

OFFICIAL REPORT OF PROCEEDINGS**Sitting of 26th March 1969**

Mr PRESIDENT in the Chair

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID (CLIVE CROSBIE) TRENCH, GCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY (*Acting*)
MR GEOFFREY CADZOW HAMILTON, CBE
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, OBE, QC
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DAVID RONALD HOLMES, CBE, MC, ED
THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN (JAMES) COWPERTHWAITTE, KBE, CMG
DR THE HONOURABLE TENG PIN-HUI, CMG, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT, CMG
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE WILLIAM DAVID GREGG, CBE
DIRECTOR OF EDUCATION
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC
COMMISSIONER OF LABOUR
THE HONOURABLE TERENCE DARE SORBY
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE KENNETH STRATHMORE KINGHORN, CBE
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, MBE
DIRECTOR OF URBAN SERVICES
THE HONOURABLE GEORGE TIPPETT ROWE
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE KAN YUET-KEUNG, CBE
THE HONOURABLE FUNG HON-CHU, OBE
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE SZETO WAI, OBE
THE HONOURABLE WILFRED WONG SIEN-BING, OBE
THE HONOURABLE ELLEN LI SHU-PUI, OBE
THE HONOURABLE HERBERT JOHN CHARLES BROWNE
DR THE HONOURABLE CHUNG SZE-YUEN, OBE
THE HONOURABLE MICHAEL ALEXANDER ROBERT HERRIES, OBE, MC
THE HONOURABLE LEE QUO-WEI

ABSENT

THE HONOURABLE WILSON WANG TZE-SAM

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS

MR DONALD BARTON

PAPERS

The following papers were laid pursuant to Standing Order No 14(2): —

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Dangerous Goods Ordinance.	
Dangerous Goods (Shipping) (Amendment) Regulations 1969	39
Public Health and Urban Services Ordinance.	
Public Conveniences (Charges) (Amendment) Order 1969	41
Fire Services Ordinance.	
Fire Services Department (Welfare Fund) (Amendment) Regulations 1969	42
Emergency (Principal) Regulations.	
Emergency (Principal) Regulations (Discontinuance) (No 2) Order 1969	43

Sessional Papers 1969: —

- No 7—Annual Report by the District Commissioner, New Territories for the year 1967-68.
- No 8—Report of the Finance Committee on the Draft Estimates of Revenue and Expenditure for 1969-70.

STATEMENT

**Report of Finance Committee on the Draft Estimates
of Revenue and Expenditure for 1969-70**

THE ACTING COLONIAL SECRETARY: —Sir, on the 26th February 1968, the draft Estimates for 1969-70 were referred under Standing Order No 60(8) to the Finance Committee for examination*. That Committee has completed its examination and its Report has today been laid on the Table†.

As regards the Revenue Estimates, it will be seen from the Report that the estimated revenue from Head 3 Sub-head 8, Stamp Duty, has been reduced from \$62 million to \$53 million. This reduction of \$9

* Page 85.

† See above.

million is made in anticipation of the abolition of the excess stamp duty of 3% on first post-war conveyances of property, to which the Financial Secretary referred in his Budget speech*.

The estimated revenue from Head 6 Sub-head 1(5), School Fees, has been reduced by \$1.3 million from \$10.2 million to \$8.9 million as a result of the proposal, to which the Financial Secretary referred, to reduce the fees in primary schools. An increase of \$3.7 million in the Estimates of Expenditure in respect of grants to aided schools would also be required subsequently for the same reason, but no change is being made in the printed Estimates at this stage.

The total reductions in the Revenue Estimates therefore amount to \$10.3 million. Consequential amendments will be made to various totals affected in the Estimates.

As regards the Estimates of Expenditure, several corrections have been made to individual items, as indicated in the annex to our Report, but no amendment to the financial provision included under any Head is required.

I should explain, Sir, that the adoption of this Report by Finance Committee does not limit the freedom of Members to speak or vote in any way they wish during the Committee Stage of the Appropriation Bill.

I should explain further that although the Estimates themselves are not put formally to the vote in this Council, the passing of the Appropriation Bill, with its attendant schedule of Heads, will be taken by the Government as formal approval of the detailed sub-heads of the Estimates of Expenditure.

Sir, I should like to express my appreciation to the Unofficial Members of this Council who, as Members of Finance Committee, devote so much of their time and energy to the public finances of Hong Kong. In addition to scrutinizing the Estimates at present before Council, they meet at fortnightly intervals throughout the year to consider proposals for supplementary expenditure. On each occasion the agenda is heavy, but Members apply themselves to this task with meticulous care. Their combined knowledge and experience is of great benefit to the Government and the community, and their advice is invaluable.

I also pay a tribute to the Deputy Clerk of Councils, Mr Selwyn ALLEYNE, who is responsible for preparing the Estimates and the various associated reports. This is a heavy task which he has discharged admirably.

I should also like to pay a very sincere tribute to Mr TANG Hing-ip, the Senior Clerk in charge of the Finance Registry, who is responsible

* Page 97.

[THE ACTING COLONIAL SECRETARY] **Statement**

for the collection and arithmetical accuracy of all these complex documents, for the preparation of complicated tables, for checking all proofs, and indeed for the whole sequence of the preparation of the Estimates. Mr TANG has undertaken this essential work for 14 years and we are greatly dependent on his industry, skill and experience.

Finally, Sir, I should like to acknowledge the valuable part played by Mr CHAN Yip-shing, the Senior Clerk in the Complementing and Gradings Division who is responsible for the Personal Emoluments Subheads. His experienced work is also greatly appreciated.

CRIMINAL PROCEDURE (AMENDMENT) BILL 1969

HOUSING (AMENDMENT) BILL 1969

Bills read the first time and ordered to be set down for second reading pursuant to Standing Order No 41(2).

HIS EXCELLENCY THE PRESIDENT: —As I mentioned at the last sitting, in a slightly different context, in connexion with the committing of a bill, I propose with the agreement of honourable Members to dispense with these formal phrases in future.

CRIMINAL PROCEDURE (AMENDMENT) BILL 1969

THE ATTORNEY GENERAL moved the second reading of: —"A bill to amend further the Criminal Procedure Ordinance."

He said: —Sir, this bill introduces a new section into the Criminal Procedure Ordinance*, to enable the Chief Justice, with the approval of this Council, to make rules governing the grant of legal aid in criminal cases.

The present power to make rules governing the grant of legal aid in criminal cases is contained in section 9(2) of the Ordinance but is in very narrow terms, merely providing for rules to be made regulating "the assigning of solicitors and counsel as legal aids and the fees and costs to be allowed therefor".

The proposed new section 9A largely follows section 28 of the Legal Aid Ordinance†, under which rules may be made governing the grant of legal aid in civil cases. The new section would make it clear

* 1968 Hansard, page 397.

† 1966 Hansard, page 401.

that rules can be made requiring information to be given by applicants for legal aid in criminal cases, and providing for the assessment of the resources of applicants and for contributions to be made by them towards the costs of legal aid.

If this bill is passed, it is the intention of the Chief Justice to submit rules in the near future for the approval of this Council. In these circumstances honourable Members will be asked to take all stages of this bill in Council today.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

The purpose of this Bill is to enlarge the power conferred on the Chief Justice to make rules relating to the granting of legal aid in criminal cases. The power which it is proposed to confer will enable rules to be made requiring an aided person to make contributions towards the cost of legal aid in a criminal case and for assessing his disposable resources for this purpose and is similar to the power conferred on the Governor in Council by section 28 of the Legal Aid Ordinance which relates to the granting of legal aid in civil cases.

2. Clause 3 which seeks to insert the new section 9A into the principal Ordinance provides accordingly and clause 2 contains a consequential amendment.

HOUSING (AMENDMENT) BILL 1969

MR D. R. W. ALEXANDER moved the second reading of: —"A bill to amend further the Housing Ordinance."

He said: —Sir, such management powers as are conferred upon the Housing Authority by the Housing Ordinance are subject to the control of Your Excellency by virtue of section 4(2) of the Ordinance, and, up till now, the Authority has confined itself to managing its own estates and, by Your Excellency's direction, Government low cost housing estates. There is no provision in the Ordinance for the Authority to charge management fees.

[MR ALEXANDER] **Housing (Amendment) Bill—second reading**

The purpose of the bill now before honourable Members is to enable the Authority, if at any time it has received Your Excellency's direction or approval under section 4(2) of the Ordinance, to manage, on a fee-charging basis, property not in its ownership and not necessarily Government built.

It is not the intention that the Authority should engage in such management on a large scale for fees but it should have the power to do so should the circumstances arise. Honourable Members are no doubt aware that there are now under construction, two housing estates for local officers which will require proper management. It is intended that the Housing Authority, with your approval, should undertake the management of these latter estates—at least until the new owners have established effective Management Committees.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

Under the principal Ordinance the Housing Authority is empowered with the approval of the Governor to manage any housing accommodation provided by it or otherwise under its control.

The purpose of this Bill is to empower the Housing Authority to manage any housing accommodation and to charge fees for its services. The amendment contained in clause 2 seeks to provide accordingly.

APPROPRIATION BILL 1969

Resumption of debate on second reading (13th March 1969)

Question again proposed.

MR G. T. ROWE: —Sir, I am encouraged by the support shown in the speeches of Unofficial Members for the introduction of a realistic, overall and uniform scheme for Public Assistance provided from public funds, as referred to by Your Excellency in your remarks at the beginning of this Debate. I am in agreement with my honourable Friend

Mr TSE Yu-chuen when he supports the introduction of such a scheme in preference to schemes for social insurance at this stage. Whatever may be the benefit of social insurance schemes, one thing is clear—and that is that a certain section of the population will be quite unable (either temporarily or permanently) to contribute to them, or to benefit from them. A proper Public Assistance scheme is necessary as a first step before social insurance schemes are introduced, and it will continue to be required in the future whether or not social insurance schemes are introduced. I myself consider the introduction of a proper public assistance scheme fundamental to the further development of social welfare services in Hong Kong. Lest it be thought that this view runs counter to the proposals for social insurance propounded by the Working Party on Social Security, I should like to emphasize that this is in fact in accordance with the Working Party's recommendations.

The proposals for a revised scheme of public assistance have yet to be considered by Your Excellency in Council, and by the Finance Committee of this Council in regard to the provision of funds which, as the Financial Secretary has indicated, may amount to \$20 million a year in the first full year of operation. If, as I hope, the proposals are endorsed by both bodies I should like to make it clear that it will not be possible to introduce a complete revised scheme overnight. Additional staff and additional facilities will be required for full implementation and these cannot be provided overnight. It will, I believe, be necessary to move towards the implementation of a revised scheme in stages. I do not think I need to add that every endeavour would be made to move through those stages as soon as possible to the full implementation of the scheme.

My honourable Friend TSE Yu-chuen has recommended that Government should increase its subventions to voluntary charitable organizations and my honourable Friend Mr FUNG Hon-chu, has referred to the fact that only about 1.6% of the total Budget proposal is provided for the work of the Social Welfare Department and subventions to voluntary agencies. This in fact represents an increase of approximately 25% in funds to be provided for the Department, and an increase of approximately 20% in subventions. I should like to stress that the Budget proposals do not represent to any great degree possible new directions or objectives in the field of social welfare. They reflect mainly an expansion of existing activities. This is because the aims and policy for social welfare are at present under review, and a 5-Year Plan for future activities at present under preparation. Reference has been made to this stage of affairs more than once in this Council, and I apologize for having to say it once again. I appreciate that, notwithstanding the progress which has been made, the absence of revised aims and policy and of a 5-Year Plan inhibit to a certain extent new developments and further progress in the social welfare field. I also appreciate

[MR ROWE] **Appropriation Bill—resumption of debate on second reading**
(13.3.69)

that the burden of responsibility in this matter now lies squarely on my own shoulders; I hope to be able to discharge this responsibility in the comparatively near future.

I will certainly do the best I can; for it appears to me that the time has now come when we could and should move towards greater measures of social welfare for the population, perhaps on a more radical basis than has been considered hitherto.

My honourable Friend Mrs Ellen LI has made a number of specific proposals on social welfare matters on which I might appropriately give my comments.

Her first proposal was that all voluntary agencies should be officially registered in order that public interests may be safeguarded. Official registration of this kind implies 3 things: it implies legislation, it implies the imposition of standards, and it implies regular inspection in order to ensure that those standards are observed. Whilst I can see that this may be a logical development in the future, I am doubtful whether it is an appropriate step to take at this time when its effect might be positively to impede the further development of those agencies' activities. Also, I doubt whether there is any urgent necessity for it. Most agencies are well known respectable bodies, with respectable citizens involved in their activities, and with close liaison either with the Hong Kong Council of Social Service or with the Social Welfare Department, or with both. False agencies, seeking and misusing public funds and donations, must I think be very few; the Community Chest is an additional safeguard here. There is the further point that, whilst it would be possible to legislate in certain well-defined fields, the preparation of legislation covering all the different activities of all voluntary agencies would be a vastly difficult task. This task, and the consequent burden of inspection would in all likelihood fall largely on the Social Welfare Department, and in my view there are far more important tasks in front of the Department, at the present time, which will stretch available resources to the limit without this additional burden.

Mrs LI's second proposal was that there should be a system of subsidy for salaries of qualified social workers in recognized voluntary agencies in order to ensure a uniform standard of service. She is, I think, suggesting that Government subsidy should specifically provide for the adoption of Government salary scales and Government standards of qualification for appointment in voluntary agencies. There are various considerations here. First, I am far from certain that the Government standards of qualification for appointment in various grades are the right ones, or that the present Government salary scales are the

best scales to use. The Government salary structure is a fairly rigid one, and bound by a number of considerations which do not affect an independent agency. Second, the adoption of Government salary scales and standards of qualification also implies the adoption of Government staff ratios and even control over appointments. I doubt if this would be welcomed by voluntary agencies; and I doubt whether, in many cases, it would be suitable for their operations. The activities of voluntary agencies are many and varied; a rigid salary and staff structure might only impede those activities.

Mrs Li's third proposal was that the basic subsidy per child for day nurseries should be increased. This may well be so. The Social Welfare Advisory Committee has in fact already advised that the figure of \$10 a child should be reviewed, and this will be done. I am sure, however, the Financial Secretary would like me to point out that one of the basic purposes achieved by these day nurseries is to free the mother concerned for employment in commerce and industry, and it would be reasonable to expect that commerce and industry should make a contribution towards their running costs.

With these remarks, Sir, I support the motion.

MR D. R. W. ALEXANDER: —Sir, in a Budget Debate concerned mainly with economic and financial affairs, it is understandable, that the comments of honourable Members were concerned with broad issues and that they passed lightly over the many aspects of mundane day-to-day living for which the Urban Council and the Urban Services Department are responsible. This allows me, happily, to be fairly brief in response and to confine my remarks to the subject of recreation, the significance of which was stressed particularly by my honourable Friends Mr FUNG Hon-chu and Mr Wilson WANG.

In Hong Kong, with its shortage of land and crowded living conditions, the need to recognize and meet the demand for recreational facilities for our (abnormally young) population is very great. A rising standard of living, greater leisure time and also greater mobility are all generating new demands in this field and we would be wise, I suggest, to look continually for ways of containing and guiding youthful exuberance into avenues acceptable to the community at large.

I speak not only of sports arenas where physical prowess can be developed and demonstrated in happy competition, but also of the need to continue our efforts to develop our countryside and beaches. And, by no means least in this list of leisure needs, I refer to the value of glamour in our lives through public pageantry and Government sponsored entertainment.

[MR ALEXANDER] **Appropriation Bill—resumption of debate on second reading (13.3.69)**

We have gone some way in the past twelve months, I am happy to record, towards meeting these wide recreational needs and I have been heartened by the Town Planning Board's willingness to recommend the reservation of highly valuable land for recreation.

An examination of the draft Estimates of Revenue and Expenditure before us confirms that a sum approaching \$16 million will be spent on recreational projects in the coming year. A good proportion of this will go towards completing the three swimming pool complexes which are now being built with Jockey Club donations in Li Cheng Uk, Morse Park and Kwun Tong. These projects were conceived in a truly imaginative way, and I believe that the 24 pools, which they together embrace, will prove to be one of the most popular and worthwhile schemes for which Government has given approval for the Urban Council to embark upon in the field of sport and play. I am pleased, therefore, to notice, included in the Public Works Programme, three more equally ambitious schemes designed to serve the people of Kennedy Town, Hung Hom and Tsuen Wan.

Funds have been set aside for a 14-acre sports ground in Aberdeen, where I am sure it will be put to very full use by the fast growing population in that area's resettlement and low-cost housing estates, and the people of Yau Ma Tei will soon be able to enjoy the long-awaited sports ground in King's Park. I trust too that the provision of funds for the further development of Kowloon Park, on part of the site formerly occupied by Whitfield Barracks, will enable this park to be thrown open to the public during the course of the year for the enjoyment of tourists and local residents alike.

I should perhaps mention that my honourable Colleague, the District Commissioner, New Territories, also controls substantial funds which are used to provide, amongst other services, small recreation grounds in the rural areas, and I would expect an increasing proportion of this money to be spent in building village-playgrounds to augment the sports' stadia and larger play areas which have in recent years been built in various population centres throughout the New Territories.

In addition to this anticipated expenditure, a glance at the planning categories of the Public Works Programme will provide evidence of Government's intention to maintain the growth in the field of recreation and to experiment in fields hitherto untouched. There are no less than 20 major projects in Category B. They include an indoor stadium which has been sought for many years by local sports enthusiasts. If the architect's plans for this scheme, which include convention facilities, materialize (and I expect them to be formally endorsed very soon),

Hong Kong will have facilities for sport and spectacle comparable with many of the great cities of the world.

The public imagination should be equally excited by the inclusion of schemes such as that envisaged for Butterfly Beach at the foot of Castle Peak, where it is hoped eventually to encourage the development of a seaside resort with a wide range of amusements. It has also been found possible to set aside the reservoir at Wong Nai Chung where a park and boating lake will be formed to help relieve the growing pressure on Hong Kong Island's public bathing beaches.

My honourable Friend Mr Wilson WANG's plea for a football stadium in Kowloon would, I know, be echoed by many others and it is a matter of regret that I cannot point to its inclusion in the programme. The omission is explained, of course, by the many items in the programme competing for limited funds.

Last year, in addressing this Council in the course of the Budget Debate, my predecessor mentioned his intention of embarking on a programme of recreation designed to entertain outdoors the young people of Hong Kong. He said, then, that it would fall to me to report on the public response and on the success of the programme in general*. Activities in this programme attracted unprecedented publicity and aroused an enthusiasm amongst the young which is all too rarely given to officially initiated schemes. The organizers are deeply indebted, of course, to those private recreation clubs and unofficial organizations which responded so generously to the call to participate and which helped to provide holidays in the open air for nearly 300,000 young people in a series of dances, picnics, fairs, and concerts.

I trust that the overwhelming response to the programme has convinced this Council that activities of this kind are helping to meet a very obvious need and are ones in which Government can legitimately take the lead. And I like to think that its success has persuaded you, Sir, at any rate in some small measure, to make the theme of the coming "Hong Kong Week" one of gaiety, carnival and light-hearted fun.

With these remarks, Sir, I support the motion.

MR T. D. SORBY: —Sir, my honourable Friend, Mr BROWNE, expressed interest in my views on the future pattern of our export trade and on whether it would be helpful to post a departmental representative in Japan which he thought should be a growing market for our exports.

As he observed, Hong Kong sells the greater part of its manufactures to comparatively few developed countries. He mentioned the

* 1968 Hansard, page 152.

[MR SORBY] **Appropriation Bill—resumption of debate on second reading
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United States, Britain and West Germany which between them accounted for two-thirds of our exports in 1968. In 1959, our exports to North America, to Western Europe, and to Asia were approximately equal in value, at about 600 million dollars each. Nine years later, the last year 1968, the value of our export trade with North America had increased six times; with Western Europe four times; with Asian countries it did not even double.

The relative extent of these increases is significant. It is the developed countries which have not only the wealth and economic strength to countenance and maintain stable and, for the most part, liberal import regimes, but also have large enough individual populations to provide substantial markets. Moreover, they are the countries in which "trading-up" pays the greatest dividends. And there is little doubt that we can still increase our sales to them despite increasing competition from other suppliers.

The chances in the next five to ten years of any significant reversal of the trends I have mentioned seem to me therefore not great. Nevertheless it is true that previous stagnation of exports to Asia was replaced after 1965 by a modest improvement, and for this our exports to Japan have been responsible in a small but increasing degree. There are those who predict that the comparatively rapid rise in manufacturing costs recently evident in Japan will give us opportunities to sell where hitherto we were not competitive. Departmentally we have been conscious that the set-back in the Japanese economy in 1965—which frustrated our first attempt at the Tokyo International Trade Fair to promote trade in Japan—we have been conscious that the set-back has long been overcome. Desk research, which we began about a year ago, indicates that we have a better chance now of some of our goods breaking into the market in Japan, and the Trade Development Council is just about to undertake a field study.

I am sufficiently aware of course of the commercial policy hurdles which still tend to inhibit exports to Japan; and this is the field in which my honourable Friend no doubt felt that my department could assist. Our research so far indicates that the already progressive import liberalization in Japan is likely to be accelerated by pressure from trading partners with more political muscle than we can call on. Because we are in full GATT relations with Japan, any progress made in this field must automatically be extended to Hong Kong.

I should of course like to see the very heavy imbalance in visible trade in Japan's favour somewhat reduced—although there are special reasons for this and we must not forget our invisible earnings from

Japan—but it seems to me premature at this point in time to switch our scarce resources of departmental experience to yet another overseas post. Nevertheless I will be keeping the matter very much in mind.

Sir, I beg to support the motion.

MR R. M. HETHERINGTON: —Sir, I propose to speak briefly on one subject raised by my honourable Colleague, Mr Wilson WANG. This concerns apprenticeship*. Mr WANG was not a Member of this Council when I spoke at some length on the same subject in last year's budget debate†. He is not able to be present to-day. He will, no doubt, read the Hansard report of both speeches when he returns to Hong Kong. If he has not already done so, he may also wish to refer to pages 27 and 28 of the Hong Kong Report for the year 1968‡ and to paragraphs 34 to 46 and table 4A of the annual departmental report of the Labour Department for 1967-68‡ for additional background information. I detect some confusion in his speech when he seems to make a distinction between skilled labourers and artisans. Apprenticeship is a system of training for craftsmen, a designation which I consider is preferable to that of artisan. It is not a system for training labourers. It is a constant difficulty in the field of industrial training to ensure that the expressions used mean the same to all concerned. The Industrial Training Advisory Committee and its associated committees have done a great deal to eliminate confusion over terms. Nonetheless, it might recur and, because of this, I feel justified in taking a little time to deal with this small point in Mr WANG's speech.

Since I last spoke, the Industrial Training Advisory Committee has endorsed a draft bill on important aspects of craft apprenticeship. This bill had been previously included in the departmental programme of legislation which I outlined in this Council just over a year ago§. A committee under the aegis of the Industrial Training Advisory Committee has been set up to deal with the many aspects of policy on apprenticeship.

I have experienced difficulties in recruiting for a new post of Senior Training Officer (Apprenticeship) created in the current estimates but these now appear to be largely overcome. I am hopeful that the post will be filled by the summer. It will then be possible for the Labour Department to provide the advice and supervision which Mr WANG calls for.

* Page 135.

† 1968 Hansard, page 177.

‡ Page 72.

§ 1968 Hansard, pages 32-8.

[MR HETHERINGTON] **Appropriation Bill — resumption of debate on second reading (13.3.69)**

Nevertheless, as I said last year, it continues to be disappointing that, with the notable exception of several leading firms which operate excellent modern apprenticeship schemes and some Government departments, there remains little evidence that the vast majority of the companies shows much interest or initiative in the organized training of apprentices. In my annual report for 1967-68 I reported briefly on the establishment of three pilot apprenticeship schemes in medium-sized Chinese engineering firms. One subsequently fell through but the remaining two survived and are at present contributing in a very modest way to the training of craftsmen. A modern apprenticeship scheme involves a proper mixture of practical and theoretical training. The responsibility for practical training rests squarely on the shoulders of industry. As far as institutional theoretical training is concerned, Government is playing its part through the Hong Kong Technical College which, at present, provides the necessary facilities. These will eventually be transferred to the new Morrison Hill Technical Institute.

With guidance from the Committee on Apprenticeship associated with the Industrial Training Advisory Committee, advice and supervision from the Senior Training Officer (Apprenticeship), statutory control of apprenticeship contracts under proposed legislation, and facilities for institutional training in the Technical Institute, the basic machinery is under construction for the development of apprenticeship schemes on modern lines. The responsibility will then fall on employers to make use of it.

Sir, I beg to support the motion before Council.

MR W. D. GREGG: —Your Excellency, the points made by honourable Members concerning the estimates for education fall mainly under two headings. First our progress in the field of aided primary education, on which my honourable Friend, Mr Wilson WANG spoke at some length and secondly various aspects of technical education which were raised chiefly by my honourable Friend, Dr S. Y. CHUNG, although other Members also indicated their support for the likely new developments which Your Excellency mentioned in your opening address. First then I would like to comment on primary education. My honourable Friend, Mr WANG, took exception to a note appearing in the back of the draft estimates to the effect that the main increases in the recurrent estimates for primary and secondary education was to cover an increased provision for about 40,000 extra places. He went on to imply that our planned expansion in these sectors particularly primary was being deliberately held back by restricting the amount of finance to be made available. This is not the case. These draft

estimates provide all the funds which are judged to be needed for all our known commitments on as realistic a basis as can be produced. With an expanding programme like mine this is not an easy thing to judge. In the first place there are the new schools now in building. It would be very nice if they were all handed over at the beginning of the new academic year. But we all know that this does not happen. A serious delay—and serious delays have occurred, due to engineering and other difficulties in certain major housing projects with which our primary school development is intimately bound up—the delay can affect the initial enrolment of schools and so the money required to run them for the year. Then again there are many schools which were completed last year and the year before which are still moving in an orderly fashion towards full development in terms of classes. There is unfortunately a tendency to underestimate the time it takes for a new school to fill up all its places. If I add together all the additional places which could conceivably come on the books this year in the new schools and those which might be completed, the number comes to some 90,000 places both primary and secondary. But I know and so does everybody else who is concerned with educational budgeting, from experience in past years, that nothing like this number will become a full charge on public funds during the year. So we have to make a calculated assessment of needs. If we put it too low, we may have to come back for supplementary warrants. If on the other hand we are unrealistically optimistic, we are liable to incur the criticism of underspending which has already been the subject of comment in this Debate.

I would like to turn now to the general situation with regard to primary school places, a matter also touched upon by the Honourable Mrs Ellen LI.

Honourable Members may recall that in the 1965 White Paper it was agreed that we should for planning purposes aim at 80% of the total age-group plus 15% as an operational margin, so as to cope with such things as over-age children, casual vacancies and the like. This gave us the target figure of 619,000 aided places which we should aim to achieve during 1970-71. In the light of experience over the past few years we have come to the conclusion that the 15% was too small a figure to cope with the contingencies I have mentioned. We are now therefore proposing to raise this to 25%. We now have in addition the latest census information and as a result of these two factors we consider that the target figure should be increased to 650,000 places by March 1970. This figure is in fact identical with the total estimated 6-11 age-group at that date. In addition there will be upwards of 200,000 places in private schools. At the present time there are about 569,000 government and aided places. Thus there is a gap of just over 80,000 places. My officers have very recently completed an assessment of school projects which are expected to be completed during the coming

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financial year. I am sure honourable Members will be glad to hear that this latest assessment which has been checked project by project with the architects concerned and this shows that by March 1970, 77,000 new places will be provided. This narrows the gape to just over 3,000 places. It is inconceivable that this gap, which is less than the places provided in two annex schools will not be completed in the following six months. I have no doubt therefore that our target will be achieved by not later than September 1970 and probably earlier.

Then the situation changes. Ironically enough at that very moment in time, according to the latest population forecasts, the number of primary school age children will begin to fall and will continue to fall, barring any unforeseeable circumstances, until about 1976 down to 585,000. But, of course, rehousing, resettlement and the establishment of new townships will go on and most if not all of these projects will require their own complexes of new primary schools. Indeed the implications of known places in terms of new primary schools up to 1973—we can't go reliably beyond this date—will push the number of aided school places up to about 750,000 against an estimated demand of only 625,000 pupils. Considerable thought is being given to this problem, how the excess accommodation even though it may only last for a few years may best be utilized, and of course the Board of Education will be fully consulted in this matter.

Turning now to technical education. My honourable Friend, Dr S. Y. CHUNG, commented first on our secondary technical schools, saying that they were an anomaly without parallel in the world. Surely this is rather an exaggeration. I have little doubt that in most developed systems throughout the world, you will find secondary schools which place particular emphasis on various aspects of the curriculum and which bear a name which indicates this bias. It is certainly the case in Britain at present, although there is a growing tendency to develop comprehensive schools in which a wide variety of alternative curricula are optionally available, but such schools only cope with 14% of the total secondary provision. The official report on Britain for 1968 still refers to Secondary Technical Schools. Incidentally I think it is a pity that Dr CHUNG should have chosen to cite Oundle as an example of the situation in England. Oundle is of course, in spite of its designation an independent private school unsupported by public funds with fees of over £ 600 a year. It owes its particular character largely to the efforts of a very famous headmaster many years ago who set himself the very laudable task of persuading the English gentry that the study of engineering in school was a respectable occupation for the sons of gentlemen, but it is neither typical of the private school of Britain nor of the State system.

From time to time I have mentioned secondary technical schools in this Chamber in the general context of technical education because I believe that a secondary education of this type is a valuable introduction to a technical career and because these schools in fact provide a high proportion, school for school, of those who enter the Technical College for further training. But I have never represented them as being anything other than what they are. They are secondary schools. They are administered by the secondary education section of my office, and the funds are quite properly provided in the secondary education sub-heads of the Estimates and not under technical and further education. Dr CHUNG'S efforts to knock \$9 million off this section as being inappropriately placed are therefore unjustified. Indeed when my requests for 50 initial staff for the Morrison Hill Technical Institute have been fully examined in the Secretariat and approved by the Establishment Sub-Committee this will represent a sizeable addition to the existing provision, to say nothing of the extra funds that will be required in this sphere when some of the other developments mentioned by Your Excellency at the Technical College level, at institute level and in the new junior technical schools get under way. Even at this stage it is as well to remember that \$2½ million provided under Public Works Non-Recurrent are for the completion of the building of the Technical Institute and a further \$2 million is shown under that head for equipping it.

My honourable Friend, Dr CHUNG, and several other Members have spoken on the need for greatly expanding our facilities for technical training of the kind provided by the Technical College especially at the post-secondary level. Your Excellency also included this among the projects in which you said that you would like to see progress made in the immediate future. Government has recently been giving much thought to this problem, and I am now able to say that proposals for the development of technical education at this level are now ready for submission to Your Excellency in Council, and if approved for submission to Finance Committee. These proposals include a recommendation that a planning committee be set up to work out details for the expansion thought to be desirable and possible. I do not think it would be proper at this stage therefore to go into too much detail, but in view of the considerable public interest that has been shown in this matter, I would like to mention that the recommendations favour the establishment of a second college complementary to that of the existing Technical College with both institutions operating under a new system of administrative control which would ensure a proper degree of flexibility as well as co-ordination between the two. It is also contemplated that in certain selected fields the studies at both colleges should aim at higher standards than those at present attempted at the Technical College. Finally, while on this subject I should perhaps make it clear, in answer to a point raised by the Honourable Mr HERRIES that in

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considering the scope of higher technical training it is certainly the intention to include the need for studies relating to commerce as well as those relating to industry.

Dr CHUNG is apprehensive about the problems of staffing not only for the Technical College but also for any other institutions at this level. I do not wish to minimize these difficulties, which exist wherever technical education flourishes. One of the reasons I suppose is that an experienced officer capable of imparting a knowledge of urgently needed technical skills is often highly sought after by industry itself. Movement of personnel between industry and teaching institutions is a very healthy thing. Industry can benefit from it and it is important that technical teachers should have an up-to-date knowledge of methods and processes which are in use in industrial and commercial undertakings, but the traffic should so far as possible be two-way. It is not surprising therefore that in an institution like the Technical College which has a full-time establishment of some 146 officers, vacancies should be occurring all the time. Most of these are filled as they occur without undue difficulty. But there are admittedly a small number of posts, not always the same ones, which do experience more than usual difficulty in filling. The numbers—about 8 in all at the present time—are not very significant, but the delay in filling them is, of course, very frustrating to all the departments concerned. Dr CHUNG himself has drawn attention to two cases in this hard-core. The knitting post in the Wool Section and the teacher for the tool and die making course. The first of these problems has still not been solved, but we are continuing to seek assistance on a wide international front to find suitable persons. Honourable Members will recall that some time ago in answer to a question I described in some detail what the College was doing as a temporary measure to overcome its difficulties.

It will be obvious from what I have said that the Ministry of Overseas Development, along with all other recruiting agencies, has so far in spite of many advertisements and re-advertisements failed to produce any candidates and to this extent therefore the recent statement in the House of Commons by the Parliamentary Secretary that the British Government had met all our requests for staff was not strictly correct.

On a somewhat more cheerful note, I am sure my honourable Friend will be pleased to learn that of the eight hard cases to which I have referred six are now expected to be filled before the commencement of the new academic year in September and a teacher for the tool and die making course is amongst them. I should mention, however, that a number of additional vacancies will occur in the near future, in part due to the proposed transfer of courses and staff from the

College to the Institute. It is perhaps too early to say whether these consequential vacancies will present us with exceptional difficulties, but if they do, I certainly hope that the Ministry's offer of assistance will be successfully implemented.

I turn now to the proposals for the establishment of junior technical schools. Several honourable Members have spoken in support of it and the public reaction appears to have been very favourable. Honourable Members will of course be aware that since the beginning of this debate Finance Committee has approved proposals for the establishment of a certain number of these schools and officers of my department are now initiating discussions with various sponsoring bodies with a view to submitting as soon as possible detailed individual proposals for approval and implementation.

Sir, in some of the observations that have been made in this debate and also outside I detect an attitude to these schools which I find somewhat disquieting. In some quarters for example I suspect that support for these schools is largely based on the expectation of a steady supply of young factory workers who for the preceding three years have been subjected to various forms of training in manual skills which can be quickly adapted for use on the factory floor and that there is little if any interest in any other aspect of the problem. I sincerely hope that honourable Members of the Council will not carry this argument too far, but there is a danger.

The most serious gap in our present educational system relates to those children who complete a primary school course around the age of twelve or thirteen, who are unable to secure a place in the public secondary sector where fees are moderate and can if necessary be remitted—and whose parents cannot afford the necessarily higher fees of the private secondary school, but who are nevertheless desperately anxious to continue their education in some meaningful way at least until they reach the age when they can obtain suitable employment. But it is quite wrong to classify all children who fail to gain entry to a government or aided school as being "not academically qualified for entry into secondary grammar schools" and to suggest that the only thing worthwhile for them is to inculcate certain manual skills for the so-called "benefit of the community".

It is perfectly true that the majority of these children are likely to come from poorer sections of the community and it is also probably true that subsequent opportunities for employment for them are likely to arise in the industrial field. In considering the educational problem of these children—and I must emphasize that in dealing with children of twelve and thirteen years of age it is an educational problem and therefore one of primary concern to my department—it is necessary to realize and accept the fact that these children will be entering employment

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within three years probably into industry and that it will be to their benefit and interest to follow a course which has a strong practical content. But this does not mean that all those other school pursuits through which the mental powers, characters and personalities of young children are developed and drawn out have no place in these institutions. The point has been rightly made in this debate by Mrs Ellen LI that these courses should not leave the students academically in mid-air, even though they may have to seek early employment. I agree with this. My technical officers here have frequently advised me that inadequate basic academic knowledge is often the greatest obstacle in the way of those who seek further training at the lower ends of the technical ladder. One important task of the junior technical schools will therefore be to ensure that these pupils will qualify for admission at least to the various craft courses of the Technical Institute. And I hope that in planning these schools and any others at this age level those responsible will realize that they have an educational problem involving the whole development of the child and that they will resist any easy temptation to regard their job as nothing more than to turn out a load of performing monkeys.

I will now turn to the honourable Mrs Ellen LI's suggestion that the Board of Education be given a more effective function in reviewing educational policies and programmes, notably in the fields of primary, post-primary and secondary education.

It is partly true that during the past three or four years the Board of Education has not had the opportunity of considering or initiating major changes in Government's educational policy. It must be remembered, however, that during this period the Department in association with voluntary agencies and other organizations has been preoccupied with trying to implement the many new policy decisions agreed in 1965 following a very close study by the Working Party which met almost weekly throughout the whole of 1964. Variations in that policy have been made, however, from time to time, a notable example being the present scheme for the introduction of junior technical schools which was, of course, fully discussed on more than one occasion by the Board. It will certainly be for the Board to consider and evaluate the progress which is made with these schemes, but I suggest that it might be a little premature at this stage to consider long-term proposals in this area before the success of the present limited experiment has been clearly demonstrated.

Mrs LI will also recall that when the proposed further reduction in primary school fees was discussed by the Board a few weeks ago, I accepted her suggestion that when the Board comes to consider the

details of the scheme which was outlined by the Financial Secretary it should also consider and advise upon a phased programme for achieving free primary education.

I realize, of course, that educational policies are no means immutable, and the Government has been obliged to modify some decisions affecting school organization and programmes which were not working out as originally planned. I am sure that honourable Members will appreciate that in Hong Kong almost any modification of the educational system (except a reduction in fees) even though it may obtain a wide measure of general acceptance, is usually accompanied by a spate of protests from the more conservative members of the community that the whole system is being turned upside down and their children are suffering piteously. Some caution in this matter is therefore probably wise. I agree, however, that in the total area of secondary education, with the exception of government and aided sectors, Government's policies are still not yet very clearly defined and I am therefore proposing as soon as certain background papers have been prepared to invite the Board to consider this matter.

Before concluding my remarks, Sir, I would like to refer to one topic which is not wholly educational. My honourable Friend, Mr Y. K. KAN, has indicated that broadly speaking the Unofficial Members are not too happy that this year the Financial Secretary is budgeting for a surplus. You, Sir, in your opening address have referred to a number of areas in which you hope to see substantial progress made. Some of these are in the field of the social services and include a number of projects with which I am concerned. There are in addition a number of other educational projects at various stages of examination which although perhaps not of major importance are nevertheless very dear to me and would if approved involve further expenditure. I know it is always very much easier to dream up ways of spending public money with the inevitable built in growth factors than to devise acceptable ways of increasing revenues. When account is taken of all these items which the Government is anxious to introduce but which had not yet reached the stage of detailed consideration which qualified them for inclusion in the printed draft estimates now before us, I as a simple Head of Department take considerable comfort from the fact that my honourable Friend, the Financial Secretary, has taken the precaution of anticipating this expenditure in considering the general level of revenues which he judges necessary to cover all Government activities during the ensuing year and I therefore have much pleasure in supporting the motion before Council.

MR A. M. J. WRIGHT: —Your Excellency, in your review on the 26th February you spoke of some of the things which you would like to see accomplished during the coming year. Among other things you

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spoke of slum clearance and the proposed mass transit system. I hope that I shall not be thought presumptuous if I say that I too have had my hopes of what might be accomplished during my last year of office. I hoped that those two very complex projects, slum clearance and mass transit, as well as a third—the next major water scheme—would, before it was time for me to leave Hong Kong on retirement, reach a stage where the DPW could sit back and leave it to the Engineers to get on with the job.

I must admit to a certain disappointment that none of these projects has yet reached that stage; nevertheless, very substantial progress has been made on all three and I am confident that Your Excellency will not be disappointed in your hopes so far as they are concerned.

Speaking of slum clearance I would mention that in December 1968 Finance Committee approved a new item of expenditure in the Public Works Non Recurrent Vote, Headquarters, vote with an estimate of \$5 million and supplementary provision for 1968-69 of \$1 million. The purpose of this item was to enable us to purchase sites within the slum clearance pilot scheme area, the development of which would interfere with our proposals. Subsequently, the scope of this item of expenditure was extended to include the acquisition of land outside the pilot scheme area, but within the overall district for which the Working Party on Slum Clearance have recommended phased clearance and redevelopment. We are now negotiating for the purchase of several empty sites in the Central and Western Districts of Hong Kong with a view to improving the road layout, the provision of sites for public open space, hawker bazaars, markets, and other community needs and the elimination of some of the small badly ventilated buildings fronting on to narrow lanes or internal courtyards. Though nothing dramatic has happened, it is fair to say that a start has been made on putting into effect the Working Party's proposals for urban renewal.

Several honourable Members have asked for a statement on the mass transit proposals. Briefly, an interdepartmental Working Party has considered in detail the Consultants' main and supplementary reports with a view to establishing which of the lines recommended are feasible and economically viable. The conclusion arrived at was that construction of a 2-line system linking the Central District of Hong Kong with Kwun Tong and Tsuen Wan was feasible and should be started as soon as possible. The Working Party also recommended that the Consultants should be asked to: —

- (a) assess travel demand with and without the Island line;

- (b) investigate alternative sites for the Central Station should the Island line not be constructed;
- (c) assess the relative merits of constructing a second north-south line in the Nathan Road Corridor, or alternatively along the Hung Hom/Diamond Hill alignment.

As honourable Members know, I am a strong advocate of a mass transit system linking Central with Kwun Tong and Tsuen Wan, but it would be foolish to commit ourselves to the alignments proposed by the Consultants, or to the omission of the Island line, without further investigation of travel demand and a very much more detailed investigation into the engineering problems involved.

After the recommendations of the Working Party had been considered by Executive Council, I was instructed to get in touch with the Consultants. This I have done, and on March 17th a partner visited Hong Kong for discussions on the scope, extent and timing of this further investigation. I expect a further visit early in April after which, subject to the approval of the necessary funds by the Finance Committee, the investigation will be put in hand without further delay. I hope that by carrying out the traffic and engineering investigations simultaneously it will be possible to proceed to tender stage with the minimum of delay, if Government should decide to proceed with the construction of the mass transit system.

My honourable Friend, Mr HERRIES, referred to water supplies. Briefly, the final report of the Water Resources Survey Unit as well as its report on Desalination were received at the end of December 1968. So also was the Consultants' report on a proposed new reservoir at High Island with a storage capacity of something over 50,000 million gallons. A paper presenting these reports to Your Excellency and honourable Members of Executive Council is in the final stages of preparation. We have, of course, already been authorized to proceed with the raising of Plover Cove; by 1973 the storage of that reservoir will have been increased by another 17,900 million gallons to a total of 50,900 million. When one remembers that in 1963, after Shek Pik was opened, our total storage in all reservoirs was only 16,800 million gallons, one can better appreciate the progress that has been made. I can assure my honourable Friend that now we have got on top of the water problem, we do not intend to lose ground.

My honourable Friend, Mr WATSON, will be glad to know that apart from temporary delays on five contracts due to the financial difficulties of one of our contractors, there is no slowing down in the tempo of housing development. We expect to meet the targets set by the Housing Board for the six-year period from 1968 to 1974. So that I can answer the specific points raised by Mr WATSON, I hope that

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honourable Members will bear with me if I give some statistics; I will keep them as brief as possible.

In round figures, over the five years from 1963-1968 we spent on an average \$119.6 million a year on the Resettlement and Government Low Cost Housing. During the same period we produced accommodation for an average of 137,000 people each year. This year, i.e. 1968-69, we have spent a little under \$100 million and have produced accommodation for 144,400 people. Thus, expenditure is down by nearly \$20 million or 16%, compared with the average of the five preceding years, but production is up by 6,500 or approximately 5%.

Next year, in spite of the reduced expenditure of \$89 million to which my honourable Friend referred, we expect to complete accommodation for some 125,000 people. This low estimated expenditure is due entirely to the very favourable tenders which we have received during the last two years and, which I am glad to say, we have continued to receive. Prices are some 30% below the 1964 level and do not yet show any tendency to rise. Looking to the future we now have under construction 70 blocks which will produce accommodation for 286,000 people, and we are forming sites for new estates which will house another 271,000 people.

The Financial Secretary is not the sort of person who needs assistance from me when answering his critics. Nevertheless, I must come to his defence and answer my honourable Friend Mr SZETO Wai's accusation of parsimony on his part in the allocation of funds for road works. Mr SZETO is a Member of Public Works Sub-Committee and must be aware of the vast road programme which has been approved; he must also be aware that once a project is included in Category A of the Public Works Programme, there has never been any difficulty in our obtaining funds as fast as we are able to spend them.

The total amount voted in any Public Works head of expenditure is as realistic as possible an estimate of what we can spend. Last December the Government Civil Engineer estimated that he could spend some \$103 million on non-recurrent works, mainly roads, in 1969-70. After consultation with him and the Director of Engineering Development I decided that for various reasons, of which I shall speak later, he would not be able to spend money at that rate, and I reduced his request to the present figure of \$78.8 million. When my honourable Friend the Financial Secretary saw these figures, he questioned the somewhat meagre amount which I was requesting and expressed considerable disappointment when I confirmed the figure. Perhaps I was too free with my blue pencil, but if the Government Civil Engineer

can spend at a faster rate—and I am quite sure that he will try very hard to do so—funds to make contractors payments will, of course, be available to meet the additional expenditure.

Honourable Members may well ask why we cannot, or do not, spend more money on roads. Mr SZETO Wai made a rather unfair comparison between the personal emoluments of the Civil Engineering Office and total expenditure on Recurrent and Non Recurrent works. He ignored the fact that a not inconsiderable proportion of the staff in the Civil Engineering Office is in the Traffic Engineering, Division which, so far as expenditure is concerned, is non productive. So also are the engineers in the Roads and Drainage Divisions who deal with the proposals of private developers. Then there are the many Inspectors and Foremen and Engineers who are on supervisory duties and whose salaries—in private practice—would be paid by the client, and not by the consultant. Finally, the Civil Engineering Office has a large direct labour force—working on road maintenance, in the sewage treatment works and in quarries. This direct labour force alone costs \$5 million a year; a sum which would otherwise be paid to contracts, with a corresponding decrease in the personal emoluments vote and increase in the works vote. Incidentally the quarry brings in a revenue of \$4 million a year.

Nevertheless there has been over the last few years a significant decrease in the rate of expenditure in the Civil Engineering Office. This has given the Director of Engineering Development and myself a good deal to think about. The reasons are many. More and more of our road work is within the heavily built up urban areas; works must be carefully phased and done piecemeal to reduce interruption of traffic flow to the minimum compatible with getting the job done. The public is severely inconvenienced by these works and in many cases the rights of property owners are interfered with. We now have to spend far more time on the long administrative and legal procedures as are required under the Street (Alterations) Ordinance^{*}; the Public Reclamation and Works Ordinance[†], and other legislation particularly when private property is affected by our flyovers and other major improvements in the urban road network. Not only does it take much longer to get a project off the ground, but engineers are having to spend far too much time on unproductive work. Yet another factor which causes delay, which at times can be very considerable, is the clearance of squatters and permittees.

These comments apply to the three specific projects mentioned by Mr SZETO. A start on the Waterfront Road was held up for several months while we were dealing with objections under the Public Reclamation and Works Ordinance, and for the last year we have been trying

^{*} (Cap. 130).

[†] (Cap. 113).

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to solve the problems involved in the construction of the Tsing Fung Street Flyover which will necessitate the removal of many balconies from buildings fronting on to that street. In this connexion, Sir, I would like to pay tribute to the great assistance which we have received from the City District Officer for North Point.

In the case of Connaught Road Central we must publish a plan calling for objections under the Street (Alterations) Ordinance, but this cannot be done until the statutory Town Plan which is under preparation by the Town Planning Board has been approved. Not only are these delays extremely frustrating to the staff of the Civil Engineering Office, but it makes the preparation of accurate estimates of expenditure an impossibility.

Your Excellency, having made these points, I wish to emphasize that I am not in any way criticizing the need for us to go through these procedures to make sure that private rights are respected and inconvenience to members of the public is kept to a minimum. I simply bring them to the attention of honourable Members to highlight our difficulties and to explain in part why we are apparently so slow on some of our biggest and most important projects.

In order to increase the output per man of the Civil Engineering Office, I recently submitted a proposal to the Colonial Secretariat that we should set up a separate Highways Office, under a Government Highways Engineer, to deal with all aspects of road works on a colony-wide basis. The Government Civil Engineer would continue to control the Port Works Division, the Development Division and a new Drainage Division formed from the present Sewage & Drainage Advisory Unit. The new Highways Office, if it is approved, will be responsible for all aspects of highway engineering, including maintenance; the planning, designing and constructing of new roads, and the construction of new drainage works where these are to be carried out in conjunction with road works. The Traffic Engineering Division, including the Traffic and Transport Survey Unit, would come within the Office as would a new Structural Design Division which we propose to set up to concentrate on the design of flyovers and elevated roadways. If these proposals are approved, I am confident that the expertise which the new Highways Office will develop will enable it to overcome many of the difficulties to which I have made reference.

Mr SZETO also referred to lack of provision for pedestrian crossings in the urban area. He asked a question on this subject last September and I gave him a full reply. I have little to add to that reply except to report that there has been further progress and we now have 14 footbridges or subways under construction and another 9 are scheduled to start in the financial year 1969-70.

Our overall expenditure on Non Recurrent Works which, for 1969-70, is estimated at \$309 million, is only \$13 million above the revised estimates for 1968-69 and is the lowest since I became DPW in 1963*. There are many reasons; the most significant of which are the virtual completion of Plover Cove with a resultant drop in Waterworks expenditure which is estimated at only \$38.4 million for next year, against a peak of \$190 million in 1965-66; and the very considerable drop in building and engineering costs which, when compared with expenditure a few years ago, shows a real saving of many tens of millions of dollars each year. On our housing programme alone, we are getting as much today for \$90 million as we got for \$125 million four years ago.

The low expenditure on Waterworks is of course a temporary phenomenon and we must expect to get back to, or even exceed, the 1965-66 expenditure during the early 1970s. Expenditure on Civil Engineering works is also likely to increase significantly from 1970 onwards when we should be going full steam ahead on the North-East Corridor road network as well as other major schemes on which we expect to start during 1969. Building expenditure is, I think, likely to remain at about its present level of about \$175 million a year, unless there is a big rise in building costs.

May I conclude by placing on record my appreciation of the way in which the staff of the Public Works Department has supported me in the six years during which I have been Director of that Department. In that period we have been through our greatest ever drought and suffered the most intense rainfall in Hong Kong's history. We have also our share of typhoons and other troubles. The ability and initiative of all grades of officers in the department in times of emergency and their enthusiasm, industry and loyalty at all times has been a source of inspiration to me.

Sir, I support the motion.

HIS EXCELLENCY THE PRESIDENT: —I wonder if honourable Members would like to break at this time. (*Nodded agreement*). Very well I will suspend the sitting of Council until four o'clock.

Suspended accordingly at 3.45 p.m.

During the suspension, Mr GREGG obtain permission to withdraw for the remainder of the sitting.

4 p.m.

Council resumed.

* 1963 Hansard, page 154.

THE ACTING COLONIAL SECRETARY: —Sir, my remarks today will be confined to matters affecting the Public Service, leaving my Official Colleagues to deal with the other matters of finance, economics and taxation, including such related questions as to whether we should have jam today or traffic jams tomorrow.

Several Members, in the course of this debate and when examining the Estimates in Finance Committee, have expressed concern about the size, cost and efficiency of the Public Service. This concern is right and proper, because about 47% of our total recurrent expenditure (i.e. excluding capital works) in 1969-70 will be disbursed on salaries for civil servants, and Members wish to be assured that the community is getting good value for money.

Information on the Public Service is contained in the draft Estimates, and also in two reports, named "A Report on the Public Service 1968" and "A Memorandum on the Personal Emoluments Subheads in the draft Estimates for 1969-70", which were laid on the Table and published on the 26th February.

There are now 77,600 permanent civil service posts, an increase of about 3% over the previous year. For the last four years the Service has been growing at the rate of about 3% per annum—a very much lower rate than obtained about ten years ago, when the Service expanded at the rate of 10 to 12% per annum.

When one considers all the new activities undertaken by Government each year, the new Resettlement estates, the new water supplies, the new post offices, the additional staff for the Inland Revenue Department and the City District Officer scheme, and the steady annual increase of the population for whom services have to be provided, I do not think that a 3% increase by itself gives cause for alarm. Government is constantly being urged to provide further services, especially in the fields of social welfare and technical education. These services cannot be provided without staff, and I would expect that the Public Service will continue to expand.

It is true that over the past fourteen years the Public Service has grown at a faster rate than the population. In 1955 the Public Service amounted to about 1% of the population; it now amounts to about 2%, but the growth rate in relation to population over the past three years has only been .01%. I do not think that unreasonable, for an administration which provides both central and local Government services, that two out of every 100 citizens are civil servants. Comparisons with other countries are not necessarily very meaningful, and relevant figures are difficult to obtain, but it seems likely that in the United Kingdom about five out of every 100 people are employed by the central Government or by local authorities.

The cost of the civil service continues to rise substantially, partly as a result of the "incremental creep" associated with a young service and partly as a result of salary increases awarded to match those in the private sector. The present cost of salaries (excluding pensions) is \$795 million, which amounts to about 47% of total recurrent expenditure (i.e. excluding the capital expenditure which varies from year to year). This percentage has remained remarkably constant over the years. It was 47% in 1957, increased gradually to about 51% in 1964 and dropped back to about 47% last year.

I have given these figures in order to provide a balanced picture of the Public Service. I am not of course contending that there is no need for prudence or for care to ensure that the Service does not grow faster than is necessary to perform its duties efficiently.

My honourable Friend Mr BROWNE, drew attention to the very real difficulties of establishing whether a civil service is efficient and productive. We do not have the discipline of competition, nor in most cases can we adopt the criterion of whether an activity is financially profitable.

It may be of assistance therefore if I describe the measures that are adopted to curb inefficiency and to promote productivity.

Primary responsibility for the efficiency and economy of all activities rests with the Heads of the 40 Government departments.

As we have recorded in the Report of Finance Committee on the Estimates, all Heads of Department were asked to follow certain rules of practice in framing their estimates: —

- (a) to look carefully for ways and means of economizing in the operation of their departments to the extent that it could be done without affecting the efficiency of essential services;
- (b) to make every effort to meet the cost of extra duties imposed on their department by redeploying the resources already at their command;
- (c) in proceeding with agreed expansion plans, to reconsider priorities.

In addition they were asked to review existing services as a whole with the object of abolishing or reducing services which no longer perform an essential function or are wasteful in execution. Heads of Department were also reminded that they should take the initiative in revising all fees in order to determine whether or not they should be increased to cover the costs of providing the various services which departments offer to the public.

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When, after taking these considerations into account, a Head of Department puts forward requests for additional staff, his requests are examined with care by the Establishment Branch of the Colonial Secretariat in consultation with the Finance Branch. There may at this stage be examinations by Staff Inspection teams or by the Organizational Survey Unit. If they are agreed they then go forward to the Establishment Sub-Committee of Finance Committee, under the able Chairmanship of my honourable Friend Mr P. C. Woo, which scrutinizes every application with great care, and finally to the Finance Committee of this Council for approval.

It will be seen, Sir, that a considerable number of hurdles must be surmounted before additional staff is approved. Despite this, one cannot prove that all staff are necessary, but I think that most Heads of Department would consider that they are under-staffed rather than over-staffed. In particular, it may well be, as suggested by Mr Woo, that additional supervisors are required to ensure that all minor staff are fully and effectively employed.

Mr BROWNE has queried whether the Organizational Surveys Unit is large enough and whether it has enough teeth. On the former point, it takes time to train men for this work, and experience is essential if the Unit is to be effective. The Unit is growing, but it is (as I have explained) only one method of ensuring the productivity of staff. As regards teeth, we have always taken the view that it is the responsibility of the Unit to persuade the Head of Department of the benefits to be derived from its recommendations. An imposed solution is less likely to be effective; but it is of course always possible for some pressure to be exerted by the Secretariat if necessary. I don't think that wider authority is required at this stage. Some degree of decentralization, as Mr BROWNE suggests, may be desirable, and we shall look further into this.

There are perhaps indications that certain departments, whose activities can be costed, and which do provide a commercial service do so economically. For example, the Post Office makes a profit. Admittedly it is a monopoly, but it has not been necessary to increase the modest charges for internal postage since 1950. The Railway is to a minor extent subject to competition and its prices have not been raised since 1955. Water is supplied at the cheap rate of \$2 for a thousand gallons. I would not wish to press this argument too far, because it can always be contended that private enterprise could operate even more economically; but if these operations are being undertaken economically it is perhaps some indication that other departments,

whose operations cannot be assessed in terms of profit and loss, are also not operating wastefully.

I turn now, Sir, to various specific points raised by honourable Members.

I listened with interest to the gallant—or should I say ungallant—rearguard action fought by my honourable Friend Mr Wilfred WONG on the subject of equal pay. But this battle was lost (or won depending on one's point of view) in 1965 when Government, on the advice of Finance Committee, officially accepted the principle of equal pay, to be achieved over a period of years. We are now faced with the problem of implementation, and a scheme is being discussed with the representatives of the civil service associations in the Senior Civil Service Council.

My honourable Friend Mr FUNG Hon-chu has again urged that we should get rid of the "deadwood" in the Service. As the Colonial Secretary said in the 1967 debate we remove inefficient officers where there are grounds for so doing: unsuitable officers are not confirmed in their probationary appointments; others are dismissed for disciplinary offences, although the procedure is in my view unnecessarily complex; we encourage the voluntary retirement of inefficient officers; and in appropriate cases we decline applications for extensions over the age of 55*.

But I cannot contend that in all cases we are ruthless enough. Justice is often tempered by an abundance of mercy.

Mr FUNG also raised the question of overtime.

Members will be aware that overtime is normally payable only to more junior staff, i.e. those with salaries below \$1,577 a month, and that members of the disciplined services receive no overtime. Whenever possible time off is given in lieu.

The payment of overtime is economic when work varies seasonally, as for example in the Post Office, or according to the jobs in hand, as in the Public Works Department. It is more economic in such circumstances to pay overtime than to engage full-time additional staff. Each case has to be considered on its merits, and the decision is not always easy.

Heads of department are expected to keep a close watch on overtime, and I do not think that there is widespread abuse.

During 1968-69 the total expenditure on overtime at "time and a half" amounted to \$12.2 million, a fairly substantial figure, but only about 1.6% of total salary costs.

My honourable Friend Mr P. C. WOO complained justifiably about the long time being taken to formulate proposals concerning the retirement

* 1967 Hansard, page 268.

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age. The delay has been caused in part by the democratic process of consulting the three civil service associations in the Senior Civil Service Council.

The present proposal, which was approved by Your Excellency in Council in April 1967, subject to consultation with the Associations, is that all officers should be allowed to extend their services until the age of 60 if they so wish, provided that they are fit and that the extension is not contrary to the public interest; the restriction concerning undue blockage of promotion of more junior officers would be abandoned. The Associations have indicated that they would agree to this proposal if it were linked with a relaxation of the rules governing voluntary retirement after reaching the age of 45.

The advantages and disadvantages of early and late retirement, both to the Public Service and to individual officers, are complex, and this proposed "package deal" is still being considered.

I do not think that I can pass without comment Mr Woo's observations about the "whims" of Heads of Department in this context. Each case is considered in detail by the Head of Department, and I should prefer to refer to his "considered judgment", rather than his whims.

Some figures may help to show how this works out in practice. During the past five years 500 officers retired between the age of 45 and 55; 1,490 retired at 55; the services of 280 officers were extended over the age of 55 and a further 166 had a second extension.

My honourable Friend Mr HERRIES suggested that a small unit might be established in the Secretariat whose job it would be to coordinate and correlate the various development plans which are proposed. This is in fact the function of the Secretariat as a whole. Weekly meetings are held by the Deputy Colonial Secretary with the different Branch Heads, and additional specialized meetings are held with Heads of Department when necessary. I do not think that a special co-ordinating body to co-ordinate the work of these co-ordinators would prosecute business more quickly. We are however not impervious to change. New Branches, such as the Social Services Branch are created when the need arises, and we shall certainly keep this suggestion in mind.

My honourable Friend Mr Wilson WANG referred to the serious delay in respect of staff for the physical education section in the Education Department. I fear I can only confess that there has in fact been an unduly long delay. Questions of policy are involved, which we hope to resolve as soon as possible.

Sir, a fierce light beats upon the civil service and illuminates all its faults. Oddly enough, it does not shine so brightly, or so publicly, on its virtues.

Mistakes by civil servants; individual acts of discourtesy; examples of inefficiency; all these attract publicity, and the public cries shame.

It is different in the private sector.

If bits fall off my new car; if I cannot obtain refills or spare parts because my new machine is obsolescent; if delivery dates are not met; if my clothes shrink or the colours run; if I arrive in London and my baggage is off-loaded in Beirut; if accounts are padded and secret commissions paid; if advertisements are calculated to deceive; if my new house develops cracks in the walls; if the instructions for my new sewing machine are in Italian; if any of these things happen there is no public outcry. Indeed, there is little surprise.

The reason perhaps is that the public have very properly over the years come to expect a high standard of service, conduct and morality from the Public Service, and are justifiably indignant when there are lapses from these standards.

I do not seek to claim that the civil service is perfect or to minimize its deficiencies. I do resent deliberate attacks on its integrity, on the motives of the Government, or deliberate smear campaigns for dubious motives. To some in the Public Service their work is merely a job. But our Service also contains an unusually high proportion of officers who devote all their time and energy to the welfare of the community. In my view Hong Kong has a fine civil service of which it should be proud. I am certainly proud to have been a member of it for very many years.

Sir, I beg to support the Motion.

THE FINANCIAL SECRETARY: —Sir, when my honourable Friend Mr KAN said that the speeches of Unofficial Members represented, in broad principle, a consensus, except where the contrary was stated, I think he must have meant very broad principle indeed, for I suspect my honourable Friends the Unofficial Members would be as horrified as anyone if Government proceeded to implement all their individual suggestions.

The first topic I would like to speak about is taxation.

My honourable Friend Mr KAN quoted my 1966 comment that ideally we should aim for a situation where the top rate of Estate Duty is the same as the standard rate of Earnings and Profits Tax and suggested that we should take the final step towards this now. It will

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be of interest that to do as my honourable Friend has proposed would have reduced revenue by \$5.6 million in 1967-68 and by \$4.8 million in 1968-69. I confirm by opinion about what our aim should be but with one proposal already this year largely in favour of "men of property" (that is, abolition of 3% excess stamp duty) I would suggest that this is not a particularly appropriate moment. In any event I did not say in 1966 at what level I thought the two rates ought to coincide; and I believe that we shall have to introduce, at the same time as we make a further move, rather more progressive rates of Estate Duty than we have at present. Perhaps my honourable Friend wishes me to proceed at once in case my successor takes a different view?

My honourable Friends, Mr KAN and Mr HERRIES, have expressed to opposition any increase in Rates. I was not, of course, as indeed they understood, proposing an increase but only anxious that landlords should not find themselves in a difficult position should it be necessary at any time in the future to increase them.

But I have some difficulty with my honourable Friend Mr KAN's remarks about Rates and Property Tax, particularly his adding them together to suggest that there is a tax of 32% on property. In the first place, rates are levied not on the owner of property but on the occupier in respect of his occupation; there are no rates on unoccupied premises, although this has been suggested at times. Property tax, on the other hand, represents a tax on the owner's assumed income from property; it is not paid by the very large class of owner/occupiers or on unoccupied premises, it can be included in Personal Assessment to reduce the rate of tax payable if personal circumstances so warrant it; there is an automatic allowance of 20% for repairs and outgoings which reduces the tax to an effective rate of 12% and finally, in the case of those in the property business, it can be substituted by a tax on the actual net profits from property. Rates and Property Tax can no more be bulked together to represent a total tax 32% on property than can rates on the premises a business occupies be bulked with the profits tax on the profits of that business.

My honourable Friend also said that in Britain the proceeds of rates go to local government to defray expenses but in Hong Kong they bear no relationship to actual local government expenditure. It is true that in recent years we have not specifically related the rising yield from rates to the rising cost of services they were originally intended to cover, all of which are within the sphere of local government in Britain. Historically, our 17% rate, which was consolidated in 1931, comprises previously separate rates for the Police, Fire Services and Public Lighting in addition to the 2% rate for water. Now I believe the colloquial word for rates is still Police rates. Excluding

water, rates next year will produce about \$260 million, while expenditure on the services they were imposed to pay for will total something of the order of \$240 million, a surprisingly close correspondence although a coincidental one. This figure includes a pension contribution but includes nothing for capital costs which are estimated at \$14 million next year. In Britain, of course, local rates go to pay for a much wider range of services although there is also a very substantial contribution from central government funds.

My honourable Friend specifically proposed that the 2% rate for water be abolished and made up by a slight increase in water charges. He justified this, as I understand it, on the grounds that the present structure of charges favours industry. But I have seen no evidence of this. In any event, the proper way of regarding the 2% rate is as a charge for having water available, both for private purposes and for general public purposes in the vicinity such as street cleaning and fire fighting, and for this purpose a charge based on rateable value seems reasonably appropriate. It is for this reason that the 2% rate is not charged in areas where there is no public supply available.

In connexion with Salaries Tax my honourable Friend Mr Wilfred WONG, has wondered if the Inland Revenue Department is still understaffed when 202,000 cases were assessed last year and only 72,000 demand notes issued. I said that the Commissioner would probably be back for more staff during the course of the year but it was not with these figures in mind. The Commissioner uses a net with a very fine mesh, so that he catches many little fish which he can only throw back into the sea; in other words, the difference between 202,000 and 72,000 represents cases which the Commissioner has examined but found to be below our very generous personal tax limits.

My honourable Friend, Mr Q. W. LEE has suggested that the charge to Interest Tax be amended so as to exempt not only, as at present, interest accruing from Government or banks at a rate not exceeding 3½%, but also on the first 3½% of any interest accruing in excess of that rate. I must confess that I do not see any justification for this. The only reason why we exempt bank interest not exceeding 3½% is that, there being very many more recipients of interest from savings accounts than there are taxpayers within our very generous personal tax limits, and with interest deductible at source, not to exempt would involve the Inland Revenue in a most onerous and wasteful process of determining each recipient's personal liability and paying back the tax in hundreds of thousands of cases. The system in Britain is to exempt the first £ 15 a year of interest a person receives on savings of various kinds; this is a fairly simple matter in a system where a full income tax is in operation and personal allowances are low enough to make most citizens liable. I do not think the fact that our incomplete system and generous personal allowances force us to

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allow tax exemption on certain interest income, even to the rich, in order to avoid charging the poor and then refunding to them, provides a cogent argument for a further across-the-board exemption. In any case, anyone who pays tax on interest accruing at over 3½% may still secure relief on the basis of Personal Assessment if his personal circumstances are such that he should pay less than the standard rate of tax.

In connexion with legislation to prevent evasion of Earnings and Profits Tax my honourable Friend Mr BROWNE has urged that the law should be kept simple. Unfortunately, the simpler an income tax law is the more scope there is for evasion and the more necessary it is to give the tax teeth. What we cannot have is a simple tax without teeth. Our proposals to combat evasion are designed, indeed, to preserve the simplicity of our tax system.

I think I might include in the taxation section of my speech the suggestion made by my honourable Friend Mr KAN that motor vehicle insurers should set up a fund, either voluntarily as in Britain or compulsorily as in Malaysia, to compensate the victims of car accidents where no third party insurance was carried or there was a loophole in the policy. It is a good idea in principle and we shall look into it. One problem clearly however is that the cost will in the long run inevitably fall on the properly insured motorists; if the cost is small that is possibly not objectionable, but if it is high it will work unfairly. We shall have to try first to determine the magnitude of the problem in Hong Kong.

That completes, I think, the taxation questions raised and leads me naturally on to the question of loan finance for public expenditure which my honourable Friend, Mr WONG, has ventilated once again. I have made my views on this known on a number of occasions. I do not propose to set them out at length again, but very briefly, they are that there can be no objection to borrowing, and an advantage in some circumstances, provided that the rate of interest is reasonable and the money is used to finance projects which are likely to generate enough revenue to pay off the loan by the end of its term. There must be no policy of borrowing short and spending long.

My honourable Friend has said that he believes that loan money is available at a reasonable rate of interest for a comparatively long term, but he has not defined either "reasonable" or "comparatively long". He did say, in relation to the latter question, that the bonds he suggested would qualify as liquid assets for the banks. As they would so qualify automatically only if for a term of not more than five years (and certain other conditions were met), it seems that either he must have misunderstood the liquidity rules or he regards five

years as "comparatively long". But five years would be useless for the finance of public works unless we are going to impose very much higher charges than we do; and, even if banks were prepared to subscribe to substantially longer term loans if allowed to treat them as liquid (and the Governor in Council has power to allow this in particular cases), we could not allow them to do so in any significant amount without the most serious risk of inflation. The minimum liquidity ratio set for banks is designed not only to ensure the ready availability of funds to repay deposits but also to prevent the inflationary effects of credit creation through excessive bank lending. I must stress, as I have stressed before, not only must our banks have substantial liquid assets but also must hold the bulk of them externally; the more particularly, although this is a slightly different point, because a high proportion of bank deposits belong to non-residents.

The same danger arises from Mr WONG'S suggestion that "idle" bank deposits over and above the amount lent out by banks as advances could be borrowed and spent by Government. I use the word "idle" in the sense in which he used it. Apart from the facts that over \$700 million of bank deposits are also part of public reserves, and that banks use their funds productively in many other forms than advances, prudent banks will clearly keep their liquidity ratio well above the minimum of 25% set by law and, in any case, not all bank deposits necessarily represent immediately utilizable resources. We are not in a position as a Government to create ready money on demand and that is one reason why we require banks to maintain a minimum liquidity of a genuine kind.

I fear that my honourable Friend's recipe is one for violent monetary inflation, a disease likely to be fatal in our circumstances even in fairly mild form. He recommends this course of action partly because we have, he says, no balance of payments problem; but the fact is that we have no balance of payments problem because we have not adopted the course of action he recommends. His course would cause a severe and rapidly fatal haemorrhage. Possibly our monetary policy has something to do also with the other phenomenon he has remarked on, our high rate of economic growth.

We have gone, it is true, a little way indirectly in this potentially dangerous direction by guaranteeing five-year loans by banks to the Building and Loan Agency for lending for some ten years; but we have put fairly small limits on the scheme and schemes of this kind can come to little harm so long as we have official assets outside the Colony substantially in excess of the loans so guaranteed, for, if necessary, these can be used to counteract any ill-effects.

One further point about so-called "idle" bank money is that, to the extent that it is in fact idle after taking into account a prudent

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level of liquidity, I should hope to see it largely absorbed, in due course, in the private sector which we must be sure not to starve of funds if we are to maintain our rate of growth. Our banking system is suffering from, or perhaps enjoying would be a better word, the same phenomenon as our exchequer; it cannot be expected to react at short notice to a rise in deposits of the magnitude experienced last year by a sudden, and inevitably ill-considered, expansion of advances, any more than Government can indulge in a sudden and ill-considered expansion of its rate of expenditure.

I must now speak of fiscal reserves and budgeting procedures, both short and long term.

My honourable Friend Mr WATSON has asked what I meant by our "basic reserves" when I spoke, five years ago in 1964, about the Five Year Forecast of Revenue and Expenditure from 1963-64 on. My predecessor but one set as his target a basic reserve equivalent to one year's recurrent expenditure. We never reached this, although we were close to it in the late 1950's, and we have long abandoned it. In 1962, when we were preparing the Five Year Forecast which my honourable Friend referred, we took \$380 million (or about half a year's recurrent expenditure then) as the basic reserve we would not touch except in emergency. We discussed this with the World Bank team then in Hong Kong and their view was that the figure was too low, a view which was clearly right when one considers the role played by our reserves in dealing with both the banking crisis 1965 and sterling's devaluation in 1967. Since then we have not taken any hard and fast view about what part of our total surplus funds could be treated as a basic reserve; how far we should run down our funds is a question best left for decision in the circumstances of the time. At present total reserves equal about eight months' recurrent expenditure.

My honourable Friend Mr WATSON remarked, apropos of reserves, that we (presumably he meant "I") know very little about them and that the actual amount of the reserves is in doubt. I find this surprising for I summarize them every year in presenting the Estimates and all the information is very readily available in publications of which my honourable Friend receives copies, with the exception of the Exchange Fund accounts, as he has noted. It is the practice in most countries, including Britain, not to publish these latter and they are not the subject of Parliamentary scrutiny; but, of course, I do every year inform Council of what surplus is available in the Fund for spending when I am giving a summary of the state of our reserves.

Let me summarize these reserves again for my honourable Friend's benefit. I have an estimated figure of \$1,185 million for total reserves

at the end of this year (that is, the General Revenue Balance, Revenue Equalization Fund and Exchange Fund surplus). This would be roughly comprised of sterling investments, fixed deposits and cash totalling \$585 million and Hong Kong dollar fixed deposits and cash totalling \$600 million. The actual figure looks like being rather higher than \$1,185 million when the accounts for the year are complete; any increase over that figure will be represented by further Hong Kong dollar fixed deposits or by cash.

He has enquired also about the investments we have in the loans issued by certain Commonwealth countries other than Britain. If he had conducted his researches in greater depth, he would have discovered that virtually all of these were already in our possession by March 1959. The reason for our possession of these investments is that, before financial powers were fully devolved on the Colony, the investment of colonial reserves was largely in the hands of the Crown Agents, whose practice it was, within certain limits, to support the issue of loans by certain colonies with the reserves of others. This had substantial advantages in practice but we have made virtually no further investments of this kind since we assumed control. I should say, however, that there has been no case of failure to repay such loans. When my honourable Friend wonders, in relation to reserves, why we should be financing other members of the Commonwealth rather than ourselves, I do not think he can be wholly serious. These investments of ours are readily realizable, and I presume that he does not regard it as odd that he finances his bank rather than himself with the money he keeps in his bank account.

As to depreciation of investments, there is also appreciation at times. Net depreciation in the five years to 1967-68 was only about \$12 million. This reflects the rise in world interest rates and, so long as we do not have to realize prematurely (which is very unlikely), the final loss, if any, is a loss of interest (or rather a failure to earn more interest than we would have earned), not a loss of capital, although by our accounting convention we adjust the capital value of investments annually.

Finally, my honourable Friend asked the really rather extraordinary question whether we would not have to get Britain's permission to draw on reserves invested there. He appears to imply that he believes this to be the case. I can assure him that he is under a total misapprehension. We are wholly free to realize and spend these investments exactly as we please and there would be no impediment to our doing so, even if we had to do so over a short period.

I now turn to the Five Year Forecast of Revenue and Expenditure. The production of this appears to be generally supported by Members, although my honourable Friend Mr WATSON damns it; but he is probably

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damning our forecasting ability rather than the possibility of accurate forecasting of this sort, although I do find it most extraordinary that he should believe that it is easier to forecast five years ahead than one. But possibly this explains his own confidence last year in forecasting revenue eighteen years ahead.

Although my honourable Friend speaks of the latest forecast as having been "published" a little over a year ago, the fact is that it has never been published. It is a confidential document made available to honourable Members on that basis because of its relevance to their important financial functions. The main reason for making it confidential is the very high degree of guesswork in the forecast and the danger that its status and purpose will be misunderstood, as my honourable Friend appears to have misunderstood them. Possibly he did not read the very important General Notes on the first page; I shall quote only the first of these which reads as follows: —I am afraid in rather turgid language—

"Previous editions of this forecast have given rise to a number of misconceptions; it is not a development plan in any sense of the term, neither does it represent a financial target towards which Government is dedicating its aims. It is a summation of departmental forecasts of revenue and expenditure, adjusted where necessary in the light of other factors affecting the probable rate of development and relating the cost of policies against assumed resources. Its main purpose therefore, is to provide a long term projection from a reasonably accurately calculable base of the probable financial effects of existing policies, in order that Government may assess the extent of its commitments, determine the degree of scope for increased expenditure and consider whether or not corrective factors should be introduced."

It seems to me that this is a very clear warning against misunderstanding the nature and purpose of these Forecasts.

As my honourable Friend has given certain figures to support his case against the Forecasts, there are a few things I might say about them. I do not know where he got his figures for comparing forecast and actual out-turn over the five years 1963-64 to 1967-68, for they are not at all accurate. For example, they appear to make no allowance for the substantial increase in taxation during the period. But in any case this is old history and was an early and rather over-elaborate attempt and any value the forecast may have depends on their regular up-dating, as will be obvious from the introductory note I have quoted. Even when we were less experienced in these matters, we would never have suggested that they would stand up to reality for five years. Our

plans and policies are not as rigid as all that, whatever some may believe. That is why we have generally produced a new forecast about every two years.

Perhaps in the light of these qualifications, I might take a closer look at the 1967-68 to 1971-72 Forecast, our latest attempt. There have been no important changes in taxation in the period. The forecast of recurrent revenue and expenditure for the two years 1967-68 and 1968-69 taken together show a net surplus of only \$2 million less than the out-turn (actual for 1967-68 and revised estimate for 1968-69); and that on a total revenue of \$3,745 million. If one adds the 1969-70 estimates so as to cover the first three years of the forecast, the discrepancy is only \$10 million out of a total of \$5,819 million (and this will be reduced to \$5 million by the reduction in primary school fees). Of course, one of these years is a revised estimate and the other an original estimate and the actual final result may be a little different.

If one looks instead at total revenue and expenditure, the result over the first two years is \$294 million better than the forecast but of this no less than \$214 million is due to the shortfall on Public Works Non-Recurrent expenditure for which my honourable Friend the Director of Public Works has generously absolved me from blame; the rest is due to an increase in capital revenue and a shortfall in other capital expenditure. For the total for the first three years, the result is now estimated at \$605 million better than the forecast (the approximate figure quoted by Mr WATSON as worrying him) but of this \$605 million no less than \$512 million is a result of Public Works Non-Recurrent underspending on Public Works Non-Recurrent.

There are two interesting things about these results. One is the very clear illustration that it is, for various reasons, most difficult to estimate capital expenditure, and that we may expect substantial variations in it. The second, and perhaps more important, conclusion is that, while the recurrent forecast was very accurate in net terms, it was much less accurate in gross terms; both recurrent revenue and recurrent expenditure results exceeded the forecast sums by almost the same amount, although even this discrepancy was only about 2%. This illustrates, I think, that the usefulness of such forecasts lies not in the correctness of individual figures but in the general trend of revenue and expenditure which it shows, particularly with the more important recurrent element. Factors which increase revenue tend also to increase expenditure.

To return now to more immediate issues, there has been surprise that we have "budgeted for a surplus" as the saying is, with the implication, it seems to me, that this was a deliberate act of policy. I have tried in the past to explain the nature of the annual estimates and I repeated some of my past words this year. But I did not say,

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this year or last year, as alleged by my honourable Friend, Mr SZETO, that we were precluded, "from any dramatic new programmes of action or any far-reaching switches in direction or priority in the spending of public money". What I said last year about such new programmes or switches was: —

"Anyone who expected them in the context of the Budget radically misunderstands its nature and function. It is not the occasion for proposing new schemes; indeed, I would consider it most unreasonable and disrespectful towards this Council were I do confront honourable Members with extensive new spending projects which they had never previously had a chance to consider and demand that they make up their minds at once whether or not they are prepared to vote the funds required to carry them out. The process of putting together, agreeing and carrying out important policies and programmes of action is not a staccato one, brought into play only for the Budget session and in a kind of vacuum. It is a continuous process in which this Council has a sustained and constructive role to play.

We could, I suppose, keep under wraps all major decisions involving increased spending which are reached during the course of the year and unveil them all to-day in one grand dramatic gesture. But we should be rightly condemned were we to do so."

Another general comment I made last year on public expenditure, which I shall not apologize for repeating, is that I do not think that there has ever been full public recognition of the magnitude of the programme of social development on which we are already embarked. The tendency is merely to point out the existing, and admitted, deficiencies and ignore both the great progress that has already been made with the very large increase in expenditure which it has involved and the existing agreed development plans and their future cost; I stress, their future cost. One reason for this, I suspect, apart from a natural desire to prevent self-satisfaction on the part of civil servants, is the very magnitude of the figures now involved. Above a certain level they tend to lose all meaning for the individual and he loses any sense of proportion or point of reference. I know that I myself suffer from this and have to make a mental effort to correct it. An example of this, with all due respect to my honourable Friend Mr Wilson WANG and in the knowledge that he was speaking in relation to our official target, is his disappointment with the fact that we are hoping to bring into operation this only 40,000 new school places next year, only 40,000. This is in fact a most remarkable figure which reflects the greatest credit on those responsible. I suspect that some people would have been disappointed whatever the figure was—as a matter of principle.

My honourable Friend Mr WATSON also asked what has gone wrong that the Estimates for next year show a surplus. The answer is, of course, that things have gone right. But we should not read too much into this budgeted surplus. In the first place, I might make a general point. I believe that there are two golden rules (amongst others) of fiscal policy; one is that the tax structure must be kept as stable as possible to give a stable framework for industry and commerce; the second is that the growth of the public services should proceed at a steady pace whatever the speed of that growth. Given those premises, there is no necessary reason why the growth curve of revenue and of expenditure should exactly coincide every year. It is for that reason that I am as prepared to budget for a deficit as for a surplus, within reason, although I admit frankly that I believe that we should, if we have to err, do so on the side of caution if we are to avoid breaking these two golden rules.

I have some more specific points to make also about the Budget surplus, in the present context: —

- (1) As my honourable Friend Mr Woo has pointed out there is an inbuilt growth in the cost of the public service because of the effect of incremental salary scales in a young and growing public service; to this he might have added the growing inbuilt pension bill. On top of this is the virtually irreversible momentum of plans for the expansion of the public services. This phenomenon is well known. One only has to look at the serious difficulties Britain has had in reducing the rate of expansion of public spending there. The growth of spending is a much more certain thing than the growth of revenue, other than from our very limited scope for additional taxation. If the growth of revenue were to stand still for just one year, we would be well into deficit.
- (2) The budgeted surplus of \$50 million is really very small in to-day's conditions. It is difficult to accustom oneself to the scale of our budget figures to-day, but \$50 million represents only a little more than 2% of estimated expenditure, really a very small margin.
- (3) The Estimates for Public Works Non-Recurrent are still very much below normal. If we were going to spend next year, not at our peak rate of 1965-66, but only at the average of the years 1965-66 to 1967-68, we would be facing a deficit of \$120 million rather than a surplus of \$50 million. And I have no doubt that Public Works spending is about to increase again significantly.
- (4) The percentage increase in revenue which has produced this year's large surplus is only just under 8%. This is well below the extraordinary rate we achieved in the early 1960's. That

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is much better than the 4.5% of 1967-68, and is better than the 6% of 1966-67 (adjusted for tax changes), and is just about the level of 1964-65 and 1965-66 which, it will be recalled, resulted in substantial actual deficits and led us to increase Earnings and Profits Tax. (If, incidentally, I had been attacked at this session for raising the rate of that tax too soon I could have pleaded guilty more readily than to some of the criticisms made. If we had not done so, we would just about have broken even on the three years since, and next year we might be budgeting for a deficit of \$50 million rather than a surplus).

My honourable Friend Mr WATSON has wondered at my more optimistic vein this year and remarked on the absence of grim forebodings, "no repetition for the slack has been taken up". I do not like to repeat myself if I can avoid it and I cannot say everything every year without running the risk of exhausting the patience of honourable Members', but I could speak in terms of labour shortage, intensified by the cut in hours of work for women; or of the world inflation on which our present rate of economic growth depends to a considerable extent but which could harm us in the long run. My relative cheerfulness is due to two main changes, the return of the growth of revenue to about its rate of growth of three and four years ago (even if I do not think it will necessarily be maintained at that rate) and the fiscal benefits arising from our sterling guarantee. I seem to remember being accused last year, too, of over-optimism; but possibly it is just that optimism is popularly held to be out of character for a Financial Secretary.

But we must not over-estimate the revenue growth. My honourable Friend quotes my saying that he was "in the realms of fantasy" when he proposed to pay for an Underground Railway from our revenue doubling every five and a half years. That forecast implied a rate of growth of 14% compound. This year's rate, if maintained, would take nine years to double our revenue; and our revenue in 1986 would be not the \$16,000 million forecast by my honourable Friend but only about \$8,000 million. At the average of the last three years,, that is 6%, a less unrealistic if still optimistic assumption, it would reach only \$5,000 million. So I still remain a very poor second to my honourable Friend in confidence in the strength and resilience of the economy.

I made this remark about the realms of fantasy in the 1965 debate on Statement of Aims and Policy for Social Welfare. My honourable Friend has lamented, in the light of my recent remarks on expansion of Public Assistance, that I did not support him then; but, if what he was

then thinking of was an increase in public assistance from \$1.6 million to \$20 million a year (not my estimate incidentally, as he suggests it is), not only would I have supported him but, if he will re-read the debate, he will see that I in fact did so without being aware of doing so.

My honourable Friend Mr WATSON has also asked whether our budgeted surplus results from less cautious estimating of revenue or from greater scepticism about what can be spent. The increase in revenue is forecast at 6½% compared with an actual 4.5% in 1967-68, an original estimate of 4% this year and a revised figure of 7.9% this year; I think this is neither cautious, nor incautious, but reasonable. As to expenditure, I hope that in the case of Public Works Non-Recurrent we have now reached rock bottom and that, if anything, we may spend more rather than less than estimated.

My honourable Friend Mr Wilfred WONG has reverted to his proposal for an economic advisory committee. I spoke about this proposal last year and I have nothing to add to the views I expressed then. But it seems to me that my honourable Friend contradicted himself; for he remarked on the one hand, that, while it has been said that two economists will give divergent views about a problem, three would result in a majority vote or a consensus. He then proceeded to quote PROFESSOR SAMUELSON'S story about three economists who gave three different views. It is true that the point of the story is that the three different views were, in the Professor's opinion, really the same. But this then appears to suggest that only one economist is really needed and any more would be a waste of effort. But this brings me up against Mr KAN'S dislike of "priorities set by one department or one man". I suspect that he thinks that I am that one man, this a fallacy which I have often attempted to dispel. Decisions on priorities and programmes of expansion are not taken by one man, not even by me; they are arrived at, so to speak, as a resultant of various forces, various views, knowledge, judgement, etc. That is how society works and I myself believe that in a rapidly developing society and economy, it works better than any attempt at sophisticated planning for which there can never be an adequate factual basis, and which in our changing world leads to undesirable rigidities.

My honourable Friend Mr KAN was no doubt aiming at me again, when he remarked that it was time to put the horse before the cart and make our financial decisions subject to the vital needs of the community rather than make decisions on our needs subject to our finances. I cannot really believe that he means this literally, and indeed there is considerable scope for interpretation of the question-begging words "vital" and "needs". But surely he has his metaphor the wrong way round. It is finance, like the horse, which provides the motive power on which progress depends; I have never heard of the cart propelling the horse.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate
on second reading (13.3.69)**

There are two development matters which I should mention before I close the debate. One is a Container Terminal which was mentioned by my honourable Friends Mr FUNG and Mr BROWNE. We are considering an interim scheme which can be undertaken by private capital and we are conducting an engineering study of the large Kwai Chung scheme which should be ready fairly soon. It is clear that this latter will be very expensive. Mr FUNG spoke of the desirability of using public funds if private enterprise will not undertake the development. But my honourable Friend Mr BROWNE said nothing of how a container terminal was to be financed. I would have been interested to learn if shipping and other commercial interests are still of the view they took in 1946 that the Port should be left to private enterprise.

My honourable Friend Mr FUNG has spoken of the need to improve air cargo handling facilities. We are already extending the present cargo building and have just received the report of consultants on a completely new cargo centre. The question will arise here too whether private capital can be attracted or reliance must be placed solely on public funds.

That concludes what I propose to say to-day in reply to honourable Members' speeches and I must apologize if I have omitted any topic which is felt to be important.

Finally I should like to sum up the view I take of our present and future prospects. I do not think that they are in fact very different from those of honourable Members. I believe that the prospects for continued economic growth are good and that economic growth will continue to produce a growth in revenue which, along with our reserves and our untapped tax resources, will allow us to continue to expand our public services as rapidly as the available time and effort, as well as money, will allow. And as we approach completion of our present programmes, which have been devoted in recent years to filling the most important gaps created by our post-war history, near completion, we can turn to other fields which we have not entered or have so far barely touched.

This improvement in the position as I see it is not an invitation to extravagance in the public services. The economic future is always uncertain and a matter of confidence rather than of knowledge, and the future commitments we already have undertaken are heavy. We must be guided by a steady and sober confidence or we may destroy its foundation.

MR K. A. WATSON: —I rise on a point of personal explanation. My honourable Friend the Financial Secretary has said that I made

an estimate of revenue last year. He has forgotten that when I made an estimate and gave some figures I did so with the proviso that revenue continued to increase as it had in previous years, which makes quite a different thing from me making an estimate.

HIS EXCELLENCY THE PRESIDENT: —I must remind honourable Members that if they wish to speak again in the debate they must first get the President's permission. Not that I would not have given you permission in this case, Mr WATSON, I would have done.

MR K. A. WATSON: —Sorry, Sir.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43.

Committee stage

APPROPRIATION BILL 1969

HIS EXCELLENCY THE PRESIDENT: —We will now consider the Appropriation Bill 1969 taking the Schedule first in accordance with Standing Order No 55(3). With the permission of Council I think it will save time if I propose to put the questions on ten heads at a time unless an honourable Member wishes to speak on a particular head in which case we can revert to that particular head and take it separately.

Heads 21 to 34 were agreed to.

Head 35.

MR Y. K. KAN: —I wish to record my objection to Sub-head 1, "Defence Contribution \$57,108,800" under this Head.

This Council will recollect that during the Budget Debate in 1967 I strongly objected to the proposed increase in defence contribution of an additional \$40 million a year over four years. I took the view then that this amount could not assist Britain in solving her balance of payment difficulties. On the other hand the money could be put to better use ourselves for the further development of our social services which would result in far greater benefit both to us and to Britain.

Today Britain's financial situation has greatly improved and I regret that we have to continue paying this huge sum which she does not need simply because we, most unwisely, I suggest, committed ourselves for four years.

[MR KAN] **Appropriation Bill—committee stage**

I appreciate that we have made a commitment which we are bound to honour, nonetheless I feel I must continue to voice my dissent because I maintain that there is even less need for us to pay this amount today.

Lest it be said that I was not being consistent in that I did not vote against this last year, I was not present then when the vote was taken.

THE ACTING COLONIAL SECRETARY: —Sir, as the Colonial Secretary said in 1967, we did not welcome this additional defence contribution, but we entered into the most advantageous arrangement we could achieve, and as Mr KAN has said we cannot very well go back on it now*.

I think we would all agree that we must have a garrison here adequate to our needs. I am sure also that honourable Members will agree that the officers and men of the garrison have played a most valuable part in the affairs of our community in recent years, and we are grateful to them for their help and support.

Head 35 was agreed to.

Heads 36 to 83 were agreed to.

The Schedule was agreed to.

Clauses 1 and 2 and the Preamble were agreed to.

PREVENTIVE SERVICE (AMENDMENT) BILL 1969

Clauses 1 to 4 were agreed to.

CRIMINAL PROCEDURE (AMENDMENT) BILL 1969

Clauses 1 to 3 were agreed to.

Council then resumed.

Third reading

THE FINANCIAL SECRETARY reported that the Appropriation Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

* 1967 Hansard, page 266.

Question put and agreed to.

Bill read the third time and passed.

MR T. D. SORBY reported that the Preventive Service (Amendment) Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

THE ATTORNEY GENERAL reported that the Criminal Procedure (Amendment) Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

ADJOURNMENT

Motion made, and question proposed. That this Council do now adjourn—
THE ACTING COLONIAL SECRETARY.

5.02 p.m.

Question put and agreed to.

HIS EXCELLENCY THE PRESIDENT: —Honourable Members, this is the last sitting for Mr WRIGHT who will be departing on 28th March on leave prior to retirement. His departure will bring to an end a most distinguished career extending over 30 years; the greater part of this time being devoted to the Public Works Department, the balance being spent in the Argyle Street Camp as a prisoner of war, for he had the misfortune of arriving in Hong Kong in 1939.

Mr WRIGHT first joined this Council in a provisional capacity on 20th September 1962*, and became a substantive Member on 1st March 1963, on his appointment as Director of Public Works†. He has therefore served this Council and its Finance Committee as well as the Public Works Sub-Committee faithfully for over six years.

The next few days will also see the end of the WRIGHT's very long association with Hong Kong, Mr WRIGHT's grandfather having

* 1962 Hansard, page 278

† 1963 Hansard, page 57.

[HIS EXCELLENCY THE PRESIDENT]

been in the Rating and Valuation Department, I understand, and his father with the Building Ordinance Office.

I know all honourable Members will join with me in being very sorry indeed to see Michael WRIGHT leave, for reason both of personal friendship and warm regard as well as for regret at the departure of an outstanding Director. I am sure you would wish me to thank him most warmly for all that he has done for Hong Kong, particularly perhaps since the second world war, not only in the field of housing—which has been one of his specialities—but also, since he jointed the directorate in the Public Works Department, for many very imaginative projects.

Mr WRIGHT, I offer you and your family on behalf of Members of this Council, and the people of Hong Kong, our very best wishes for a very happy leave and well earned retirement.

I would also like to draw honourable Members' attention to the fact that it is likely that this will be Mr HAMILTON'S last appearance as a Member of this Council. Fortunately we are not actually saying good-bye to him today but he has been a Member of Council on a number of occasions and I believe honourable Members will agree with me that he has acted as such with very great effectiveness and I would like therefore on your behalf to thank him also for his services to us here.

MEMBERS: —Hear! Hear!

MR Y. K. KAN: —Sir, may I on behalf of the Unofficial Members I wish to associate ourselves with all that you have just said concerning Mr WRIGHT.

Since his imminent retirement became publicly known, people from all walks of life have paid spontaneous tributes to Mr WRIGHT. He has been praised, and rightly so, for his many achievements and qualities, but perhaps he has been most outstanding as an example of an expatriate officer who has closely associated himself with the people of Hong Kong, a civil servant who has not only done an excellent job of work inside his own department, but who has also developed and maintained the best public relations. He has therefore earned not only the respect, but also the genuine affection of the people of Hong Kong who are sorry to see him leave as we are here.

We wish to extend to him and Mrs WRIGHT our very best wishes for his many years of happy retirement.

I would also like to associate ourselves with what you said concerning Mr HAMILTON. I shall, of course, in due course, I hope, have the opportunity of saying a few more words. In the meantime, I would like to thank him on behalf of all the Unofficial Members for all the help which he has very generously given to us both here in this Council and in the Financial Committee.

MR WRIGHT: —Thank you.

MR HAMILTON: —Thank you.

NEXT SITTING

HIS EXCELLENCY THE PRESIDENT: —Council will accordingly adjourn. The next meeting will be held on 9th April.

Adjourned accordingly at eight minutes past Five o'clock.