is essential even though good use is made of new reclamations. The report of the Working Party on Slum Clearance, which is still under consideration, includes a recommendation that private land in the proposed Urban Renewal District, covering Sai Ying Pun and Western Districts of Hong Kong, should be acquired for development as public open space, and by this means the Working Party's plan provides for 24.2 acres of public open space within the 266 acres covered by the plan.

The Stonecutters reclamation scheme, with its 450 acres of typhoon shelter and its 400 acres of reclaimed land is one which attracted us in the Public Works Department some years ago, and our preliminary plans envisaged, and allowed for, if the continued occupation of Stonecutters for Service purposes. As I have already indicated in my remarks on Mr RUTTONJEE'S proposal that Lantau should be developed, it is difficult at present to justify any land reclamation schemes additional to those we already have in hand, or for which funds have been provided in the Estimates. Thus, the Stonecutters scheme must stand or fall on its merits as a typhoon shelter or a container terminal. My honourable Friend's suggestion will certainly be looked into, but if the container port is required as urgently as the Working Party suggested, the Stonecutters scheme could not possibly meet the deadline laid down.

I agree with my honourable Friend Mr SZETO Wai that the Kowloon City roundabout and, indeed, the whole road network linking Wong Tai Sin and Kwun Tong with western Kowloon, is seriously overloaded at certain times of the day. My honourable Friend is aware that proposals to relieve the overloading at Kowloon City roundabout have been considered by a sub-committee of the Transport Advisory Committee, but a decision was deferred pending consideration of a detailed report, now being prepared by the Government Civil Engineer, on traffic relief and road improvements to the whole North East traffic corridor. This report will include a breakdown of all works, with construction programmes and commencement dates, and should be in the hands of the Transport Advisory Committee before their May meeting.

Mr SZETO also spoke of mechanical car parks. We have a mass of files and literature on the subject and much time has been spent over the past few years in investigating the potentialities of various types and in analysing the manufacturer's claims. A very searching examination was made before we decided to build a ramped car park on the Garden

Road site. A fundamental weakness with mechanical car parks is the slow rate of loading and unloading, and in all the various types of which we have details this rate is far below that attained in conventional ramp type car parks, and far below what we must attain in order to meet the peak demands in commuter areas. For instance, Garden Road multi-storey car park, with 746 spaces, has a peak loading/unloading rate of 640 cars per hour, of 86% of its capacity, whereas the figures for various types of mechanical parking in Toronto, Chicago, New York, and Osaka vary between 180 and 200 per hour, averaging only 46% of capacity. There is, of course, the added danger of mechanical breakdown and the need to put the car parks out of operation periodically when servicing the machinery.

We shall continue to interest ourselves in the possibilities of mechanical car parking, but I am satisfied that the time has not yet come when we can with advantage change from the well tried ramp system. I suggest that mechanical car parking systems may be more suitable for use by private operators outside the main commuter areas where demand is spread more evenly over the day.

It is clear that the locations of population and population densities are of vital importance in the planning of any transportation systems, and I agree with Mr SZETO that in the existing built up areas a population explosion in the future could play havoc with any public transport system. That we recognize the need for decentralization is proved by Government's decision to go ahead with new towns at Castle Peak and Sha Tin; that we recognize the need for good communications to these two areas is shown by the virtual completion of the road through Lion Rock Tunnel and the decision to appoint consultants to prepare and report on the new dual carriageway road linking Tsuen Wan and Castle Peak. In regard to the other points raised by my honourable Friend, we shall be in a better position to consider them after we have received and studied the report of the Mass Transport Consultants, but I share his view that a further review of the legislation governing building development is desirable.

My honourable Friend Mr P. Y. TANG suggested, as one of a number of possible measures to encourage the launching of new industrial ventures in Hong Kong, a change in the existing system of sale of industrial land by public auction or tender or exchange. His suggestion seems to envisage direct private treaty sales, principally to encourage foreign investors, who, it is claimed, wish to have a reliable guide to the cost and conditions under which they can acquire a site.

It is true that some years ago there was very strong competition for all available industrial land, regardless of how it was being sold, and it was not easy to estimate the sale prices with any accuracy. Today the picture is quite different; Government has for disposal sizeable areas

of industrial land in a number of locations, including the new development areas of To Kwa Wan, Kwun Tong and Kwai Chung, and only a proportion of the sites offered for sale are being sold, and then generally around the upset price. It should not, therefore, be difficult for any potential industrial investor to find out the likely sale price of a site suitable to his needs. Conditions of sale are, of course, always published well in advance of the sale date. If the sites which are advertised are not suitable to an investor he can be supplied on demand with details of other sites and their development conditions, though it will still be necessary for him to bid for such land at public auction.

Other sites of a developer's own choosing will always be investigated on an enquiry being made, but this must inevitably entail delay whilst all the various problems involved in the sale of such a site are investigated, and may eventually produce a negative result. Equally, when my honourable Friend refers to exchanges, I do not believe that foreign investors need be forced against their wishes to resort to such transactions which are designed primarily to cater for local landowners in the New Territories whose land is being acquired for public purposes. Without such exchanges, I may add, very little in the way of development could ever have been achieved, for example, at Tsuen Wan or Kwai Chung, where Crown land has hitherto been in very short supply.

My honourable Friend Mr P. C. Woo repeated the request made by Mr C. Y. KWAN at last year's Budget debate for Government to consider the substitution of a Tenancy Tribunal for arbitration in subsection 5(b) of section 18 (formerly Section 9D) of the Buildings Ordinance. In his reply, the then Attorney General pointed out that at that time Government 'had no evidence to show that hardship had been caused. He added that re-consideration would be given should such evidence come to light, and 'requested that instances be brought to the attention of the Colonial Secretary or himself. As far as I know, no cases of hardship have been so referred.

I have consulted my honourable Friend the Secretary for Chinese Affairs and I understand that in the past year he has been asked to mediate in 16 cases. Of these 8 have been settled, 2 will go to arbitration and 6 are still pending. I am continuing these discussions and if it appears that hardship is being caused I will bring the matter to the attention of the Colonial Secretary.

Sir, mention has already been made of the Mass Transport Feasibility Study and the Long Term Road Plan, but before I conclude I should like to refer very briefly to two other planning studies which we are undertaking. The Colony Outline Plan has made good progress and we expect that the reports of its six sub-committees will be completed before the end of this year. A Water Resources Survey Unit was set up in 1964 to investigate the overall water requirements and resources of the Colony with special reference to the period 1970-1980.

The Unit has just presented its second interim report and its recommendations are being studied. The information which is being provided by these various investigations will be of inestimable value not only to the Public Works Department in its future planning, but also to all who are concerned with the administration and development of Hong Kong.

Sir, I beg to support the motion.

HIS EXCELLENCY THE GOVERNOR:—I now suspend the sitting of Council until 2.30 p.m. tomorrow, the 30th March.

* * *

30th March 1967

HIS EXCELLENCY THE GOVERNOR:—Council will now resume.

THE FINANCIAL SECRETARY:—Your Excellency, in view of the nature of this year's Budget I had supposed that I might be let off rather more lightly than I have but, as it turns out, there are a great many points in honourable Members' addresses which I must answer. I apologize if I do not deal with all of them as fully as they deserve— and also if my speech to-day is a little disjointed; it is difficult to pick out any general theme in the debate.

There have been two specific proposals involving Earnings and Profits Tax.

The first is from my honourable Friend Mr P. Y. TANG who suggests higher depreciation allowances, both initial and annual, to encourage technological investment in industry. He compares our allowances unfavourably with those granted elsewhere. I think his comparison is not wholly fair; has he not forgotten to bring into his calculations the comparative rates of profits tax? Ours is 15%; there are few other places where it is less than 40% and often it is more.

Depreciation allowances are meant to relate to fair wear and tear over the working life of an asset. I think it is wrong in principle to use the tax system to grant what are tantamount to interest free loans to specially favoured, even if specially important, sectors of our economy, by disguising them as unrealistically high depreciation rates. When, of course, tax rates become so high as to reduce drastically the

disposable profits of an enterprise or, to use a concept I have frequently heard my honourable Friend use, its cash flow, it may become necessary to use such special devices to undo the harm done by these high rates. It is one of the virtues of a low tax rate that such discriminatory devices are not necessary.

It was only two years ago that, on the initiative of the Federation of Industries, we revised our depreciation provisions thoroughly at an estimated immediate cost of \$10 million a year to the revenue. If any rates are still too low in relation to actual depreciation of the assets, then I am certainly prepared to look at them; while the Commissioner himself has power, under the rules, to allow an accelerated rate where there are special circumstances to justify it. But any special assistance to industry in general must, in my view, be open and above-board, not concealed in the tax system.

As my honourable Friend made special reference to the desirability of encouraging *existing* plants to re-equip, I should also point out that, when plant is scrapped, an immediate balancing allowance is granted to the full extent of any difference between the residual book value after normal depreciation allowance's and actual disposal value.

My honourable Friend Mr Dickson LEACH suggested that mortgage interest should be allowable as a deduction for purposes of Salaries Tax. I am afraid that once again I must oppose this on grounds of principle in that this expense is not incurred in the production of the taxed income (although here I must admit we are already in breach of this principle with our allowances for insurance premia). But there are other objections, notably the unfair incidence of the proposed allowance, which would benefit only those who 'have substantial income subject to tax and have borrowed to acquire a house. The man whose income is below tax level or who has bought a house for cash or who occupies a rented home would not benefit. In Britain, where interest is allowed as a deduction (although not only mortgage interest), its unfairness has been recognized and partly met by a system of equivalent benefits by means of subsidized interest rates for home-buyers who are taxed below the standard rate. I am afraid that, attractive as it is, my honourable Friend's proposal is not really practicable. Apart from objections of equity, it would be very difficult to administer here.

My honourable Friend Mrs Ellen LI has raised once again the question of granting tax exemption for donations and endowments for social welfare, education and medical work. At last year's Budget session I promised to give serious thought to this proposal. I have done so but I have arrived, I am afraid, at a negative, although it is a conditional negative.

Two justifications are generally advanced in support of the proposal. The first, that those who give to charity deserve tax exemption

as a reward for merit; that cannot apply here because, with a tax system under which much income is exempt, it would apply most erratically. The second justification adduced is that it would increase the flow of charitable donations by much more than the tax we would lose and pressure from charitable bodies on public revenues would be eased. I take leave to doubt this, at least so long as our standard rate is as low as 15% and recipients of exempt income, such as dividends, are unaffected. Then the administration of any such system would be difficult, both in relation to the structure of the tax system (in particular, the absence of a full personal tax) and, more especially, to the determination of what charities qualify and how much they have actually received and from whom.

My conclusion is, therefore, negative; but it is conditional in that, if the administrative problems were to be eased by the creation of some sort of Community Fund, donations to which, alone, would be deductible for tax purposes it might be worthwhile overriding the other objections.

Tax evasion has been mentioned by my honourable Friends Mr Wilfred WONG and Mrs Ellen LI. I do not understand why Mr WONG should regard the figure of 39,590 business firms maintaining tax files as indicative of tax evasion. One firm earning profits at the taxable level per 90 inhabitants is surely an unusually high ratio? Furthermore, the 110,000 firms registered under the Business Registration Ordinance are all kept under review for profits tax purposes. As to Salaries Tax the relatively small number of taxpayers is due, as I said last year, to our extremely generous personal allowances. In respect of the financial year 1965-66, salaries tax returns of those who were actually liable to some tax totalled over \$1,000 million but tax charged was only of the order of \$45 million.

But I do not, of course, deny that there is tax evasion. The experienced investigation officer we have recently appointed is already having some success; while the Inland Revenue Ordinance Review Committee has endorsed certain recommendations made by the Commissioner for strengthening his powers of investigation and has recommended that early action be taken to introduce these, and certain other amendments to the Ordinance, in advance of their main recommendations.

My honourable Friend Mr Dickson LEACH has made two suggestions about Tax Reserve Certificates. The first is that interest should accrue in the month of encashment on a day to day basis. I believe that this would involve a disproportionate amount of work; but I think it would be possible to make some improvement by paying interest in respect of each complete month between purchase and encashment. I will look into this.

His second suggestion was that the certificates might be issued at Post Offices. I think this is a little premature as there is no evidence yet of the emergence of cash customers for them, but we will bear it in mind. One thing we have done and are prepared to do is to make special arrangements with big employers for the purchase of certificates for their employees.

My honourable Friend Mr Li has asked, in connexion with the proposal to lower the maximum rate of Estate Duty, how many estates were taxed at the maximum rate last year and what sum was collected in respect of them. So far in the financial year 1966-67 there have been four new estates over the amount at which the proposed new maximum rate would apply. Duty on these estates will be about \$6.5 million; at the proposed new rates it would have been \$1 million less. But a year's collections do not coincide with the years in which estates become liable because collection takes time. In the last complete financial year, estates chargeable at over the proposed new maximum rate produced \$7.3 million in tax actually collected; at the new rate this would have been reduced to \$5.5 million.

My honourable Friend has also asked why I think that ideally the rate of Estate Duty should be the same as that for Earnings and Profits Tax. One thing that is in my mind is that our Earnings and Profits Tax excludes the main sources from which, I believe, large estates in Hong Kong have been built up, that is, dividends and capital gains. It would seem appropriate that they be taxed after death on the same basis as the tax from which they have been exempted in life.

My honourable Friend Mr Li has asked, apropos of the abolition of radio licences, whether I have ceased to hold the principle, which I enunciated when proposing increased charges for water, that consumers should be charged for Government-provided services on an at least break-even basis. I confirm that I still maintain this principle. But, while, in the case of water, we know how much each user consumes, we do not know of any individual radio-owner whether, or how much, he listens to Radio Hong Kong rather than to another station. That is why I said that the radio licence fee had become more of a tax than a fee, so that the principle has ceased to apply to radio.

My honourable Friend Mr Li has once again, in connexion with our need for increasing revenues to match increased expenditure, had the political courage to advocate a full income tax system and has asked me how I came to descend from that previous state of innocence in which I was inclined to agree with him. I do not propose to make a full confession, but merely mention one or two factors in my lapse from grace. One of these is an increasing awareness of the benefits to our economy, particularly in terms of investment and enterprise, both local and from overseas, of not having the inquisitorial type of tax

system inevitably associated with a full income tax. Another is that even I, who have always believed in the vigour of our economy under our present tax regime, have been surprised by the growth of revenue generated at our present tax rates. This has, for one thing, made the prospect of having to increase rates of tax to such a level as would invalidate our present system much less imminent.

I cannot answer my honourable Friend's question whether our standard rate of tax will remain for ever at 15%. But there is clearly no pressing need to change it at present. I have also, as I said last year, against the time when we may have to increase tax revenues been giving thought to some form of tax, like a separate tax on dividends, which would tap wider sources without compulsory personal aggregation of income, while giving the less well-to-do the continued protection of that optional substitute for a full income tax which is made available through Personal Assessment.

My honourable Friend Mr Wilfred WONG, in a thoughtful and thought-provoking speech, has spoken of the need to expand public services, and, rejecting higher taxation as a means of financing them, has suggested that there are two other methods of doing so, deficit financing and public borrowing.

I am not at all clear what he means by deficit financing, particularly as he also refers separately to "real" deficit financing. Possibly by, if I may put it this way, by "unreal" deficit financing he refers merely to running down our reserves. That no-one can take exception to, so long as our reserves are not run down too far, and this we are in fact aiming at doing—and should succeed if revenue receipts don't run away with themselves again. But, referring to "real" deficit financing, he speaks of it as being "covered by loan financing and eventually by increased taxation if desirable". I don't think that even this is "real" deficit financing (with one qualification as regards borrowing which I shall make later). Deficit financing proper is rather the process whereby a Government spends more money than it withdraws from the economy by taxation, borrowing, running down reserves, etc.; thereby causing in most circumstances, and very acutely in ours, monetary inflation and severe pressure on the balance of payments. I presume that my honourable Friend does not mean this dangerous kind of "real" deficit financing, although some passages of his speech appear to imply that he does, and it has its advocates elsewhere.

My honourable Friend's actual suggestion is that we should aim to spend \$30 million more a year than is included in our five year Forecast. I would not be afraid of an increase of that order, however financed; but the question is also one of how to generate public expenditure at a higher rate in an efficient and economical manner and with the right priorities. The Forecast, as I have said before, merely indicates the

possible financial effects of present policies and programmes of expansion.

Let me return now to the subject of borrowing which has been referred to not only by Mr WONG but also by my honourable Friends Mr F. S. LI, Mr P. Y. TANG, Mr WATSON (with reference to the finance of his Parking Authority) and Mr SZETO.

I gave my views on this at considerable length in last year's debate. I said that basically I had no objection to borrowing for capital public expenditure so long as loan money was available on conditions, as to rate of interest and term, that would allow the investment to be self-liquidating over the period of the loan. I pointed out, however, that, if this criterion were accepted, very few of our public investments would qualify at present for loan finance on the terms on which we are likely to be able to borrow commercially—at least not without very substantially increased charges for the public services so financed.

I also made the point that, if we were to avoid the pitfalls surrounding "real" deficit financing, to borrow Mr WONG'S phrase, borrowing must genuinely remove spending power from the economy if it was not to be inflationary; and in particular that public loans must not, in addition to being spent by Government also become a basis for inflationary credit creation by being treated as liquid assets for banking purposes. This is the qualification I earlier mentioned when speaking of "real" deficit financing financed by borrowing. I am afraid that this is one of the reasons why my honourable Friend Mr P. Y. TANG'S proposal of Treasury Bill financing is not practicable; besides breaking the golden rule that one must not borrow short and invest long, not even a Government, particularly one which cannot have recourse to the printing press. Were we to issue Treasury Bills we could not increase public expenditure on the strength of them; all we could do with the proceeds is invest them overseas or re-deposit them with Government's bankers here—which would not achieve what my honourable Friend has in mind—and might even cost us something in interest difference. The proper purpose of Treasury Bills is to even out revenue receipts when they tend to be concentrated at one period of the year. Our revenues are not unduly concentrated and our reserves are adequate to cover minor fluctuations.

Since last year's Budget however, we have drafted a Bill authorizing public borrowing although it is not quite in its final form yet. But the drop in public works expenditure and the possibility of a World Bank loan have made early action on this less necessary.

World Bank borrowing has been referred to by a number of members. My honourable Friend Mr F. S. LI spoke of the recent World Bank Mission as "looking for business" here and rather implied that we

were proposing to turn up our noses at their spontaneous offer of funds. This is, of course, not so. The Bank look not only at credit-worthiness but also at credit need and do not go looking for business for its own sake. I certainly hope that the World Bank will decide that we meet both their criteria and that they may agree to help to finance a suitable project here.

My honourable Friend Mr LI also suggested a series of short-term loans if the Bank were willing and if the terms were right, as being preferable to long-term arrangements if interest fell, as they might, I don't think this is feasible. If re-financing at the end of each successive loan were to be guaranteed in advance, we could hardly expect not to pay the long-term interest rate; if it were not guaranteed, we could not accept the risk of not being able to re-finance when the time came.

My honourable Friend Mr Wilfred WONG has also suggested creating "something of the nature of a bill and/or money market" in Hong Kong. Again, I am not altogether clear what my honourable Friend has in mind, or just how it would absorb idle money on a short-term basis—to be absorbed idle money must have something to be usefully employed on and the existence of a money market (unless an international money market—which would not meet my honourable Friend's other object of preventing outflows of money) does not necessarily by itself create suitable employments. So far as attracting capital from outside is concerned, we already are attracting this to what could be an embarrassing degree because we are already in fact an international financial centre. There is, in any case, something of a money market here already, mostly but not entirely within the banking system itself. It may well be that it would be advantageous if this were to develop further so that credit instruments were more freely negotiable by discount or otherwise, but it must, I think, be a spontaneous process of development within the field of commerce and banking and cannot be imposed from on top. It depends for one thing on the availability of adequate supplies of "paper" in which the market has full confidence. I have already explained why Government cannot supply this to any purpose.

My honourable Friend Mr WONG has also said that it was felt in certain quarters that banking restrictions had gone far enough and that it was difficult to understand that money is still rather tight while total bank deposits keep on increasing. My honourable Friend, Mr P. Y. TANG, also referred to the excess external liquidity of the banks (although he exaggerates it substantially and there are certain unusual features about the present situation).

There is still considerable talk about a credit squeeze by the banks, although this is a little difficult to reconcile as a generality with the

increase in bank loans and advances in 1966 of \$342 million or 7%; although there may, I accept, be difficulties in some sectors. I think this talk of a credit squeeze is partly a consequence of similar talk in Britain; but there bank loans and advances *fell* by 2% in the same period. In this connexion there is one particular point on which I would like to remove a fairly widespread fallacy—widespread, I suspect, because bank managers like to use it as an excuse for refusing loans without offending their customers. This is the fallacy that the so-called “credit squeeze” has been imposed on the banks by the Commissioner of Banking and myself. This is simply not true as we have no power to require a higher liquidity ratio than 25% in terms of the Banking Ordinance. If the banks in general have now gone from 27.6% at the end of 1964 to 36.4% now (on rather more restrictive criteria than those in the Banking Ordinance), and these are figures below which they have incidentally fallen in only three of the last 12 years this is for quite another reason. One of these is the rapid growth of deposits, much of them from outside the Colony; it is difficult for the increase in lending to keep pace with last year's increase of 15% in deposits. The banks too are themselves very much more conscious of the need for liquidity (and with high interest rates in Britain liquidity has not been so painful a discipline for them as at some times in the past); and they are no doubt conscious of the possibility of an element of “hot money” in their deposits. But even so, at the end of 1966, the ratio of advances to deposits here was 64% against only 49% in Britain. Finally, and here again the unusually rapid rate of growth of deposits is also relevant, banks are certainly more cautious commercially than they were in the rather more carefree days before 1965; and there seems to be more money available for lending under the liquidity rules than there are what are in the banks' view, commercially sound or adequately secured projects looking for credit; and it is, of course, a feature of our economic vitality that there are always plenty of projects looking for funds. But in all this the banks must themselves be the judges of the degree of liquidity they need and of the soundness of projects and of the security offered; no-one, not even Government, can force them to lend against their own judgement.

I have just one other thought on credit. The \$8,000 million in the banks belongs to, and is under the control of, depositors. Should our credit seekers, particularly for other than the short-term, not be doing more to attract these funds directly into their enterprises instead of looking to the banks as intermediaries? We have come to rely too heavily on banks and not enough on private risk capital.

One final word for Mr WONG, who has certainly made me work this year. He claims that, however our foreign trade may have improved, no-one would like to state that the internal economy was better

in 1966 than 1965. He referred particularly to the retail trade, the shops, restaurants, theatres and the building trade, the real estate and stock market. I will not go through them one by one, because detailed information is lacking on most of them; but there is one on which I *do* have accurate information—that is theatres. Their gross receipts rose in 1966-67 by 10% from \$116 million to \$127 million. That does not sound so bad; and I don't expect that Inland Revenue figures, when we come to get them, will tell us a so gloomy story of the internal economy in 1966 as Mr WONG suggests.

My honourable Friend Mr LI has again expressed anxiety about a possible outflow of capital, both generally and with specific reference to brokers dealing in foreign shares, and wants us to take special action to stop or at least discourage it. I do not think that my honourable Friend's fears give sufficient credit to the strength of Hong Kong in its role as an international financial centre. Indeed such fears, if widely held, could adversely affect that role. Simply put, money comes here and stays here because it can go if it wants to go. Try to hedge it around with prohibitions, and it would go and we could not stop it; and no more would come.

We do not have the information Mr LI asks for of the total sums involved in free market exchange operations and it would be virtually impossible to get it. It is not particularly relevant information anyway, although no doubt it would be interesting. Our balance of payments mechanism is, and must be, self-adjusting. Even if we were unfortunate enough to experience a capital outflow, to try to correct it by restriction or any form of discrimination would merely make matters worse. Our only course is to ensure that the economic and political conditions here are such as to give every inducement to come and to stay; this policy has worked and will, I believe, continue to work.

As to whether we are experiencing a net inflow or outflow at present, I have been puzzled in recent months by gloomy stories of vast sums leaving Hong Kong. I think these must be hasty generalized conclusions drawn from knowledge of some of the outward transactions that are going on all the time, as is only natural in an international financial centre. It cannot all be a one way movement. But, even if we have not got detailed balance of payments statistics, we have some pretty good indications of how things are going. For example, although there has been no internal credit creation through the banks this year, bank deposits have risen during the year by \$1,146 million or 15%. Again, our sterling assets, an increase in which, rather confusingly, generally reflects an inflow of capital, rose from £280 million to £339 million during 1966. I cannot believe that these increases came solely from our own unspent savings accumulated during the year. To reconcile them with a net outflow of capital is hardly imaginable. Indeed,

my concern recently has been rather that the net *inflow* has been excessive; already a very high proportion of our bank deposits belong to non-residents and this could be a potentially unstable factor in our economy if we were to do anything to upset confidence.

My honourable Friend Mr LI has also spoken of pressure on sterling last year and has asserted that whether all our reserves should be held in London is open to doubt. I am not sure whether he is suggesting a speculation against sterling in the form of non-interest bearing gold or of low interest bearing American securities. In either case he would appear to be suggesting that we should leave the sterling area. I doubt if that would be wise and, while we are members, we must accept the obligations as well as the benefits of membership. Our links with sterling are too strong to be lightly broken. In any event, as I am sure my honourable Friend is aware. Her Majesty's Government have repeatedly emphasized their firm resolve to maintain the exchange value of the pound.

As to the par value of Hong Kong dollar in relation to other currencies, this has nothing to do with the financial autonomy granted to this Council in 1958 mentioned by my honourable Friend; that relates to public revenue and expenditure. The par value of the Hong Kong dollar is strictly not a matter within the sphere of this Council. There is no statutory relationship between its value and the value of sterling. Our dollar's official par value is set in terms of gold by a declaration under International Monetary Fund rules, made by Her Majesty's Government in London as this declaration is constitutionally a matter of international relations; while the practical arrangements for maintaining the dollar's value are in the hands of this Government, working through the Exchange Fund in co-operation with the note-issuing banks. In the event of a change in the value of sterling, the IMF parity of the Hong Kong dollar in terms of gold may be maintained or varied. Like the original declaration, the declaration to the International Monetary Fund of a change in parity would require an act on the part of Her Majesty's Government. The practical arrangements for maintaining a new parity would again be in the hands of this Government.

My honourable Friend Mr WATSON has given us another brilliant exhibition of special, indeed specious, pleading on behalf of his favourite cause, the provision of subsidized car-parks at the expense of the whole community. He has once again made our hearts bleed for the wretched lot of that small, indigent and oppressed minority, the car owner, who, unlike the more fortunate 95% majority of our fellow citizens, is apparently denied the facilities of the public transport services. One gem I specially enjoyed was the reference to the alleged profit made on public car-parks as "a tax imposed on the poorer members of a small section of the community".

I do not think there would be much point in inflicting on this Council a repetition of what I said last year on the subject. My honourable Friend is not to be convinced. But there are three points I think I should make as briefly as I can.

Firstly, Mr WATSON says that our policy is very different from practice in Britain and America. I do not think that this is so, quite as he means it. Whatever comparative policies may be, and I do not have the time to go into that to-day, our practice, measured by actual achievement, is very much in advance of theirs, in all but a very small minority of places; and as for charges, we have not yet aspired to the rate in San Francisco, which he holds up as a shining example, of \$12 Hong Kong a day and upwards.

Secondly, I am a little astonished that here in Hong Kong my honourable Friend is against private enterprise and business profits. I wonder how far he would take his principle of socialization beyond socialization of the means of parking (and of garaging too, for he makes no distinction between parking at work or business and garaging at home)—for I assume that this socialization must be the principle he is advocating and that he does not merely argue that, because car owners obstruct roads by parking illegally, the public must contribute towards abating the nuisance by protecting them against normal economic processes and disciplines affecting the provision and allocation of scarce space.

Thirdly, public car-parks are subsidized now, whatever my honourable Friend may say to the contrary. What he says largely flows from his unorthodox views of the nature of costs. He has said that he proposed to vote against the Estimates of Revenue and Expenditure because they include a tax of which he disapproves. I have elicited from my honourable Friend that he referred not to any tax the rest of us can recognize as a tax but to the tax he alleges is levied in the shape of a surplus from charges for car-parks. I recall once remarking in jest that some special pleaders were apt to characterize a refusal to provide a subsidy as the imposition of a tax. My honourable Friend has provided me with an excellent specimen for my collection.

My honourable Friend has proposed his own solution to the problem, a Parking Authority. He has stigmatized Government policy as unfair, unintelligent and unprincipled. These are strong words. But I would myself say that, if my honourable Friend's proposal is (and this is not clear) that public land should be provided free to the Authority, then it is unfair to the majority of the community; as to principle, what principle I have been able to discern in his proposal appears to be bad principle as I suggested a few minutes ago; while if he believes that the Authority can borrow at anything approaching the interest rates and terms that Government uses when calculating the cost of public car-parks

built with tax revenue, then his proposal is, I will not use his own adjective describing our policy, unintelligent, but at the very least unrealistic. I would suggest that if he wishes to implement his proposal he might organize a car owners' co-operative for the provision of parking space rather than invoke the compulsive powers of Government to solve the essentially private problem of a minority.

My Friend, Mr SZETO, has suggested that hawkers might be accommodated on the lower floors of car-parks. We do attempt to find some other use for lower floors so as to reduce the burden of land costs on the car-parking floors; and, if a hawker market is required in any area where our policy indicates a public car-park, then we can certainly consider my honourable Friend's suggestion. But I do not think that the need for a hawker market would justify a public car-park in any area where we would not otherwise provide one; although, again, I think it would not be impossible to combine one with a private enterprise car-park with this same effect of lowering the incidence of land costs on the car-park.

I am not, of course, denying the serious problems caused by the parking and garaging situation in certain areas, even if it is the car owners themselves that cause their own difficulties as well as those of other people. But the normal economic processes I have spoken of are now beginning to work. There is evidence that private enterprise is becoming increasingly interested in the opportunities. But there must be an assurance of no unfair competition from on-street parking or from publicly subsidized car-parks, if rapid progress is to be made. Our policy must be given a chance to succeed; there are signs indeed that it is beginning to do so.

My honourable Friend Mr SZETO has alleged that the comparative incidence of fees and taxation on road transport is unfair. I did not mean to suggest last year that the proper criterion was necessarily tax per passenger mile rather than tax per vehicle mile. I was merely suggesting that my honourable Friend's proposition (which was propounded last year by my honourable Friend Mr Y. K. KAN) is not self-evident. I should be happy to consider any redistribution of the incidence of fees and taxes, in the interest of greater fairness, that the Transport Advisory Committee or the Commissioner for Transport may suggest—so long, of course, as the total revenue yield is not reduced thereby.

My honourable Friend Mr WATSON has also complained that road-users are being taxed to the tune of \$159 million but only benefit, as road-users, by expenditure to the tune of \$81 million, thereby subsidizing the rest of the community to the extent of \$78 million. I discussed last year the WATSON theory of taxation, if I may call it that, which lays down that all taxes must be returned to those that pay them in

direct benefits related to the activity which bore tax. I will not dissect this theory again as its fallaciousness seems to me patently obvious. But, in any case, I cannot reconcile my honourable Friend's figures with the facts as known to me. The figure for taxation is so much higher than the correct one that I suspect that, by a slight, but logical, extension of his theory of taxation, he has added in all taxes paid by motorists both as motorists and in their other capacities, including salaries tax, tobacco tax and so on; while it seems probable that he has left out of the expenditure side such items as the Traffic Branch of the Police, no doubt as 'being inimical to the motorist's interest rather than beneficial. I would have been happy to provide my honourable Friend with the correct figures in advance had he wished to quote them in the debate.

I agree with him, however, that the estimates could be improved if they were to include the revised estimates for the previous year's expenditure on each public works item. The figures are, of course, available and I shall see if they can be introduced into the draft Estimates next year without adding excessively to the bulk of the volume or delaying its preparation.

My honourable Friend Mr ROSS has suggested that we should take a close look at our insurance regulations in the light of the recent failures of motor vehicle insurance companies in the United Kingdom. The Registrar General, in whose sphere this subject largely lies, is already taking such a close look at this and will, I understand, be making recommendations soon for, at least, interim action pending a fuller review.

As to deposits by insurance companies, there is certainly a case for requiring such deposits as may be necessary to give substantial protection to policy holders. But whatever may be done in some countries, I would deprecate any system of deposits intended as a financial or economic measure to produce a flow of insurance funds tied to investment in the Colony.

My honourable Friend Mr Ross has spoken again about typhoon shelters in the harbour. In answer to a question of his in January last year, my honourable Friend the Director of Public Works said that, once an estimated cost had been prepared, the project would be "critically examined, balancing the need for more sheltered anchorage in the harbour against the capital cost of providing it". An estimate of cost has now been produced at between \$10 million and \$14 million, as will be seen from the report of the December meeting of the Public Works Sub-Committee. This wide difference is due to the possibility of substantially lower tenders at present than we have had in recent years. The critical examination is now being carried out.

But my honourable Friend spoke also of the need to plan a container port, which would have the effect of reducing drastically the amount of lighterage in the port and, therefore, the need for further typhoon shelters. Surely we cannot be expected to expend public funds on two alternative facilities, one of which might never be needed. This dilemma clearly is a factor which is going to complicate the whole issue considerably. The commercial world really must make up its mind which of these facilities it needs.

I may add in connexion with the Aldrich Bay shelter that we have already completed the necessary formalities under the Public Reclamation and Works Ordinance in anticipation of a decision on its construction, so that there will be no delay on this score if any when we decide to proceed.

My honourable Friend Mr Dickson LEACH has suggested that there is a case for examining very closely the question of obtaining revenue from travel to Macao to offset the heavy expenditure we are incurring in the provision and operation of facilities for this. He suggests this as a convert to my view of the need to levy special fees to offset the public cost of meeting special needs. There is one difficulty however about this concept in relation to travel, that is, the question whether or not it is reasonable to charge travellers for the cost of immigration controls, which are not primarily concerned with providing a service to the ordinary traveller but with preventing the entry of undesirable persons. I think there is a case, perhaps, for excluding, some of this expenditure but I think also that the travelling public should pay something towards it, particularly when it arises from special efforts to speed up to the maximum the processes of departure and arrival. I can assure my honourable Friends that we do intend to impose some further charge on use of the Macao wharf beyond the present rentals charged to the shipping companies. Just in what form or how much is not yet decided.

I am sorry that I have had to speak today for very nearly as long as I spoke when introducing the Budget. Honourable Members must, I fear, blame themselves or perhaps each other for this rather than me.

Sir, I support the motion.

THE SECRETARY FOR CHINESE AFFAIRS:—Sir, it falls to me to respond briefly to the remarks made by the Honourable P. C. Woo and Mrs LI on the subject of the law relating to marriage.

Mrs LI expressed dismay at the Government's intention to publish yet another Report or White Paper on this subject, and indicated that she would much prefer to see action put in hand to amend the law without further ado.

We are well aware, on the Government side, that action in this matter is overdue. We have no intention of accepting, much less of causing, further lengthy delays, and I have no doubt but that legislation would have been introduced years ago were it not that these are very highly controversial matters.

Mrs LI mentioned the Strickland Report, and she mentioned the 1960 White Paper. I think I should remind Members that the Strickland Committee proposals led to the expression by different sections of the public, of differing views which were strongly and widely and honestly held, and which were quite irreconcilable one with the other; and that the response to' the 1960 White Paper, which was put out very much for the purpose of further testing public opinion, was if anything even more strikingly divided between opposed points of view.

Apart from the fact that no consensus of opinion can be expected in this controversial field, there is a further special difficulty, namely that the more educated 'and progressive elements in Hong Kong society are on the whole less likely to be affected personally by these matters, whilst it is the less sophisticated citizens to whom it is most important that proposals of this kind should be very clearly and fully explained. These are the reasons, Sir, why the Government considers that after the publication of the forthcoming White Paper, which is now almost ready, there should be one further limited period of explanation and discussion and examination of public comments. But this is intended to be the final stage before the preparation and introduction of legislative measures designed to cure or remove the anachronisms and defects of which the community has for long been aware and to which my honourable Colleagues have once again drawn attention.

Sir, I support the motion before Council.

THE ATTORNEY GENERAL: —Sir, I was glad to hear the Honourable Mr Woo revert to the subject of law reform, a matter on which he has always taken a keen and helpful interest.

As the honourable Member said, he put forward a number of suggestions for reform during the Budget debate of 1965 and some of them have not yet been carried out. While this is so, it does not, perhaps, give the full picture, which is that several of the reforms which were proposed by him at that time have been carried through in the past two years.

For example, the Limitation Ordinance 1965, consolidated the various old English Acts dealing with limitation of actions. The Hong Kong Code of Civil Procedure, passed in 1873, has been completely

rewritten and modernized and is in the process of being printed for issue in the near future. The general jurisdiction of District Courts has been increased by the District Court (Civil Jurisdiction and Procedure) (Amendment) Ordinance 1966, from \$5,000 to \$10,000. Legal Aid in civil cases has been introduced by the Legal Aid Ordinance 1966.

These examples will, I hope, demonstrate to honourable Members that the government is willing, and indeed anxious, to reform the law to the limit of the resources available. Law reform, however, is a slow process and depends mainly on the availability of accomplished legal draftsmen, of whom there is a world-wide shortage.

The honourable Member expressed particular concern at the lack of any legislation in Hong Kong on the subject of hire purchase. Business of this kind grew at a great pace in Europe and the United States between the wars. Unfortunately, it developed there in ways which imposed considerable hardship on buyers, so that it was found necessary to enact legislation for their protection against unscrupulous and oppressive sellers.

I do not know how much hire purchase business is done in Hong Kong, nor how badly purchasers under the system need protection. I am informed that few complaints have been made on the subject to any government department. However, the government will investigate as soon as possible the need for control of this kind of business. If it then emerges that hire purchase is widespread and that protection of buyers is necessary, legislation on the lines of the English Acts, with appropriate amendments, will be prepared for submission to this Council.

The present law of Hong Kong, governing the distribution of the estate of a non-Chinese person domiciled in Hong Kong, who dies intestate, is the Statutes of Distribution 1670, under which the position of the widow, in particular, is less favourable than under the present English law, which is contained in the Administration of Estates Act 1925, as amended by later acts.

Where a spouse disposes of property by will and fails to make reasonable provision for the surviving spouse and children, application can be made under English law to the court for an order that reasonable provision shall be made for them from the deceased's estate. No such provision exists in our law, so that, for example, a rich man could die and leave his widow and children penniless and without redress.

The Hong Kong Law Reform Committee, under the chairmanship of the Chief Justice, in its Third Report to the Governor, recommended that our law on intestacy and family provision on death should be amended so as to bring it into conformity with the current English

law on these subjects. The Committee further recommended that the new legislation should not only apply to non-Chinese persons domiciled in Hong Kong, but also to any Chinese domiciled here who wished to have succession to their estates on intestacy governed by the new legislation. Legislation based on this report is now being drafted, with the support of the president of the Law Society of Hong Kong, who has expressed the view that it is urgently needed.

These recommendations are, in a sense, a compromise, since legislation based upon them would not seek to impose the English rules of succession and family provision upon Chinese, the distribution of whose estates, on partial or total intestacy, is governed by Chinese law and custom, but to give such persons a choice of which law should be applicable to their estates. It may be, however, that Chinese opinion is prepared to contemplate the adoption of the same intestacy rules for all estates, Chinese and non-Chinese. The government intends to sound out opinion on this subject, once the question of Chinese marriages, to which the Honourable the Secretary for Chinese Affairs has referred, has been dealt with. This may take a considerable time, but meanwhile the compromise legislation I have referred to will continue to be prepared.

I agree with the honourable Member that the present scope of investment permitted to trustees is a narrow one. The consequence of this may sometimes be a substantial loss of both income and capital gain to trusts. It is not, of course, easy to strike a fair balance between the desire to obtain the largest possible return on trust monies with the need to protect trust funds and their beneficiaries and any extension of the list of authorized trustee investments should only follow the most careful consideration.

A Working Party was established late last year by the Financial Secretary, to review the present authorized investments and to consider whether the wider investments, allowed by the United Kingdom Trustee Investment Act 1961, should also be permissible in Hong Kong. It would be premature for me to give any sort of undertaking on the matter before the report has been received and considered. The honourable Member may, however, rest assured that the matter is being actively pursued.

The Honourable Mr TSE devoted part of his speech to the intractable problem of illegal immigration. He advanced two suggestions which, he thought, might help in dealing with it.

Firstly, he suggested that preventive measures designed to prevent unauthorized entry should be stepped up. I welcome the opportunity to assure the honourable Member that the measures taken to frustrate

illegal immigration into Hong Kong are frequently reviewed and revised, with the object of making illegal entry and illegal stay more difficult.

For example, in recent months, more frequent physical checks have been carried out on vessels entering the Colony and the Immigration Department has instituted a mechanical card index system, which has been of great assistance in checking those who originally entered the Colony legally but have overstayed the periods of their permits. Where such persons are discovered to have overstayed illegally, they are, in the absence of special circumstances, prosecuted in the courts and, as a matter of policy, are expelled from the Colony.

Secondly, the Honourable Mr TSE proposed that it should be possible for illegal entrants who have lived in Hong Kong for sometime, to secure Hong Kong Identity Cards and become lawful residents. I am afraid that there is no easy solution to this problem in which there are so many conflicting interests.

The honourable Member will, I am sure, be as aware as I am of the dangers of relaxing our controls to a point at which we would seem to be giving positive encouragement to illegal immigration. There are thousands of Chinese people throughout South East Asia for whom Hong Kong is the goal. We wish we could allow them to come, but we cannot afford to receive large numbers of immigrants in our overcrowded city and to add to the heavy burdens already placed upon our housing, educational, medical and social welfare facilities. Nevertheless, the Government will give further consideration to the position of those persons who have been here for a considerable period, and who have settled down to make an honest living in Hong Kong.

The Honourable Mr Dickson LEACH recommended that thought should be given to a simplified procedure for dealing with minor offences generally, and in particular with parking offences.

This is a subject which has engaged the attention of the Chief Justice for some time, in view of the increasing volume of offences of a minor character which impose such a burden on magistrates' courts and the police. The Chief Justice, therefore, appointed a Working Party to examine the matter and to make recommendations for dealing with minor offences in the future. The Working Party report has now been forwarded to the Government for consideration. It may be summarized briefly by saying that it recommends that minor traffic infringements should no longer be regarded as criminal offences at all, but as matters giving rise to civil debts due to the Crown. There would be a standard charge for each parking offence, though this charge might perhaps increase in the case of a person who had offended frequently during a stated period of time. Only if the citizen challenged the charge would the matter be taken to court, and then in the guise of a civil action for debt and not as a criminal matter.

Although there are many details which will have to be carefully considered, the government's preliminary reaction is that this is a most valuable and stimulating report.

Sir, I beg to support the motion.

THE COLONIAL SECRETARY:—Mr President, Sir, in winding up this debate, I should like to start with a reference to our Standing Orders. My honourable Friend Mr P. C. Woo has suggested that on this annual occasion they are more honoured in the breach than in the observance and involve us in a meal of such variety and bulk as to be indigestible. I am inclined, Sir, to agree with him, although I would not admit that Standing Orders are breached until you, Sir, as their guardian, have said so.

This meeting has, however, highlighted some of what seem to me to be defects. My honourable Friend Mr KAN has felt obliged on grounds of principle, which I naturally respect, to declare his intention to vote against the whole Estimates in order to register a protest against one item in them. My honourable Friend Mr WATSON, unable it seems to find any item against which to vote, has announced his intention to abstain in order to indicate his disapproval of the Government's policy on carparking, which, I venture to suggest, Sir, might have been more effectively raised on an adjournment debate.

The trouble is, of course, that there is no opportunity specifically given to this Council under our existing procedure to debate either Your Excellency's wide-ranging review of policy and achievements during the past year or the Budget speech of my honourable Friend the Financial Secretary. Admittedly, the latitude which you give us, Sir, allows a comprehensive debate on a somewhat slender motion but this does not ease the indigestion or remove the theoretical possibility that a majority of honourable Members might vote against the Estimates for reasons not directly related to them.

I am indeed attempting to produce for discussion a revised set of Standing Orders. This has taken longer than I had hoped and it may, therefore, be useful if I indicate something of the lines on which I have been thinking so that honourable Members can give them some preliminary thought. My first idea is to suggest two major debates each year: one perhaps in the autumn which might be called the debate on the Speech from the Throne and one at about this time centred on the Financial Secretary's Budget speech and the Estimates. The former might be a general debate on all aspects of policy raised in Your Excellency's review of past achievements and future plans; the latter might be more specifically a debate on the financial and economic

state of the Colony. At the same time I would like to suggest that the whole of this Budget debate and consideration of the Estimates should take place in this Chamber on the annual Appropriation Bill. At the Committee Stage of that Bill I would propose that the inclusion of each head of the Estimates in the Schedule to the Bill should be voted upon, thus giving an opportunity to honourable Members to ask questions on that head and, should they feel so inspired, to register disapproval of any item in the head by putting forward a motion for reduction in it.

I appreciate that such procedures might involve my honourable Friends in spending more time in this Chamber than they do on the present procedure but they may feel that there is something to be gained in lessening these risks of indigestion and in the opportunity to air matters of more general interest in public. Anyhow, Sir, I throw out these thoughts now for consideration; and I hope that, perhaps, we may be ready to try out rather different procedures next year.

There is one other aspect of this debate in its present form which I should like to touch upon. Each of my honourable Unofficial Friends has made his speech, or her's; and in the course of it has raised a number of important issues. I am aware, there has some liaison between Members to avoid overlapping and repetition. This is in many ways of course welcome but I would ask my honourable Friends to bear in mind that it does not help me or my Colleagues to gauge very easily what general support there is behind each proposal that is put forward. Some controversial issues are raised: but are these examples of flying kites just to test reaction or are they well-supported opinions requiring urgent action? So far as I can recall, no honourable Member has stated his support of anything any other honourable Member has said, nor indeed attacked anything. Sometimes I think it would be helpful to know.

My honourable Friend Mr RUTTONJEE has raised once more the question of the Government's structure and organization. I fully accept that this is a matter to be kept under review and one in which improvements should be effected as and when an opening occurs. I have given this a good deal of thought, as I promised to do, in the past year and I have sought the views of various senior officers in the Secretariat. My honourable Friend would be astonished at the diversity of views which has emerged, although he would, I am sure, be gratified to know that there is little complacency in any of them. That there are deficiencies in the present organization, few doubt. But the gravity of them and the possible lines of rectifying them are open to a great deal of argument. Of one thing I am sure: that to set up a Commission as my honourable Friend suggests to propose some radical reorganization would achieve nothing except perhaps chaos. Our present system, with such faults as it has, has evolved gradually and naturally to meet

changing circumstances and the growing complexity of public business. I have no doubt that it will go on doing so to meet new demands.

In this connexion the purpose of the Secretariat seems to be sometimes misunderstood. As I see it is basically a three-fold purpose: first to service the Executive and Legislative Councils; secondly to co-ordinate internal policies; and thirdly to deal with a multifarious range of matters, usually connected with our external relations, which do not fall within the scope of any department—this latter is a type of Secretariat work which takes up more and more time and effort and which is constantly growing. These functions are by their very nature not ones that can be wholly decentralized. If the business of Government is to go on with any degree of efficiency, coherent and co-ordinated policies must be put to the Executive Council and to this Council.

It would certainly be possible to divide the Colonial Secretariat into a number of lesser secretariats on ministerial lines but this would inevitably produce a need for a super-Secretariat to co-ordinate them and to undertake that work which only the Secretariat can do. It would also mean large increases in staff. This has been the case in England. For a time there was a tendency to create more and more departments and ministries. But efficiency did not improve: the result was simply that the Cabinet became unwieldy in size and the Cabinet office (which roughly corresponds with our Secretariat) grew bigger and bigger with more and more co-ordinating policy committees. A reaction has now more recently occurred and the tendency is once again to concentrate on fewer and larger ministries, such as the Ministry of Defence.

Complaints are sometimes made against the deadening hand of the Treasury—in local circumstances, of my honourable Friend the Financial Secretary. Certainly, from time to time he raises a restraining hand the more exuberant proposals of departments but he does not have against the final say or necessarily does he win the day. In any case, what is the alternative? Are we to approve policies for departments, however desirable in themselves, and allocate them funds, without some financial control over recurrent commitments; and merely use the Financial Secretary as the instrument for raising the money necessary to pay for these policies?

It is sometimes said that the Secretariat fails to produce the policies that are needed but this again I think indicates some misconception of its general function. It is the function of departments to propose their own departmental policies and for the Secretariat to adapt and coordinate them within an overall framework, thereafter presenting them to the Councils. The Secretariat is not itself a department and it does not directly make or implement policies—although it does sometimes suggest them and instigate departments to initiate them.

I am afraid, Sir, the Secretariat is a much maligned creature, and an obvious Aunt Sally, but, given our Constitution (and it is well recognized that there is little scope for any radical changes in it) it is neither an inefficient nor an ineffective body; and I welcome my honourable Friend's appreciation of the work that is being done by its officers. At some point, whatever the organization, there are going to be bottlenecks. What we can do, and what we are doing, is to delegate responsibilities to the extent that the Constitution allows and that is consonant with the public interest. The pressure of work on all my officers dictates that we take every opportunity to simplify the procedures.

My honourable Friend Mr RUTTONJEE two years ago proposed a closer informal association of honourable Members with the work of individual departments—a proposal which was welcome then and which I would be glad now to help honourable Members to develop. My honourable Friend Mr FUNG Hon-chu raised a similar issue this year with his suggestion that each Unofficial Member should be assisted by a civil servant with special knowledge of the subject with which that member was particularly interested. I am afraid that I cannot undertake to provide such assistance in the form of experienced civil servants—they would have to be experienced if they were to do the job properly and not mislead the member concerned. Indeed, there are, as my honourable Friend appreciated, several difficulties and objections to such a scheme. Nevertheless, I would like to assure all honourable Members that it is my wish, and that of all heads of departments and other responsible officials, that they should be given every assistance in familiarizing themselves with the policies of Government and their background. We welcome the interest of honourable Members in particular aspects of policy and I hope they will approach us for any information we are able to give, however trivial it may seem to be and without any feeling that they are imposing upon us. If they do this, we can ensure that the best information possible is made available to them.

My honourable Friend Mr Y. K. KAN devoted the whole of his speech to opposing the proposed increase in the defence contribution, on the grounds, put in their simplest terms, that Britain could afford this sum more easily than Hong Kong and that we could put the money involved to better use ourselves. Sir, no one has ever maintained that this additional contribution was welcome: it is not welcome and the length and toughness of the negotiations are evidence of our efforts to keep the commitment as low as possible. The final sum agreed is very much less than the original sum asked for and we have offered it to Britain as a gift in recognition of her very real economic difficulties. At the same time we are assured of an adequate garrison for the maintenance of our stability and internal security and we have gained certain other advantages in connexion with land.

Another controversial matter has been raised by my honourable Friend Mr P. C. Woo when he proposed the repeal of the Landlord and Tenant Ordinance and the decontrol of prewar premises. It is now over ten years since a Bill was introduced for this purpose but, as honourable Members may recall, it never reached the stage of a second reading. As a result of the protests then raised and the special circumstances of 1956 further proceedings on the Bill were indefinitely deferred at the request of the Unofficial Members of this Council. On the official side we have been waiting ever since for some initiative from our colleagues to indicate that the climate of public opinion is changing on this difficult issue. My honourable Friend has flown his kite and I have noticed with interest that it has stimulated some correspondence in the press. Perhaps the time is not far off when he will wish, with the support of his colleagues, to initiate a debate in this Council that will assist in the assessment of public opinion on this subject.

On a related tenancy matter my honourable Friend claimed that the liability of landlords to pay compensation to their former tenants on demolition of their properties under the Demolished Buildings (Redevelopment of Sites) Ordinance was imposing hardship on the owners concerned. Certain changes in this legislation, admittedly largely of a procedural nature, are already being considered and I will ensure that this possible defect is examined at the same time. However, my information based on statistics in the Secretariat for Chinese Affairs, is that the great majority of owners have been able to pay the compensation awarded by Tenancy Tribunals. Out of 277 owners liable to pay compensation last year 77% did so, over 60% paying the awards within three months. Moreover, in the four years since the Ordinance came into force, it has been necessary for the Colonial Treasurer Incorporated to order sales in only 75 out of 740 cases; and in several of these the reason was the absence of the owners from the Colony and the lack of a properly accredited local agent. On the other side of the coin, the availability of compensation, together with Government's payment of advances of compensation, has undoubtedly helped tenants to find other accommodation quickly. The statistics show that an average of 36% of former tenants is estimated to have gone into postwar private accommodation and another 45% to have taken advantage of the Resettlement Advance Scheme. Without reasonably early payment of compensation guaranteed from their landlords many, if not all, these tenants and their families might have been homeless or able only to afford to find a refuge in the temporary Resettlement resite areas. Clearly, any changes in this legislation call for most careful consideration.

My honourable Friend referred also to the problems of landlords under the Tenancy (Prolonged Duration) Ordinance. I am not in a position at this moment to comment on this aspect but I can give the assurance that these matters will also be looked into carefully.

I come now, Sir, to the Public Service of which so many different aspects have been commented upon by honourable Members. Although I shall limit my reply to the more important issues, all the points which have been made have been noted and will be thoroughly examined in due course.

First, I would like to deal with the age of retirement, referred to by my honourable Friend Mr. Wilfred WONG and also a matter of general interest. This is a problem of many conflicting facets and it is not just a matter of air-conditioners. Undoubtedly the physical conditions under which the majority of civil servants live and work have improved enormously over the years. Disease has been controlled and the harsher effects of our trying summer have been mitigated; but I have grave doubts as to whether these improvements have kept pace with the ever increasing tempo of modern life and the additional pressures and responsibilities being put on civil servants, especially the older and more senior ones. I wonder too, if there are any places with a retiring age of 60 which do not also have a five day working week.

The fundamental point I would like to make is that any decision that is reached on this difficult question must be based on the public interest. The Government cannot afford to retain in the Public Service officers who are not pulling their full weight just because it is hard on the individual concerned to reduce his full working salary to a pension. The public interest requires that the Government is not sentimental in this matter. My honourable Friend Mr FUNG Hon-chu has raised the question of "deadwood" in the Public Service and in this connexion it is very relevant. I can assure him that we do weed out "deadwood" wherever there are grounds for doing so—we do it at the bottom when unsuitable officers are not confirmed in their probationary appointments; during their service when they can be dismissed for disciplinary offences or compulsorily retired for inefficiency; or at the top when an application to extend beyond the retiring age can be rejected.

The present position is that the formal age of retirement is 55, and it may interest honourable Members to know that over the last five years 883 officers have retired. Of these 45% retired at the official age; 41% retired at their own request before the age of 55 (about half of them before the age of 50) and 14% were allowed to extend and retired after the age of 55. A large proportion of those retiring early belonged to the disciplined services and held posts calling for a high degree of physical stamina. These officers were not boarded on medical grounds but they no longer wished to undertake the full physical strain of their duties, and this is a situation which would remain, however much the official retirement age were to be extended.

It is open to every officer to apply to serve beyond the age of 55. Of the 340 officers who have applied in the last five years 77% have

been allowed to do so, for a maximum of two years in the first instance. The criteria applied are the public interest in retaining the officer; the physical fitness of the individual; and an ascertainment that the extension would not cause undue blockage of promotion. It is not possible to assess why the 400 odd officers who retired at 55 in recent years did not apply to stay on but I would like to make it quite clear that there is nothing to prevent an officer applying and, subject to the criteria I have mentioned, being allowed to extend his service.

In these circumstances, I am not yet convinced that the compulsory extension of the retiring age to 60 is justified. With a predominantly young population it could be unwise. It would not necessarily result in a saving in public funds or in advantage to the public interest. It would probably mean a recalculation of pension benefits. Nevertheless, in fact the whole question is under review at the present time.

I have already referred to the problem of “deadwood” raised by my honourable Friend Mr FUNG. He also mentioned other aspects of the efficiency of the Public Service. On the subject of making “the public business more businesslike” I would like to draw attention and pay tribute to the work of the Organizational Surveys Unit which since 1962 has issued 125 reports, the implementation of which is estimated to have saved almost four and a half million dollars. In addition, cost accountants and staff inspectors are continually on the watch for means not only of saving staff but of streamlining procedures.

My honourable Friend also raised the question of promotion for the brilliant. Statistics are not readily available and they could be misleading but I can say that the outstanding officer has very real opportunities for accelerated promotion. Merit is specifically laid down as a principal factor to be taken into account in making promotions, together with seniority, experience and qualifications. In this connexion I must take issue with my honourable Friend Mrs Ellen LI when she implies that local officers do not have equal opportunities for promotion with overseas officers. This, Sir, is emphatically not so and the Public Services Commission is there to see that it is not so. There must, of course, be vacancies in the higher grades before officers can be promoted but the proportion of promotion posts is generally good and as the Service expands there is a steady creation of new posts. The average age of promotion in fact is falling in many departments.

I now come to the questions of recruitment to the Public Service and of the position of local officers in it, which have been raised in one form or another by several of my honourable Friends, notably Mrs Ellen LI, Mr RUTTONJEE, and Mr F. S. LI. First, I should reiterate what has been said many times before, namely that recruitment of an overseas officer is not authorized unless and until the Public Services Commission is satisfied that there is no local officer available and

qualified for appointment to the post. This is the policy and it is being followed to the best of our ability.

There are, however, two main problems in implementing it. The first is to locate the local officer who is qualified and the second is to induce him to apply for the post. As regards the first point, we advertise vacant posts very widely and where a post remains vacant for a long period we readvertise. We take all possible steps to ensure that these advertisements are brought to the notice of Chinese students both here and in the United Kingdom who have just qualified or are about to qualify. Officers of the Establishment Branch also visit schools and colleges as well as the Universities here to tell students what the openings are in Government Service and what qualifications are required. It is not easy to reach everyone, particularly, for example, in the Universities in America, but this is something about which I know that the Public Services Commission has very much in mind.

The second problem is to induce qualified local officers to join the Service. Generally speaking, this seems to be a problem affecting the professional officer and here again there are two aspects—a net shortage of these officers and the allurements of private practice. Gradually, I hope we shall overcome the shortage, as our Universities expand and as more students obtain qualifications overseas. We shall, for example, shortly gain the benefits of the greatly increased output of doctors from the Medical School. In time too we may find it practicable to establish a Law School. My honourable Friend Mr WRIGHT has already shown that the recruitment of local architects and engineers is really very encouraging. We are very much alive to the importance of relating the aims of Universities and our other professional and technical training institutions to the needs of the community, including those of the Public Service.

As for combatting the attractions of private practice, which are undoubtedly real, it has to be admitted that the scope is not very great. It is clearly out of the question to base the structure and remuneration of the Public Service on the rewards of private practice. It is equally out of the question to extend the overseas terms of service to the whole Public Service: the cost of this would be prohibitive and it would be quite unrelated to local conditions. Nevertheless, there may be ways in which greater incentives can be applied to encourage local professional officers to take up employment with the Government and I shall continue to look for them. I welcome therefore the suggestions made to this end by honourable Members and I can assure them that they will be constructively examined. I believe, for instance, that there may well be scope for the introduction of contract appointments, with payment of a gratuity, for certain local officers; although this of course will not meet our long term need, which is for career civil servants who will reach

the higher ranks of the Service. We will look again at the entitlement of local officers to Government non-departmental quarters, although the cost of any increased eligibility could be heavy and it must be remembered that many of these officers already have the concession that they can join the co-operative schemes for home ownership on very favourable terms. We will look also into the Scholarships Scheme and the present opportunities for study leave and merit tours. As regards the Scholarships Scheme, there was in its early years a disappointing lack of suitable candidates; but there has been a gradual improvement, with twelve awards last year and the hope of increasing them to 25 this year.

My honourable Friend Mrs LI championed the cause of women in the Public Service very ably, although I thought I detected some inconsistency in her support on the one hand for paid maternity leave up to the fourth (luxury) confinement and her plea on the other hand for more active Government assistance towards the family planning campaign. I do not think she was quite right in suggesting that paid maternity leave is being bargained for equal pay: it was in fact abolished for women on equal pay before the Salaries Commission made its recommendations on that subject. As regards equal pay, I fully appreciate the importance which my honourable Friend attaches to the implementation of the principle which has already been accepted. Although the numbers affected are not very great, a good many posts and salary scales are involved and the working out of the details of what on the face of it looks a fairly simple exercise has in fact proved to be quite complicated. We are now, however, nearing the point where we can put definite proposals to the Executive Council and I shall do what I can to push this along.

My honourable Friends Mr Woo and Mr LEACH raised respectively the questions of interpreter-translators and courtesy from public servants. These are to some extent related—concerned as they are with the public image of the Civil Service and the maintenance of confidence and understanding between the Government and the people. The qualifications and grading of interpreter-translators are already being examined by an official working group, which is also considering whether two separate grades rather than a combined one might not lead to greater efficiency, since the attributes for the two jobs are not necessarily the same. In this connexion it may interest honourable Members to know that we now have 18 University graduates in these grades. Courtesy from civil servants is something we try to instil into every officer. All heads of departments are alive to the importance of this and it is carefully stressed on training courses. There are many reasons for the apparent discourtesies which we hear about: unfamiliarity with a foreign language, pressure of work, rapid expansion of new staff, and so on. There are times too when the public is at fault and impatient or liverish. Nevertheless, the importance of good public

relations is paramount and we shall go on trying to eliminate all grounds for complaint.

My honourable Friend Mr F. S. LI showed concern lest the axe on the neck of the Establishment Officer was not sharp enough. I would like to reassure him. I said last year that the cost of the Public Service had remained fairly constant over the years at around 50% of our recurrent expenditure. The figure in the Estimates now being considered works out at 50.73%, despite last year's increase in salaries, and the number of new posts created in 1966 was, under the vigilant eye of the Establishment Sub-Committee of Finance Committee, the lowest for ten years.

I have tried, Sir, to deal with the more important matters connected with the Public Service which have been raised by my honourable Friends during this debate. Those that I have not specifically referred to will, of course, be looked into. If I do not mention them now it is because I have been overlong already and because these are matters on which I have little positive to say at this stage. The Public Service is large and absorbs a high proportion of our annual budget. It is right that it should come under the critical eye of my honourable Friends and I welcome their criticism and advice. I only hope that I have been able to reassure them on at least some of the matters they have raised.

I would like to end by saying two more things. First, I was glad to hear from more than one honourable Member, as well as from yourself, Sir, words of praise and encouragement to the Civil Service for their work in the past year. It may sometimes be open to justifiable criticism (but what body of 70,000 does not have the odd black sheep?) but equally the Service takes a good many knocks that are not deserved. In the vast majority it is loyal and hardworking and both during and after our trials last year of civil disturbances and natural disasters it acquitted itself, as I am sure all will agree, admirably.

Secondly, I would like to thank the Public Services Commission publicly for its work. Although it does not operate in the public eye, it has a vital part to play in ensuring an efficient Public Service, both as the guardian of the public interest and as a watchdog of the individual civil servant. A few weeks ago, when sponsoring an amendment to the Public Services Commission Ordinance in this Council, I announced the Government's intention to widen the scope of the work of the Commission and to appoint a full-time Chairman and additional members to deal with it. I am now able to say that Sir Charles HARTWELL has accepted appointment as Chairman for a three year term and will arrive in the Colony at the end of May. Sir Charles has divided his career of some 40 years almost equally between Ceylon and Africa. He has been Chief Secretary in Uganda and Chairman of the Public Service Commission in Northern Rhodesia, now Zambia, and has recently been

advising on the ministerial organization in Mauritius. I feel confident that we shall benefit greatly from his wide experience.

I beg to move.

The question was put.

MR Y. K. KAN:—Your Excellency, I claim a division.

HIS EXCELLENCY THE GOVERNOR:—Council will divide.

A division was taken. Messrs D. J. RUTTONJEE, F. S. LI, H. C. FUNG, P. Y. TANG, TSE Yu-chuen, P. C. Woo, SZETO Wai, and Wilfred WONG, Mrs Ellen Li, Messrs J. D. LEACH, and M. A. R. HERRIES, the Colonial Secretary, the Attorney General, the Secretary for Chinese Affairs, the Financial Secretary, Mr A. M. J. WRIGHT, Dr TENG Pin-hui, Messrs W. D. GREGG, R. M. HETHERINGTON, A. TODD, T. D. SORBY, G. M. TINGLE, and K. S. KINGHORN voted in favour of the motion. Mr Y. K. KAN voted against the motion. Mr K. A. WATSON declined to vote. The president voted in favour of the motion.

HIS EXCELLENCY THE GOVERNOR:—“Ayes” 24; “noes” 1. The motion is carried.

HIS EXCELLENCY THE GOVERNOR:—It is now nearly 4 o'clock, and I will suspend the sitting of Council until ten past 4.

* * *

HIS EXCELLENCY THE GOVERNOR:—Council will resume.

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

THE FINANCIAL SECRETARY moved the following resolution:—

Resolved that the Estimates of Revenue and Expenditure for 1967-68 as amended by the Report of the Select Committee, be approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

SUPPLEMENTARY PROVISIONS FOR THE QUARTER ENDED 31ST DECEMBER 1966

THE FINANCIAL SECRETARY moved the following resolution:—

Resolved that the Supplementary Provisions for the Quarter ended 31st December 1966, as set out in Schedule No 3 of 1966-67, be approved.

He said:—Sir, the Schedule for the third quarter of the current financial year covers supplementary provision totalling \$35.2 million. Of this sum over half, or \$18.8 million, was required for Public Works Non-Recurrent of which \$10.5 million represents accelerated progress on Resettlement and Low Cost housing. A further \$11.5 million was in respect of the subvention paid this year to the Trade Development Council.

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

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

MAGISTRATES ORDINANCE

THE ATTORNEY GENERAL moved the following resolution:—

Resolved, pursuant to section 133 of the Magistrates Ordinance, that the Magistrates (Forms) Rules 1967, made by the Chief Justice on the 3rd day of March 1967 under section 133 of that Ordinance, be approved.

He said:—Sir, it is provided by section 133 of the Magistrates Ordinance that the Chief Justice may, with the approval by resolution of the Legislative Council, make rules for carrying the Ordinance into effect.

Accordingly, the Chief Justice has made the Magistrates (Forms) Rules 1967, which are submitted for the approval of this Council.

These rules prescribe 102 new forms for use in magistrates court, replacing the 90 or so previous ones. Many of the latter were out of date and required revision. No changes of substance in the law, however, are involved in the new forms.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

APPROPRIATION (1967-68) BILL 1967

THE FINANCIAL SECRETARY moved the First reading of:—“A Bill to apply a sum not exceeding one thousand nine hundred and twenty-two million, six hundred thousand, one hundred and ten dollars to the Public Service of the financial year ending the 31st day of March 1968.”

He said: —Sir, this Bill is for the purpose of giving formal legislative sanctions to the expenditure proposals contained in the Estimates of Revenue and Expenditure.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

THE FINANCIAL SECRETARY:—This Sir, will be the last meeting of Council before the close of the financial year and to provide the necessary authority for making payments from 1st April, it is essential that this Bill should pass through all stages today. If, Sir, you are of that opinion, I would beg leave therefore to move suspension of Standing Orders for this purpose.

HIS EXCELLENCY THE GOVERNOR:—I am of that opinion.

THE FINANCIAL SECRETARY:—Sir, I rise to move that the Standing Orders be suspended to the extent necessary to allow the Appropriation (1967-68) Bill before Council to be taken through all stages today.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

THE FINANCIAL SECRETARY moved the Second reading of the Bill.

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 and 2, the Schedule and the Preamble were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Appropriation (1967-68) 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.

ESTATE DUTY (AMENDMENT) BILL 1967

THE FINANCIAL SECRETARY moved the First reading of:—“A Bill to amend the Estate Duty Ordinance.”

He said:—Sir, this Bill seeks to give legislative sanction to the proposal I made when presenting the Budget that the maximum rate of Estate Duty be reduced from 40% to 25%. Apart from its main feature the only special point I might mention is that the Bill proposes that the new rates apply to the estates of persons dying on or after 1st April, 1967.

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:—

- (a) to provide that estate duty will be payable on the estates of persons who die on or after the 1st day of April 1967, at the rate of 25 *per cent* where the value of the estate exceeds \$4,000,000; and
- (b) to make such consequential amendments to the Estate Duty Ordinance as are necessitated by the amendments mentioned in paragraph (a).

LARCENY (AMENDMENT) BILL 1967

THE ATTORNEY GENERAL moved the Second reading of:—“A Bill to amend further the Larceny 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 3 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Larceny (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.

ASIATIC EMIGRATION (AMENDMENT) BILL 1967

MR R. M. HETHERINGTON moved the Second reading of: —“A Bill to amend the Asiatic Emigration 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 3 were agreed to.

Council then resumed.

MR R. M. HETHERINGTON reported that the Asiatic Emigration (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.

PROBATION OF OFFENDERS (AMENDMENT) BILL 1967

MR A. TODD moved the Second reading of:—“A Bill to amend further the Probation of Offenders 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 and 2 were agreed to.

Council then resumed.

MR A. TODD reported that the Probation of Offenders (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 the adjournment.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

NEXT MEETING

HIS EXCELLENCY THE GOVERNOR:—Council will now adjourn and the next meeting of the Council will be held on the 12th April.