

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 10th March 1971

The Council met at half past Two o'clock

[MR PRESIDENT in the Chair]

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, GCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY
SIR HUGH SELBY NORMAN-WALKER, KCMG, OBE, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DAVID RONALD HOLMES, CMG, CBE, MC, ED, JP
THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN JAMES COWPERTHWAITTE, KBE, CMG, JP
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC, JP
COMMISSIONER OF LABOUR
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, MBE, JP
DIRECTOR OF URBAN SERVICES
THE HONOURABLE JAMES JEAVONS ROBSON, JP
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE DONALD COLLIN CUMYNN LUDDINGTON, JP
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
DR THE HONOURABLE GERALD HUGH CHOA, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE PAUL TSUI KA-CHEUNG, OBE, JP
COMMISSIONER FOR RESETTLEMENT
THE HONOURABLE JACK CATER, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE KAN YUET-KEUNG, CBE, JP
THE HONOURABLE WOO PAK-CHUEN, OBE, JP
THE HONOURABLE SZETO WAI, OBE, JP
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP
THE HONOURABLE ELLEN LI SHU-PUI, OBE, JP
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP
THE HONOURABLE HERBERT JOHN CHARLES BROWNE, JP
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, QC, JP
THE HONOURABLE GERALD MORDAUNT BROOME SALMON, JP
THE HONOURABLE ANN TSE-KAI, OBE, JP
THE HONOURABLE LO KWEE-SEONG, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RODERICK JOHN FRAMPTON

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:—	
Inland Revenue Ordinance.	
Specified Corporation Notice 1971	18
University of Hong Kong Ordinance.	
Statutes of the University of Hong Kong (Amendment) Statutes 1971	19

Reports:—

The First Report of the Chinese Language Committee (published on 28.2.71).

Report on Training in the Public Service of Hong Kong 1959-1968 (published on 10.3.71).

Statement

Report on Training in the Public Service of Hong Kong 1959-1968

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, among the papers laid today is the Report on Training in the Public Service for the ten years 1959 - 1968. I am sure that Members will find much of interest in this useful publication which provides comprehensive information about the training schemes for the Public Service organized by individual departments as well as those facilities which are provided centrally.

Of particular interest is the range and the amount of specialist overseas training which takes place year by year. In this period, for example, nearly a thousand officers from Hong Kong have attended overseas training courses lasting a year or more. Of this number more than 200 were doctors. This is an impressive record and illustrates Government's determination to maintain a high standard of service to the community.

I should also like to draw attention to the Government Training Scholarship Scheme which the Finance Committee of this Council approved in 1961. This has made good progress. Since 1962 when the first students were sent overseas, more than 100 scholarships were awarded in the period covered by this report. These have enabled

young officers to qualify for appointment to posts at the professional level which would otherwise have to be filled by overseas recruitment. The calibre of the scholarship holders so far has been very high and the failure rate negligible.

The direct costs of training are given in the Report. When trainees' salaries and other indirect costs are included, the annual cost to the taxpayer is very much higher. In 1970, for example, the total estimated cost was some \$45 million—an indication of the priority being given to training in the Public Service.

Government business

Motion

DELEGATION OF FINANCIAL POWERS

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAITTE) moved the following resolution:—

It is hereby resolved—

- (1) that, in accordance with the provisions of Colonial Regulation 223(2)(a), the Governor may sanction additional expenditure (on his own responsibility pending covering approval of the Finance Committee of this Council) where the total required under any individual subhead does not exceed the sum specified in the third column of the Schedule to this Resolution,
- (2) that, in accordance with Colonial Regulation 223(2)(c), authority is conferred upon the Governor to delegate such of the powers conferred upon him by Colonial Regulation 223(2)(a) and by this Resolution as are specified in the Schedule to this Resolution, to the extent specified in the third column thereof, to the public officers specified in the fourth column thereof and subject to such conditions, exceptions and qualifications as the Governor may prescribe,
- (3) that, in accordance with Colonial Regulation 223(2)(c), authority is conferred upon the Governor to delegate any of the powers conferred on him by Colonial Regulation 223(2)(b) to the Financial Secretary and the Deputy Financial Secretary—
 - (a) subject to such conditions, exceptions and qualifications as the Governor may prescribe; and

[THE FINANCIAL SECRETARY] **Delegation of Financial Powers**

(b) provided that the additional provision authorized does not exceed \$75,000 in the case of the Financial Secretary or half that amount in the case of the Deputy Financial Secretary,

(4) that the Resolution passed by this Council on the 13th day of August 1969 be cancelled.

SCHEDULE.

(1) <i>Item.</i>	(2) <i>Subhead.</i>	(3) <i>Limits of Supplementary Provision.</i>	(4) <i>Authorized Delegate.</i>
I.	PERSONAL EMOLUMENTS:		
A.	Supernumerary posts	Such sum as may be required— (1) in respect of a supernumerary appointment for—	
		(a) a replacement, where considered necessary, for a woman officer on maternity leave for the approved period of such leave;	Establishment Secretary and Assistant Colonial Secretaries
		(b) a replacement, where considered necessary, for an officer on prolonged sick leave for the period of such leave;	Establishment Secretary and Assistant Colonial Secretaries
		(c) a replacement, in the same or lower grade, for an officer on no-pay leave;	Establishment Secretary and Assistant Colonial Secretaries
		(d) a substantive appointment to a post the previous holder of which is on leave prior to retirement; such appointment may date from the commencement of the previous holder's pre-retirement leave in the case of a superscale or upperscale post, but there shall be an interval of at least six months in all other cases, provided that a shorter interval may be authorized in individual cases where the Establishment Secretary considers that recruiting difficulties would be eased substantially thereby;	Establishment Secretary only
		(e) additional supernumerary posts in any class within a cadre, subject to the overall establishment of the cadre not being exceeded, for a period not exceeding two months; arising from a temporary need to over-establish that class for a specific purpose; e.g. as a result of a hand-over of officers of equal rank, in-service training courses or secondment to special duties.	Establishment Secretary only
B.	Vacancies	(2) for the creation of—	
		(a) a supernumerary post in a lower class against a vacant post in a higher class in the same grade;	Heads of Departments

(1) Item.	(2) Subhead.	(3) Limits of Supplementary Provision.	(4) Authorized Delegate.
		(b) a supernumerary post in one grade held against a vacant post in another grade which has a similar or higher salary scale.	Establishment Secretary and Assistant Colonial Secretaries
C.	Promotion or transfer	(3) for additional supernumerary posts for a period not exceeding one year, arising from the promotion or transfer of an officer in a grade common to several Departments (e.g. Administrative Officer, Executive Officer, Stores Officer, Clerk, Clerical Assistant, etc.) subject to the approved overall establishment in the class to which the officer is promoted or transferred, not being exceeded.	Establishment Secretary
D.	Salaries based on rates applied by other Governments	(4) to cover a change in salary scale in all cases where rates of another administration are applied when such rates alter, provided that Finance Committee have initially approved the application of such rates.	Financial Secretary and Deputy Financial Secretary
E.	Honoraria	(5) for payment of honoraria not exceeding \$1,000 in any particular case and not involving new policy.	Financial Secretary
F.	Arrears and Adjustments	(6) for payment of arrears or adjustment of salary and allowances where no change in policy or principle is involved—	
		(a) supplementary provision in the Personal Emoluments vote arising from arrears of salary and allowances or a salary and allowances award, where the commitment has been approved by Finance Committee;	Financial Secretary and Deputy Financial Secretary
		(b) supplementary provision where provision of funds is insufficient to meet expenditure arising from approved posts;	Financial Secretary and Deputy Financial Secretary
		(c) supplementary provision for overtime, honoraria or allowances, where the vote is insufficient, not involving any increase in rate, provided that supplementary provision for overtime does not exceed 10% of the vote or \$25,000 whichever is the lesser, and that in any case where it appears likely that there will be a continuing need for excess overtime covering approval is obtained from Finance Committee at the earliest opportunity.	Financial Secretary and Deputy Financial Secretary
G.	New posts	(7) subject to the availability of funds in the Personal Emoluments vote, for the creation of posts for Scale I and II staff additional to those established in the Estimates provided that the need for such posts is urgent and provided further that the increase shall not exceed 2½% of the establishment in each grade or 10 posts in each grade whichever is the lesser and that covering approval is obtained from Finance Committee at the earliest opportunity.	Financial Secretary

[THE FINANCIAL SECRETARY] **Delegation of Financial Powers**

(1) Item.	(2) Subhead.	(3) Limits of Supplementary Provision.	(4) Authorized Delegate.
II.	OTHER CHARGES: Annually Recurrent (Including Public Works Recurrent, Miscellaneous Services, etc.)	(a) where the original provision in the subhead is— \$0 - \$50,000: not exceeding 30% or \$5,000 whichever is the greater; \$50,001 - \$150,000: not exceeding 20% or \$15,000 whichever is the greater; \$150,001 - \$500,000: not exceeding 15% or \$30,000 whichever is the greater; \$500,001 and over: maximum of \$75,000;	Financial Secretary
		(b) up to half the percentages and amounts stated in sub-paragraph (a);	Deputy Financial Secretary
		(c) virement between subheads, subject to the total additional provision in the subhead to which funds are to be transferred not exceeding in any one financial year 10% of the original approved provision of that subhead; and subject to the additional provision not involving any new principle;	Financial Secretary
		(d) virement between subheads, subject to the total additional provision in the subhead to which funds are to be transferred not exceeding in any one financial year 5% of the original approved provision of that subhead; and subject to the additional provision not involving any new principle.	Deputy Financial Secretary
III.	OTHER CHARGES: Special Expenditure (Including Public Works Non-Recurrent, Miscellaneous Services, etc.)	(a) in respect of the original approved provision in the subhead as in II(a) above, where no point of principle or change of policy is involved and subject to the authority being exercised not more than once in any financial year;	Financial Secretary
		(b) up to half the percentages and amounts that may be exercised by the Financial Secretary under sub-paragraph (a);	Deputy Financial Secretary
		(c) in respect of the overall estimate of any item as stated in the Estimates; as in II(a) above; subject to the authority being exercised only once during the life of an item: i.e. not annually;	Financial Secretary
		(d) up to half the percentages and amounts stated in sub-paragraph (c);	Deputy Financial Secretary
		(e) in respect of revotes; up to the overall estimate;	Financial Secretary
		(f) in respect of revotes; up to \$250,000;	Deputy Financial Secretary
		(g) in respect of the annual provision of any subhead extending over more than one year; up to the total estimate;	Financial Secretary
		(h) in respect of the annual provision of any subhead extending over more than one year; within the total estimate up to \$250,000.	Deputy Financial Secretary

He said:—Sir, on 13th August 1969, this Council passed a resolution, the purpose of which was to give the Governor certain limited powers to delegate financial authority to the Financial Secretary, his Deputy, the Establishment Officer, Assistant Establishment Officers and Heads of Departments, in order to reduce the number of routine applications that have to be referred to the Finance Committee.

The creation from 26th June 1970, of the new office of Establishment Secretary, and the consequent abolition of the office of Establishment Officer, has made necessary the deletion of the designations "Establishment Officer" and "Assistant Establishment Officers" where they occur in the fourth column of the Schedule to the Resolution, and the substitution of the designations "Establishment Secretary" and "Assistant Colonial Secretaries" respectively. The Finance Committee of this Council has already indicated its concurrence with the proposed change.

It is proposed to achieve the amendment by substituting a complete new Resolution which follows the wording of the previous Resolution except that its Schedule is suitably altered.

Question put and agreed to.

First reading

TRADE UNION REGISTRATION (AMENDMENT) BILL 1971

Bill read the first time and ordered to be set down for second reading pursuant to Standing Order No 41(3).

Second reading

TRADE UNION REGISTRATION (AMENDMENT) BILL 1971

MR R. M. HETHERINGTON moved the second reading of:—"A bill to amend the Trade Union Registration Ordinance."

He said:—Sir, legislation dealing with trade unions in Hong Kong had its origins in the Trade Unions and Trade Disputes Ordinance enacted in 1948. The provisions relating to trade unions were re-enacted in 1961 in the present Trade Union Registration Ordinance which has remained unchanged since then. Since 1961, experience in administering the Ordinance, changing circumstances, and new problems made it necessary to examine possible modifications within the existing framework. About three years ago, I announced in this Council that I was considering, in co-operation with the Registrar of Trade Unions,

[MR HETHERINGTON] **Trade Union Registration (Amendment) Bill—second reading**

the revision of certain parts of the Ordinance. This work was completed last year and the outcome is the amending bill now before honourable Members.

The basic purpose of the bill is to contribute towards the more effective administration of the affairs of trade unions. The various clauses which are concerned with this purpose can be conveniently dealt with in three main groups:—

- (i) the membership and management of trade unions
 - (ii) the rights of officers and members of trade unions to appeal against decisions of the Registrar of Trade Unions
- and (iii) the powers of the Registrar of Trade Unions to carry out his responsibilities effectively.

The first main group of clauses concerns the membership and management of trade unions. Some difficulties have arisen in the past over the interpretation of subsection 1 of section 17 of the Ordinance which limits membership of a trade union to a person "ordinarily resident in the Colony and habitually engaged or employed in a trade or occupation" although proviso (b) to this subsection allows him to continue as a non-voting member if he retires on account of age or ill-health. Clause 9(b) adds a new proviso (c) to make it clear that no person shall be refused membership of a trade union solely on the ground that he is casually or seasonally employed in a particular trade. Clause 9(a) also amends this subsection to remove any doubt that a person engaged in an industry may also be a member of a trade union. Clauses 24 and 25 make consequential amendments to ensure consistency of wording in other sections.

Although most trade unions already voluntarily provide in their rules for a common seal, it is considered that every trade union should be obliged by law to have a common seal bearing its registered name in legible characters. This requirement would facilitate the acquisition and safeguard the transfer of property and ensure that documents are properly authenticated. Clause 12 introduces a new section 20A imposing an obligation on a trade union to possess a common seal and creating an offence if it is improperly used. Clause 30 makes a consequential amendment the effect of which is to require the rules of all trade unions to contain provision for the safe custody of the seal.

There are usually different categories of membership in a trade union and some members may not be eligible to vote under its rules on

certain matters. It is considered proper that decisions to apply for the registration of a trade union or to amalgamate it with another trade union should be made only by those who are eligible under the trade union's rules to vote on important issues. Clauses 4 and 16 amend existing provisions to restrict such decisions solely to voting members.

Members should be adequately protected against persons seeking to use trade unions for their own personal gain. Subsection 3 of section 17 of the Ordinance prohibits a person from holding office, except with the consent of the Governor in Council, if he has been convicted of any crime involving fraud, dishonesty, extortion, or membership of a triad society. The prohibition is for life. This is considered to be too harsh because it gives no opportunity for a convicted person to rehabilitate himself. Clause 9(c) reduces the period of disbarment from life to five years from the date of conviction or of discharge from prison, whichever is the later. The existing powers of the Governor in Council to consent to a reduced period of disbarment are retained. No additional disbarring offences are added but a new subsection (3A) to section 17 is added by clause 9(c). The effect of this amendment is to empower the Governor in Council, by order published in the *Government Gazette*, to add to the four existing offences which are now listed in a new First Schedule to the Ordinance.

Section 33(1) of the Ordinance restricts the purposes on which funds of a trade union may be spent. Clause 17(b) transfers from the Governor in Council to the Governor the authority for approving contributions or donations to a trade union or other similar organization established outside Hong Kong or for approving any other purposes for which funds may be used. Clause 17(c) authorizes the use of such funds for the payment of fines imposed on a trade union.

The second main group of clauses concerns the rights of officers and members of trade unions to appeal against decisions of the Registrar of Trade Unions. Several sections of the principal Ordinance give trade unions a right of appeal to the Full Court against decisions of the Registrar. It is considered that this right of appeal should be initially to the Supreme Court. Clauses 7(b), 8, 14(a), and 15(b) provide accordingly with regard to decisions to refuse registration, to cancel registration, to refuse to register a change of name, and to refuse to consent to amalgamation. Clause 27 makes a consequential amendment to section 64 and also provides for an additional right of appeal from the Supreme Court to the Full Court.

The third main group of clauses concern the powers of the Registrar of Trade Unions to carry out his responsibilities effectively. Registration in itself does not necessarily ensure that trade unions will be properly administered and there is adequate evidence on record that registered rules are disregarded and the rights of members abused.

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It is in such circumstances that it is proper for the Registrar to intervene effectively to protect the interests of ordinary members. Clause 10 enables the Registrar to serve a notice calling on a person, who is ineligible to be an officer, candidate, or member, to cease respectively to hold office, to seek election, or to remain a member. If, within fourteen days, such a notice is not complied with, the Registrar may apply to the court for an appropriate injunction, declaration, or order. Section 21(1) of the Ordinance requires a trade union to notify the Registrar of every branch and of every business or charitable, cultural, educational, or medical undertaking operated by or in the name of the trade union. Clause 13 amends section 21(1) to require such notice to be given in writing to the Registrar and additionally to require notice in writing of any changes of addresses of these branches, businesses, or undertakings. Clause 14(b), which adds a new subsection to section 23, makes it an offence if a registered trade union, which has decided to change its name, does not apply to the Registrar for the registration of the change of name within fourteen days after the decision was made. Clause 18 amends section 36 to permit a trade union to make an application in writing for an extension of time within which to furnish its annual statement of account and its annual return. Clause 26 revises section 63 to provide additionally that, for the purpose of giving notice of the cancellation of a registered trade union, the Registrar is deemed to have given proper and effective notice if it is published in the *Government Gazette*. Clause 28 imposes a new obligation on the Registrar to give notice in the *Government Gazette* if an application for the registration of a trade union has been withdrawn. Section 7 of the Ordinance deals with the circumstances in which the Registrar may exercise his discretion to refuse to register a trade union. The section does not prevent a trade union, after its certificate has been lawfully cancelled, from applying for registration under a new name. Clause 6 amends section 7 to enable the Registrar to refuse an application for registration in these circumstances so as to prevent frustration of his original purpose. However, he is not allowed to do so solely on the ground that members of the new trade union include members of the earlier de-registered trade union. Clause 7(a) confers a right of appeal against the exercise of these new powers.

A secondary purpose of the bill is to make some minor changes to existing definitions in section 2 of the Ordinance. The word, "workman", is often associated solely with manual labour. Clause 3(b) replaces it by a more appropriated word, "employee", a term used in the Employment Ordinance. The definition of "employee" follows the existing definition of "workman" but it is expanded to include a person whose contract of employment has been terminated. The word,

"employee", is already used in the Ordinance in the very narrow sense of a direct employee of a trade union. To avoid confusion, clause 3(a) substitutes "clerk", a designation commonly used by trade unions for certain paid officials, for "employee" in respect of a direct employee of a trade union. Clause 3(a) defines the word, "branch", of which there is no definition at present. No distinction is made in the Ordinance between temporary or permanent trade unions and the words, "whether temporary or permanent" in the definition of a trade union are meaningless. They are deleted by clause 3(d)(ii). The title of the existing Ordinance is misleading because it deals with other matters besides registration. Clause 2 deletes the word, "Registration", from the short title of the Ordinance and also substitutes "Unions" for "Union". The Ordinance would in future be known as the Trade Unions Ordinance.

The Ordinance is also amended in one other respect. Section 46 permits peaceful picketing by persons acting either on their own behalf or on behalf of a registered trade union in contemplation or furtherance of a trade dispute so long as picketing complies with the provisions of the section. Lawful picketing may at present take place outside the residence of a person which is wholly unconnected with his business. It is considered unreasonable to allow the picketing of a private residence of a person, whether an employee or an employer, who is involved in a trade dispute because, bearing in mind the existing housing conditions of Hong Kong, the picketing of private residences not used for carrying on business could impose unreasonable and unnecessary inconvenience to large numbers of the public. Clauses 21 and 22 make appropriate amendments to section 46 and also, consequentially, to section 47.

As honourable Members are aware, I gave wide publicity to this amending bill about six months ago. I appear to have been unsuccessful in making it clear that the text of the bill was a departmental working document to which Government was not necessarily committed but on which I hoped that I would receive useful comment and constructive criticism before preparing a final text. I did receive comment and criticism. I think that it is fair to say that most of the provisions were either welcomed or found acceptable. Some criticisms of varying intensity were made on four of the proposals in the original draft and, in the light of these criticisms, changes have been incorporated in to the final text of the bill which is now under consideration. These, in general terms, were all foreshadowed by you, Sir, at a press conference at Kai Tak airport last October before your departure on a short vacation leave.

It was originally proposed to include a new provision to simplify the registration of a temporary trade union formed for the purpose

[MR HETHERINGTON] **Trade Union Registration (Amendment) Bill—second reading**

of a single dispute. The purpose was to facilitate the quick organization of employees and thereby to bring labour and management together on a more orderly basis. I confess that I was surprised to find that the Labour Advisory Board was unanimously opposed to this proposal and that this opposition was widely supported elsewhere by both labour and management. In face of this criticism, the amending clause has been dropped.

It was also proposed to reduce the period of disbarment of members convicted of certain offences from holding office in trade unions from life to five years on the grounds, as I have already mentioned, that life disbarment was too harsh and to add two new offences, those against public order and those involving violence, to protect ordinary members from placing themselves, perhaps unwittingly, in the hands of undesirable officers. The first part of the proposal was, in general, supported by the Labour Advisory Board and endorsed by the public. The second part aroused criticism by the board and also by the public chiefly because concern was felt over the lack of precision in defining the new offences. After careful consideration of all the views expressed, it was decided to exclude the two new offences. I mentioned earlier in my speech that the offences disbaring a member of a trade union from holding office are now listed in the First Schedule to the Ordinance and that clause 9(c) empowers the Governor in Council to amend this list by order in the *Government Gazette*.

The third proposal widened the offence of intimidation to include blocking or causing an obstruction in any street or road. This was misinterpreted by some critics. I can give an assurance that it was never intended to be directed against the right to picket peacefully in a law-abiding manner. There appears to be some widespread misconceptions about the purposes of picketing. It is basically an organized method of passing information designed to dissuade others from taking or to persuade others to take certain action. Those participating in picketing activities are still required to observe the law like any other person. Because proceedings can be taken against anyone unlawfully blocking or causing an obstruction in any street or road under the Summary Offences Ordinance or for the common law misdemeanour of nuisance, it was decided that the proposal could be abandoned.

Some adverse comments were made on the proposal to prohibit the picketing of private residences not used in the course of business. These were regarded as inadequate to justify any modification of the proposal and, as I have said earlier, the effects of clauses 21 and 22 are effectively to prohibit the picketing of private residences.

Sir, there remains one final point. Clause 1 of the bill empowers the Governor to appoint a day, by notice in the *Government Gazette*, when the amending provisions would come in to effect. It is intended that some time should elapse before this day is appointed. The Registrar of Trade Unions would wish to ensure that all registered trade unions become familiar with the amended Ordinance and this will entail considerable preparatory work by him. This could probably be completed in up to about six months but, in any case, adequate notice of the appointed day would be given.

Motion made (pursuant to Standing Order No 30). That the debate on the second reading of the bill be adjourned—THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER).

Question put and agreed to.

Explanatory Memorandum

Clause 2 deletes "Registration" from the short title of the principal Ordinance, which deals with far more than the mere registration of trade unions.

2. By clause 3, the word "branch" is defined, since there are references to branches of trade unions in various sections of the Ordinance. The definition of "workman" is replaced by a definition of "employee". This change reflects the practice in the United Kingdom. The definition of "trade union" is amended by deleting "whether temporary or permanent".

3. Section 5(3) is amended by clause 4 so that an application for registration must be signed by seven voting members.

4. Clause 5 amends section 6 since the Registrar has no power to withdraw a certificate of registration.

5. Clause 6 empowers the Registrar to refuse to register a trade union if it is substantially a union the certificate of registration of which was cancelled under section 10(1). The Registrar, however, may not refuse registration solely on the ground that the membership of the trade union applying for registration includes members of the de-registered trade union.

6. Appeals against the refusal of the Registrar to register a trade union are to be heard by a judge of the Supreme Court instead of by the Full Court, which is thought to be an inappropriate forum for hearing appeals of this nature. Similar amendments are effected by clauses 8, 14(a) and 15. Clause 27 provides that a further appeal will be from the Supreme Court to the Full Court.

Trade Union Registration (Amendment) Bill—second reading*[Explanatory Memorandum]*

7. Clause 9 has three objects. Firstly, it clarifies section 17(1) by adding "industry" after "trade". Secondly, it provides that a man is not to be refused membership of a trade union because he is casually or seasonally employed in the trade, industry or occupation with which the union is directly concerned. Thirdly, subsection (3) is replaced. In future a person who has been convicted of an offence specified in the First Schedule may not be an officer of a trade union for a period of five years after conviction or release from prison unless he has the consent of the Governor in Council. Clause 10 adds a new section 17A, which will empower the Registrar of Trade Union to apply to the court for an injunction restraining ineligible persons from becoming officers and members of a trade union.

8. A new section 20A requires a trade union to have a seal; this provision will facilitate the acquisition and transfer of union property (clause 12). Clause 13 requires unions to notify the Registrar in writing of branches and various union undertakings. Clause 14(b) makes it an offence not to comply with subsection (2) of section 23, which deals with applications for registration of a change in a union's name. Clause 16 amends section 30(1) so as to allow only voting members of a union to vote for an amalgamation.

9. Clause 17 substitutes "clerks" for "employees", in consequence of the changes to the interpretation section. The funds of a union may be used for the payment of fines imposed on it. The Governor is made the approving authority for the purposes of paragraphs (j) and (l), instead of the Governor in Council.

10. Clause 21 amends section 46 so as to exclude the right to picket a person's private residence, unless he also carries on business there.

11. Clause 26 amends section 63 by providing that a notice of cancellation under section 11 shall be deemed to have been served on the union if the Registrar has, in addition to serving the notice, published the notice in the *Gazette*.

12. Clause 29 adds a new Schedule setting out the offences specified for the purposes of section 17(3). Clause 30 renumbers the present Schedule as the Second Schedule and adds thereto a new rule relating to the safe custody of a union's seal.

APPROPRIATION BILL 1971**Resumption of debate on second reading (24th February 1971)**

Question again proposed.

MR Y. K. KAN:—Your Excellency, as we all know in this Council, among his many attributes the Financial Secretary is noted for his ability as a debater. However, on this occasion I am confident that he will find it difficult to refute the points I shall be making.

Sir, much has been said over the years of our success and phenomenal economic growth and of the ingenuity and industry of our people which brought about this remarkable achievement. But not nearly enough has been said—and appreciated—of the skilful hand that has moulded, guided and, I should also say, controlled our financial policy that laid the strong foundation upon which our sound economy has been built.

The following comments made by a noted economist in a television interview during his recent visit to Hong Kong, which I have happened to pick up, are of interest. This is what he said:

"I would like to do some research into how a country manages to be so prosperous and busy with so little taxation because there may be some ideas we could follow there. Hong Kong, you see, is the last resort of old fashioned private enterprise and I must say it seems to work I hope you keep it here as long as you can. It is a wonderful object lesson to the world."

Sir, this being the last budget debate the Financial Secretary presents to this Council before he retires, my Unofficial colleagues and I wish to take the opportunity to pay a special tribute to him for his most valuable service to Hong Kong. Later on in the year, we shall, I am sure, have a further opportunity to pay tribute before he departs from us.

Perhaps I should also mention another quality of Sir John's, namely his ability to formulate financial policy successfully without having to rely on accurate budget forecasts.

From the figures which I have been able to gather—and I have them here, Sir, in case Sir John challenges me on them—in the ten years that he and I served together in this Council he has consistently over-estimated our expenditure or under-estimated our income. In each of the eight years 1961 to 1968, with the exception of one year—1965—he budgeted for a deficit and we ended up with a surplus. In the two years 1969 and 1970, he budgeted for a surplus; but the surplus eventually turned out to be several times more.

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If we added together the deficits and surpluses which Sir John had estimated in the last decade, the figure comes to a net deficit of \$740 millions; whereas for the same period if we added the actual surpluses it comes to \$1,565 millions. It must be something of a record for a Financial Secretary to be over pessimistic by some 2.3 billion dollars. I am using the American terminology, Sir. But this is rather typical of our Financial Secretary in that even when he makes a mistake it is one that we will remember not as a national disaster but as an unexpected and happy event.

As regards the budget, I think I am right in saying that, apart from the water charges issue, it has met with general satisfaction, not only because of the estimated surplus but also because of the increase of expenditure on social services, amounting to 40.5% of our general expenditure. We particularly welcome the extension of post-primary education and the provision of free primary education. On the other hand, disappointment has been expressed that as yet no decision has been reached on the mass transit system recommended by the consultants.

Several speakers after me will be speaking in opposition to the proposed increase in water charges. I do not intend to speak on this subject at length but wish to lend my support to the suggestion by one speaker that if water charges must be increased, the increase should be imposed gradually in stages. The sudden increase of 50% for domestic consumption will affect the low income group and the increase of 100% for non-domestic consumption will hit industry, particularly those sections of industry like dyeing and finishing. We have been told that the increase is necessary to make up the deficit on account of the heavy capital expenditure involved. However, I consider it questionable as a policy to separate the water account from our overall accounts and to attempt to make it self-supporting.

I support the motion, Sir.

MR P. C. WOO:—Sir, there is one important issue arising out of my honourable Friend the Financial Secretary's speech which in my opinion calls for serious reconsideration, namely the increase of price of water. I confine my remarks to the increase proposed for domestic users. My other Unofficial colleagues will speak on the rate for commercial users.

My honourable Friend said that the supply of water cannot be regarded as a social service. That may well be true, but what he did not say, but I now say, is that the supply of water to the domestic consumers is a basic necessity of life.

We all know that charges for water are in two parts; firstly, from 2% of the 17% rate charged under the Rating Ordinance which is credited to the water undertaking and, secondly, the charge for the actual water consumed. My honourable Friend in his budget speech to the Council in 1965 said, and I quote, "but I myself tend to the view that in the present circumstances the contribution from rates is already rather on the high side".

In his present budget speech, he conceded that the demand for water by trade and industry is rising more rapidly than the domestic demand; in fact, he says, more than three times as fast. He even admits that trade and industry in general make a smaller contribution to water revenue by way of rates in proportion to water consumed than do domestic consumers. Yet, the domestic user will now have to pay a 50% increase and trade and industry only 100%. It is to be noted that no increase at all is proposed for the building industry; the reason for this is obvious as the Government is the largest builder in this Colony.

Now, what will the domestic consumer say. He will ask himself why should he pay an increased rate when the demand for water by trade and industry is over thrice his own demand, thereby necessitating the building of more expensive reservoirs. Should it not be the other way, that the greater consumer should pay more and he, the domestic consumer, pay less? Again, if trade and industry make a smaller contribution to water revenue, why should the domestic consumer be mulcted to subsidize them.

These are valid questions which need serious consideration.

I advocate that no increase in the rate of water charges be made in the case of the domestic users. If the rate for trade and industry be increased they can spread that increase to their consumers, locally and overseas.

I would much prefer to see Government obtain increased revenue to support these proposed water projects by increasing the duties on intoxicating liquors and tobacco. After all, these items are luxuries and in view of world opinion on the bad effects of cigarettes and tobacco on human beings, surely this is a timely opportunity to make cigarettes more expensive for the smoker which, because of the high price, might persuade him to give up smoking and reduce the danger of cancer.

We must always think of the less affluent citizens whose incomes do not permit of increased taxes and charges by Government. They compose the large percentage of persons who would be affected by the proposed increase. What point is there to give them free primary education, public assistance on the one hand and, on the other, increase the charge for water which they require to maintain life.

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There is another matter on which I would like to address this Council and that is money for the youth of this Colony, a subject which in all probability will evoke displeasure from my honourable Friend, the Financial Secretary.

In my speech in this Council on 7th October last year I urged the Government to dip into its pockets and give generously to voluntary associations of Hong Kong which cater for the young, and to subsidize these associations adequately who would in turn encourage youngsters to join them and, if need be, subsidize them and thus become yet another form of attack in our combat against crime.

Time and time again it has been said that if the young are occupied in healthy activities in their spare time, in activities engaging their keen interest and attention, they would not turn to crime.

If this is true, and I have not as yet been persuaded that it is not true, surely this is one of the main platforms upon which we should actively mount our attack against crime. We must not therefore under any circumstances drag our feet in giving effect to our plan to aid these organizations in our war against the underworld of crime.

My honourable Friend, the Colonial Secretary in his reply to my speech said that most, if not all, large scale organizations for youth are already subvented by Government to a considerable extent with the means for a steady expansion of these organizations' activities. A steady expansion is not enough because the underworld, who poisons our young, will not be waiting patiently for steady expansion. Present day events show that these criminals are rapidly forging ahead with their nefarious plans using minors to perpetrate their criminal acts.

Let us examine what is the amount of subventions we give to these various bodies.

Last financial year the total amount of subventions is slightly over \$12,000,000.00; the coming year it is in the region of \$16,000,000.00. It is to be noted that not all the items of subventions are for youth only; they include subventions for religious bodies and other organizations whose activities do not particularly include the welfare of the young.

We have a population of over 4 million; let us assume that 40% of this figure represent the youths who need our help, wherefor we have 1.6 million youngsters who need assistance in one form or another. With an estimate of \$16,000,000.00 in subventions to them we are giving to each young person the paltry sum of \$10.00 per annum or less than 84 cents per child per month. Last financial year was worse as each

child would receive 75 cents per month on an estimate of \$12,000,000.00 in subventions.

One could not by any stretch of the imagination claim that we, on these figures, are giving the voluntary organizations considerable subventions. I would like to see the subventions to all youth associations increased much more substantially.

We have before us an estimated surplus from the last financial year to the tune of \$507,000,000.00. If we set aside 10% of this surplus, and future surpluses, for a fund solely devoted to the youth of this Colony, who represent 40% of our population, then we will really begin our battle against crime. The time for this is now—not to five years' time, not in one year's time, but immediately.

Voluntary associations cannot do very much effectively without money. Though they have the will, though they have the spirit and the charity to do what they want to do to better the lot of the indigent youths of Hong Kong, they have not the finance sufficient to back up their efforts, and they cannot attain that degree of success which their efforts deserve.

I feel sure that my views of this matter may well meet with criticism and perhaps with scorn. But let us think for one moment. The youth of Hong Kong is the future of our Colony because from among them will emerge the future leaders of our community. Again it may be said that this 10% of our surpluses may be put to better use, or that other projects have higher and more urgent priority but I ask you, Sir, what greater priority have these other matters over that of the welfare of our youths of today. I say the welfare of the youths of Hong Kong has priority over all projects. If we help them today we will be helping ourselves for the future because these youths in the years to come will, as I said before, be our community leaders in Government in industry, in commerce, and in other vital fields.

I implore this Council to assist the many voluntary associations substantially, much more substantially than now, and they in turn will assist the youths of the Colony and who in the future will assist us in making Hong Kong grow from strength to strength for the good of all.

With these remarks, Sir, I support the motion.

MR SZETO WAI:—Sir, my honourable Friend, the Financial Secretary has again conjured up a bumper harvest. He has realized a surplus of \$550M, almost 3 times what he planned, but modestly attributes this achievement to 1970-71 being a most remarkable year in our post-war financial progress. I would, however, credit his

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repeated successes to clever or cautious budgeting, usually by understating revenue. In 1966-67, a budgeted \$94M deficit was transformed into a \$12M surplus. In 1967-68 we saw a modest surplus of \$36M rise almost 4 times to \$134M. In 1968-69 a handsome surplus of \$208M emerged from a figure of \$13M originally in the red. 1969-70 was indeed a good year when our planned surplus of \$64M was multiplied 7 times. This year the escalation is less spectacular, though we are promised the biggest ever surplus. My honourable Friend, in his usual quiet way, now tells us that we are likely to become richer next year by \$162M, but judging by his performance we should do better than ever.

We should rejoice over these wonderful yearly surpluses but for the fact that the majority of our people continue to lead a frugal life inspite of our hidden wealth. One is apt to ask what good are all these surpluses and why have they all been tucked away when so much remains to be done in our social and community services. Sir John has in the past ably defended his policy of under-spending. This year he recruits the assistance of a previous Member of this Council in 1892 who told us mortals not to be unduly dejected or elated over our economic state. Whilst I have no statistics on the number of mortals whom the honourable Member in 1892 had to contend with, nor the information in respect of the social and community services existing then, I feel it strange that Sir John should have compared public expenditure of the jet age to life and economy of sedan-chair days.

As a reply to my honourable Friend's historical reference, I would quote from Psalm 39, Verse 6—

"He heapeth up riches and knoweth not who shall gather them",

or from a more recent source—Samuel JOHNSON—

"Life is short. The sooner that a man begins to enjoy his wealth the better".

My honourable Friend's last Budget has received mixed public reaction. I am critical of it on several counts; its usual understatement of revenue in order to inhibit expenditure; its large planned surplus at the expense of social and community services; its misconceived abolition of taxes; its over beneficial treatment of duties on some consumer goods; its effort to commercialize community services and finally its complete lack of reference to projects of great public interest and importance, such as the Mass Transit Scheme and the issue of technical education both of which have considerable bearing on our future economy.

In estimating next year's revenue, my honourable Friend based his computations on the premise of a continued high level of growth, yet the resultant increase of total revenue is only 4%. He attributes the small increase to the anticipated substantial fall in capital revenue. The estimated increase is, in my view, unrealistic when compared with the 20% (1969-70 — 1970-71), or 19.2% (1968-69 — 1969-70) or 9.5% (1967-68 — 1968-69), and we all know 1967-68 was our troublous year.

Sir John anticipates a 42% fall in revenue from land sales next year, which is only 23% higher than that in 1969-70 when the real estate market only began to regain its confidence. Unless Government holds back the issue of lands for sale, the estimate is over pessimistic. There are many acres of choice land in the Old Dockyard area ripe for sale next year and these should bring in a handsome price. I would also question the wisdom of instalment sales of commercial urban lands as such policy stimulates land prices and encourages inflation.

The very small increase (3.2%) in stamp duty is also unrealistic in the light of revived activities in private development. The increase from the original estimate to actual revenue in 1969-70 was as high as 70%; while for this year it is 33%; even for 1968-69 it was 20% which could not be called a good year for either the real estate or share market.

Now as for next year's expenditure, the large increase is mainly on the Civil Service, Public Works and Education. The big boost in public works is due to the inclusion of the Airport runway extension, raising of Plover Cove Dam and the High Island Water Scheme while inflationary building costs take a good share. The acute shortage of building labour and rising wages will most likely slow down contract progress and hence expenditure.

The \$63M increase in education, excluding the Universities, is a commendable advance. It is gratifying that a decision has been taken on free primary education though its announcement was made by my honourable Friend not without a grudge. It is my contention that free primary education is the birthright of all citizens and its cost of \$14M should cause no tears to my honourable Friend in the face of his anticipated \$162M surplus.

Sir, it is regrettable that the long-awaited Public Assistance Scheme has only an allocation of \$17M, but for its administration an army of 252 civil servants has been recruited and drilled which is headed by a Deputy Director of Social Welfare and assisted by an UK seconded Assistant Director. This looks like a perfect case of Parkinson's disease about which my honourable Friend is deeply worried. If this high administrative cost is necessary, should we not increase the scope of assistance? And if our surpluses must not be moved even for this

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important social service, then I say the proposed abolition of television licences is misconceived. The \$9M fees which increases yearly could be a very helpful supplement.

Sir John denies water supply's place among the social services, which only ranks as a community service in company with Roads, Car Parks, Fire Services and Urban Services and Amenities. He treats the supply of water on a commercial basis though without the profit element. But the problem goes deeper than that. Water is a daily necessity of life and as its supply is beyond the capacity of private enterprise, it therefore must rest with Government. Admittedly its expenditure has been heavy and will become even heavier when consumption rises but against which there are accrued from it social and economic benefits which cannot be measured by mere commercial accounting.

The Waterworks Accounts for 1969-70 gave a total income from water sales of \$132M. The expenditure for that year was \$148M, almost half of which (\$69M) being interest on capital investment which was responsible for that year's deficit of \$16M. My honourable Friend gives the accumulated deficits as \$83M for fresh and salt water to the end of this financial year and intends to recoup this from the increased charges of \$75M next year. These are very shrewd proposals without social consideration and regard to our surpluses. Moreover, the inclusion of interest is most inequitable since waterworks schemes are public works and capital came from general revenue and not borrowed money. There is no justification to make the people pay interest on their own money. If interest is removed from the accounting, the 1969-70 revenue would have produced a profit of \$52M instead of a deficit. Similarly the accounted big deficits in 1967-68 and 1968-69 should have become profits of \$31M and \$42M respectively.

From the forecast increase in consumption between 1969 and 1981, domestic and industrial demands are estimated to reach 80 million and 55 million gallons a day respectively next year. At the proposed new rates, revenue from fresh water alone will amount to \$168M which together with contribution from rates will yield a profit exceeding 100% if interest is excluded. Charged at the present rates, total revenue would be \$137M, still yielding a considerable profit which should go a long way to meeting future de-salting cost. There is therefore no ground to increase the present charges. However, because of industry's special requirements necessitating expensive supply schemes, I have no strong objection to a reasonable increase on its water rate, but not to 100%.

I am also against the increase on salt water charges. The proposed increase coupled with the revised assessment of consumption is a two-thronged

attack because salt water will cost 7 times as much as it does at present and the brunt will be borne mainly by the poor people in resettlement and low-cost housing estates whose salt water consumption will be arbitrarily raised by 300%.

Sir, an increase in water charges now to recoup past deficits would have social repercussions in view of the people's long years of hardship when water was in great shortage. Government had a responsibility in its failure to provide adequate supply in the past, and had the supply been undertaken by a private utility company, such failure would have been investigated. The high cost of supply would socially justify raising the taxes on some luxury commodities to help balance its costs, such as imported liquor and tobacco whose duties are in any case relatively low; a 10% increase would bring in an additional revenue of over \$23M.

Transport, like water supply, is another community service which my honourable Friend has long treated on a commercial basis, though motorists have been paying far more than they get in return in the provision of roads and car parks. Our policy in transport and roads appears to follow the traditional policy in Britain where in contrast to social services, road development has been allowed to stagnate until recent years. In spite of our continued healthy finance, our roads have been allowed to stagnate until late 1969. Roadworks expenditure was only \$42M last year, \$69M this year increasing to \$72M next year a mere $2\frac{1}{2}\%$ of total expenditure. Had this sum been spent two years earlier we would have achieved almost twice the result. As it is, we are caught in an inflation of construction costs. Procrastination is bound to have an injurious effect on our community services as well as on our economy. A case in point is the Mass Transit Scheme which has been studied and re-studied since 1965 costing us no less than \$8M in consultancy fees.

My honourable Friend's complete silence on the scheme has caused considerable amount of public disappointment. It is not unnatural to anticipate that our accumulated surpluses would in some measure speed the way to solve our congestion. We are aware of Sir John's oft-expressed views on the scheme. He said last October "even if a very large amount of capital were available, the scheme would not be economically viable by quite a wide margin". But no underground railways in the world are commercially viable and this applies also to London Transport, and yet the new Victoria Line has been built and will soon be extended. Mass transit schemes necessarily involve large capital outlay and cannot be examined on the basis of commercial viability alone. There are other social and economic benefits such as relieved surface congestion which will benefit both motorists and surface public transport, saving in travel time, increased property values along the system's routes, economies in our roadwork programmes, *etc.* When

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decisions on public expenditure entailed by community services have to be made, it is important to have a cost/benefit analysis carried out. On traditional accounting alone, the Victoria Line would never have been constructed. Large cities throughout the world faced with traffic congestion are modernizing and extending their mass transit networks or building new systems, and have accepted the high cost involved.

As the consultants' Further Report on the Scheme was prepared under the direction of a Government Steering Committee, no doubt this committee will advise Government on the Scheme's feasibility. When they do, I trust the Committee will heed the remarks of the Steering Group appointed to scrutinize the Buchannan Report:—

"Without questioning in its general application, the policy of making transport pay its way, we think the particular case of urban passenger transport is to be considered in a wider context than the simple comparison between what can be collected in fares and what the service costs to run."

Whilst I appreciate that a decision on a scheme of such magnitude requires careful consideration, it is nevertheless disappointing that my honourable Friend has not given the matter the slightest reference. Surely with our future buoyant economy as he forecasts and our accumulated surpluses, the implementation of the \$2,000M Initial System should not be so formidable as to be absolutely beyond our means; besides there are other methods of financing to be explored. The Initial System would serve the greater part of our population in areas of the heaviest concentration. Perhaps there is still the opportunity when Sir John may spring a surprise on us by announcing a positive decision before he leaves us. When this miracle happens, I am sure the people of Hong Kong would gratefully acknowledge his momentous decision by erecting a statue of him outside the Admiralty Station of the future Mass Transit System.

MR WILFRED S. B. WONG:—Your Excellency, the ultimate aim of any Government is to create a happier society among the people. Plato said a just state is one in which the Government aims at the effective harmony of the whole: each profession doing the work to which nature and aptitude are best adapted; in which no individual would interfere with others but all would co-operate in difference to produce an efficient and harmonious whole.

To achieve harmony of the whole would be to take care of the section of the community least privileged.

To the extent that the sound financial policy of Hong Kong contributes to the steady growth and prosperity, the budgets of the past number of years have succeeded in their aims. I congratulate my honourable Friend the Financial Secretary for this year's budget, which is the greatest budget in as much as an all time record is established for our reserves and surpluses. But as far as achieving a harmonious whole by taking care of the least privileged, there is still much to be done especially in the field of social services. Among these services are low cost housing, medical facilities, education and welfare.

Hong Kong's financial position is more than sound with reserves reaching a record of \$2,380 million. To this figure I have always maintained that the Development Loan Fund of \$860 million should be added as they are assets which will eventually be returned. The surplus of the year reaches a staggering figure of \$550 million.

On Hong Kong's economy not only there is no unemployment but Hong Kong together with USA and Austria are the only three share markets in the world which registered a rise instead of a fall for the year 1970. Had there been a GNP index Hong Kong would also have registered an all time record. With such a state of financial health and with the needs of social services becoming not only more apparent but acute, it is obvious that the policy of retaining reserves in the future should be subservient to our expanding needs.

At a time when it is estimated that a minimum of 650,000 people still require low cost housing, an accelerated programme would not only cater to the immediate needs of the less privileged sections of the community but is sound economics because of the rising costs of construction or the falling value of money. The rate in the rise of the costs of construction far exceeds the rate of interest, sometimes to the extent of three times. Clearly the advantage gained in stepping up the tempo of public low cost housing and public works would more than offset the loss of interest otherwise accruable on the relevant reserves.

Although there are many proponents of the view that we should invest our reserves in public housing when the value of money is still good, there is the counter argument that an accelerated building programme would tend to be inflationary. Any bid-up of prices of building materials and labour would be temporary and would eventually settle down. However the advantage of public housing for the low income earning group cannot be underestimated. To illustrate this point, I will quote two actual but extreme cases out of my study of rentals. One man earns \$1,000 a month and is paying \$585 per month for rent. Another earns \$600 per month and lives in pre-war premises and pays \$20 per month for rent. The latter one's livelihood is stable

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and the former one is on the verge of collapse and he is a constant agitator for a wage increase. There is not a shadow of doubt that an accelerated low cost building programme would exert considerable influence in stabilizing the living costs of the people, thereby bringing forth the greatest benefit to the economy of Hong Kong. In this connexion, I must give credit to Government in heeding the warning signals and reacting with the timely introduction of the Security of Tenure and Rent Increases (Domestic Premises) Control Ordinances, without which there would have been economic chaos. While I speak on the importance of public housing my colleagues will be speaking on the other aspects of social services. My honourable Friend, the Financial Secretary, resorted to poetry to prove his point in the wisdom of retaining a substantial reserve as a hedge against rainy days in the future. Although public finance in modern countries has long departed from this classic frugality, no one at the present time would advocate spending all the reserves of Hong Kong. It is a matter of proportion and balance. While a few bankers are in favour of the present policy, the majority of people in Hong Kong believe in using a greater part of our reserves for social services; the question is how much. Opinion varies as to the proportion. I would like to advocate that, since the Development Loan Fund is not counted in our reserves and as it is from the accounting point of view definitely amongst our assets, this \$860 million be the amount which should be made known as available for social services in addition to the normal budget in the next two years. In this way we will be able to do justice to our social services leaving our so-called official reserves as long as possible.

The increasing social services would involve a regular increase in educational expenditure plus the new technical institutes, maintaining whenever possible the present level of hospital fees plus the new hospitals and clinics under planning, increased public housing expenditure and increased social welfare expenditure. However, I wish to emphasize again that public housing expenditure is in effect recoverable assets.

Furthermore, while new public works such as the High Island Scheme and the Mass Transit System are being planned, no indication is given as to how they are going to be financed. In accordance with past practice, public works are financed out of general revenue, and it would appear that the High Island Scheme will also be so financed. Whether the Mass Transit Scheme will be financed from general revenue, new taxation or public loan is a moot point which should be discussed as a matter of policy. This is one of the reasons why I advocated an economic advisory committee to go into the matter.

In general I find acceptable the policy of having only 60% of our revenue derived from taxes and the remainder from the sale of goods and services, rents and interest, because it has made possible a low taxation structure. Less emphasis, however, should be placed on interest as our reserves inevitably have to be reduced. I do think that the proportion of reserves to revenue we are keeping is too high in view of the pressure of social services and the inevitability of carrying out public works programme to fulfil our community services. I therefore advocate a freer approach in this direction.

With these remarks I have much pleasure in supporting the motion before Council.

MRS ELLEN LI:—Your Excellency, for the last two or three weeks, we have heard many interesting comments on the Financial Secretary's proposed budget. My Colleagues and I have each studied the budget Estimates and since my Colleagues before me have expounded and many of them will be making their comments on specific items later, I would like to record my own reactions on the budget briefly and in general.

On *education* I have three points to make. Firstly on *primary education*. I am sure everyone in Hong Kong is very pleased to know that finally we are going to have free primary education within the year. Our falling birth rates during the past 7 or 8 years have made it possible for Governments to succeed in providing enough school places for children within the age group.

Last March, in the budget debate I proposed that Government should waive the repayment of building loans to enable the subsidized schools to do away with the charging of "Ton Fai". It is therefore very gratifying to know that Government now proposes to do exactly that, in order to provide a truly free primary education.

After the introduction of universal free primary education and the public assistance scheme, I hope the Government would take a further step forward to consider the possibility and the necessity of introducing compulsory education.

Secondly on *secondary education*. I understand that there are 94,500 primary 6 students but only 47,500 Form I places in all types of day schools including technical and vocational schools. This means that nearly half of these primary school children will leave school for various reasons. Some may be able to find work of some sort, either become apprentices or hawkers, but most of them do need some form of training programme (trade skills or vocational training) for about 2-3 years to prepare them for work when they reach 14 or 15. In addition to the

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programme undertaken by Government to provide 3 years of subsidized places for one half of the post-primary education population by 1976, will Government undertake to accelerate its efforts to expedite the process of land grant and capital grant to voluntary agencies for more secondary schools and vocational training centres for the other half?

Thirdly on *higher education*. Higher education is always an expensive item in any national budget, but it is one item of expenditure which no country can afford to overlook. The \$131 million in our budget is largely for the building of an entirely new university which we so desperately need. In my opinion an yearly expenditure of \$65½ million for the 2 universities is not out of proportion to the means of our community at all. As a matter of fact, not only can we well afford them, we cannot afford not to afford them. We depend on these 2 universities for the provision of the top-level personnel for our Government administration, for industries, commercial enterprises and social services. Last year alone, about 5,000 students went overseas for higher education and the annual intake of our 2 universities is only about 1,500. This is sufficient proof for the need to expand our universities' capacity at least 3 times within the next 10 years. Just the interest alone on the huge accumulation of our yearly surpluses would enable us to finance the expansion programme or even to establish a third university if need be.

Perhaps it is about time we take another serious look at the existing post-secondary colleges, which at present provide some sort of higher education and fulfil a much needed function. Some means of guidance and assistance should now be considered.

I have three points to make on *social welfare*. Firstly *welfare service expenditure*. A budget of \$40 million out of a total budget of over \$2,900 million seems to me a very low proportion, especially when this includes the public assistance scheme of \$17 million. This carries a case load of 7,000 to be increased to 15,000. This number of cases in comparison to a 4-million population is also extremely low and can only include the very destitute and very desperate cases. I am sure no one would dispute the necessity to expand the services in this direction as well as the other services provided by the Government.

Secondly on *subvention*. In comparison to the large number of subvented voluntary agencies (66 to be exact) engaged in various branches of social welfare services, the amount of subventions granted to them appeared very insignificant. Out of a total of approximately \$16,166,700 subvention, ten agencies receive a total of \$9.5 million (ranging from \$½ million to \$1.9 million in one case) leaving only

\$6.66 million for the rest of the 56 agencies who get an amount ranging from \$8,000 to \$447,000. It illustrates the difference in size and service of these agencies. At present, only two avenues of resources are open to these agencies—Government subvention and allocation from Community Chest. The allocations from Community Chest are made according to the requirements of each agency after careful scrutiny of accounts and activities making a sum total within the Chest's capacity to raise each year. There is no guarantee that the Chest is capable of absorbing the large increases from year to year on salaries alone, let alone the expansion programmes envisaged due to increased demand and need. It is therefore essential that Government should bear the responsibility of shouldering the deficit of these agencies, taking into consideration the need for qualified and well paid personnel in order to maintain the high efficiency and quality of services provided by these agencies, provided always of course that the Social Welfare Department is satisfied with the standard of service, approves the proposed expansion programmes and agrees to the salary scales involved. It is understood that voluntary agencies do not have to follow Government scales but it is a fact of life that we have to expect. Unless they offer competitive salaries it will be most difficult, if not impossible, to recruit qualified staff much less to retain existing staff.

Thirdly on *nurseries*. I doubt very much that there are many places in the world where one finds such a large proportion of married women working to help support the family in comparison with the total working population. In industries alone, more than half the working force are women. They need to put their young children in nurseries or kindergarten when they go to work and their older children go to school. We need more nurseries and we need a higher per capita subsidy for nurseries. Factories also must be encouraged to provide nurseries for their workers and arrangements may be made for some of the excessive school rooms to be opened for nurseries.

I wish now to turn to the subject of *census*. Since last week the whole community is involved in the taking of the census. I had the pleasure of talking to a very polite and patient girl who rang up many times for an appointment to come and take the census while I was at home. After completing the details, I found to my disappointment that "income" was not taken on individual basis but on household basis. Without this information on individual income, how would it be possible to have any accurate statistics on (a) the number of persons on each income level, (b) the number of women working in each category of employment, (c) how much they earn at each level in these categories, (d) how their education standards relate to their income, (e) the proportion of working women's income in each family in relation to the total family income, *etc., etc.*

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Hong Kong has become an industrial and commercial centre at world level. Any person interested in the socio-economic development of Hong Kong will consider these statistics vital and urgently needed. Not being a statistician, I would like to be enlightened as to how such information may be made available. To ignore these statistics is to ignore altogether the magnitude of women's contribution to the economic development of Hong Kong.

My last comment is on *population*. While I am on the question of census and population I feel it is necessary to comment here on the falling birth rate which is the result of so many people's effort. As to who deserves the credit is very unimportant and beyond the point. But the fact that about 100,000 persons are practising birth control through the Family Planning Association's services last year should count for something, especially when these people are the ones who can least afford a large family. It is also our considered guess that approximately another 50,000 more persons are doing the same on their own.

Last October when I recommended that Government should assume the responsibility for family planning clinic services, my very good Friend, the honourable Director of Medical & Health Services said in parts: "It is agreed that the work should be further extended" and he went on to give a lot of reasons "The Medical & Health Department will continue its active support and will consider sympathetically requests for a greater support." The 10% increase on the amount of subvention seems to me neither very "sympathetic, nor very realistic, nor very encouraging".

The future of Hong Kong depends on the continued effort of every person concerned to keep the population growth under manageable level. Perhaps we all try too hard to avoid the economic implication that, if we succeed more and more in our family planning programme, the expenditure needed for social services will be less and less and we might be criticized for having larger and larger surpluses.

Sir, with these remarks, I support the motion.

MR WILSON T. S. WANG:—Sir, I had originally planned to put up a case for the abolition of a form of taxation whose evasion is difficult to control while the item taxed is no longer regarded as a luxury. It is therefore with open arms that I welcome the proposal to abolish television receiving licences. In doing so I am hopeful that our two television firms will take advantage of the increasing popularity of television to give the public a good service with a good

telecast of events of public interest and programmes of educational value.

Water is precious. This, however, seems obvious only at a time of water shortage and is easily forgotten when a good supply is available—as evidenced by the fantastic rate of increase each year in its consumption. It is a fact beyond doubt that an enormous amount of public funds has to be appropriated to implement schemes to ensure adequate supplies. Unless there is a means to see that every body consumes the same, it is obviously fair that this cost should be borne by consumers and especially by those who use it commercially.

Of salt water, however, the same cannot be said and I am therefore inclined to support my honourable Friend, Mr SZETO'S proposal that an increase of seven times should be reconsidered. It is indeed a very drastic action which is unprecedented and most undesirable.

Our major drain on public funds is expenditure on the construction of roads and flyovers, not to mention that on the mass transit system. I am afraid I have to put the blame for a bigger part of our traffic problem on the phenomenal growth in the number of private cars. I do appreciate that many have to own cars as a matter of necessity because of the shortage of public transport. However, when the street is flooded with private cars, there is hardly any room left for more public vehicles. Shortage of public transport creates a need for private cars while the growth of the latter hinders the expansion of the former and this becomes a vicious cycle. Obviously something must be done urgently. I contend that we have to temper the growth in the number of private cars. An increase in fees for private car licences and/or in the duty on petrol seems to me to be the answer. Priority must always be given to the mobility and to the growth in the number of public vehicles for the convenience of the great mass of our population.

Off-street parking is another factor contributing to the reduction of the usefulness of our roads. The worse thing about this is that many of our streets are being used for the storage of "dead" cars. Naturally, while off-street parking is free of charge, few will try to secure their own garage. Here, an useful source of revenue is wasted to the benefit of unscrupulous car dealers and a serious parking and traffic problem is caused, to the inconvenience of the genuine users of the road. A moderate charge for short-time parking is justifiable but a greatly increased charge should be levied for long-term parking to make irresponsible and selfish road users pay more, on a scale more appropriate to the cost of the road on which large amounts of public funds have to be spent.

On tobacco I am one who believes, as a smoker, that smoking is one of the cheapest of the vices. I therefore support my honourable Friend, Mr WOO'S proposal that its duty should be increased.

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On the subject of land sales, in last year's debate I mentioned that an estimated revenue from this item of \$100,000,000 was unbelievably low. It is now obvious that it was for it turned out to be 300 million. I too would like to say the same of the present budget of 150 million and express the same desire that more land should be released to private developers to ease our housing shortage in the hope that when the two year period of rent control expires, we shall not be faced with another panic. I, however, would like to applaud the successful practice of instalment sales and I would like to see this practice extended. It has enabled Government to acquire a higher value on each sale, but at the same time the saving on initial capital is welcomed by the purchaser. Such a practice is most beneficial over a long term and seems to be specially appropriate at a time when immediate income is not urgently needed.

While on the subject of Crown land, there is another source of income which should not be under-rated, namely from land on permit or temporary lease. Such arrangement may be regarded as temporary but in effect many have lasted for years. They do not seem to have been subjected to revaluation to assess their present worth while some are known to have been sublet for huge personal profit. An example of this is that valuable piece of land at Sing Wo Road.

Sir, I contend that there is not much to quarrel with in the present Appropriation Bill with its various heads of expenditure. Our expenditure more or less is limited by the number of blue prints available and the speed at which they can be transformed into solid shape. Personnel also cannot be recruited overnight. I only hope that more foresighted policy can be decided on this year to make possible a more speedy implementation of many a public service, long overdue.

Sir, inspired by previous speakers, I attempt to sum up by saying:—

Ye Mortals who believe in fate,
On surplus huge too soon elate;
When public service comes too late,
Is this man-made or is it fate?

With these remarks, Sir, I support the motion before Council.

4.04 p.m.

HIS EXCELLENCY THE PRESIDENT:—Honourable Members might welcome a short break at this point. I will suspend the sitting of Council until twenty minutes past four.

4.20 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

MR H. J. C. BROWNE:—Sir, as the honourable Financial Secretary has said, 1970 has been a remarkable year and we have again chalked up a larger surplus than estimated. He has also made the point that our reserves are at present only equivalent to 8 months' revenue and, in my view, this is by no means an excessive pad to cover the continuing expenditure to which we are committed in the years ahead, or to meet deficits in future budgets. We have committed ourselves to considerable and increasing recurrent expenditure for education and social welfare; and while I suppose it might be possible to cut back capital expenditure on housing, roads and water in a financial crisis, it would in practice be impossible to reduce recurrent outgoings. In view of all these commitments I shall be surprised if we continue to chalk up large annual surpluses in the next decade.

The growth in income from internal revenue, and particularly earnings and profits tax, is very satisfactory and demonstrates that Hong Kong's policy of encouraging and providing a climate attractive to overseas investment is paying off. On the other hand we cannot expect our domestic exports to go on increasing at the rates achieved in the past few years. Increases in exports of 25% in 1969 and 17% in 1970; and an increase of 21% in tourists in 1970 cannot last and it seems likely therefore that our internal revenue collections will tend to level off. I personally feel quite happy about growth rates of around 15% per annum, because it is very difficult to keep pace with increases of over 20% *p.a.*, and this results in overheating, disproportionate rises in costs and from these flow all sorts of undesirable side effects.

Turning now to the estimate of revenue and expenditure for 1971-72, the Financial Secretary has said that, because of price increases, the budgeted surplus of \$162 million is likely to be reduced substantially. I certainly agree that expenses will probably go up, but if you look back at budgets for the past ten years, you find that revenue has usually been underestimated, the average being about 8½%. If this trend is projected into 1971-72, the total revenue is likely to be \$3,361 million instead of \$3,098 million—that is, a surplus of about \$425 million. I admit that this is a very facile calculation; nevertheless it will be interesting to see how the figures turn out this time next year.

I am disappointed that a number of projects which have been under discussion for a number of years are not yet in the expenditure estimates. I would like to mention two. The first is a Civic Centre for Kowloon; the second is more Technical Institutes.

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The City Hall is soon to celebrate its 10th anniversary and we must pay tribute to Sir Alexander GRANTHAM and the other far-sighted men who, amid considerable sceptical criticism at the time, had the vision and the confidence that a City Hall would be used by the community. I fancy that the demand for it has exceeded their most optimistic dreams. Surely no one has any doubt today but that a City Hall complex in Kowloon would be fully utilized from the day it opened, both by our own community and by conventions and exhibitors from overseas. I hope, therefore, that Government will give new consideration and approval to this project, which has I believe been recommended by the Urban Council for a number of years.

I would like to support views expressed by a number of my Colleagues on this occasion and in previous years on the subject of the need for more technical education. It seems to me that, over the past few years, we may have placed greater emphasis on extending facilities at the top and bottom ends of the educational scene, perhaps thereby neglecting the middle. I feel that we must therefore press ahead with more secondary and post-secondary technical education so that the overall system produces the right mix of technicians, graduates and others for employment at appropriate levels in industry, commerce and Government.

Turning now to the Public Service, I see that in the next financial year it will increase by about 9½% in size and that the cost will be up by about 12%.

The Service is now so large that Government wage increases tend to have an immediate effect upon costs in the private sector and in due course will, I suspect, effect our ability to export at competitive prices. In the past, recommendations of Salaries Commissions have always had inflationary reactions throughout the community and recently there has been leap-frogging in wages between the public and private sectors. I was therefore very glad to hear the Financial Secretary say that the primary purpose of the present Salaries Commission is to advise on a new and modern structure of emoluments, which may or may not result in overall increases in salary. It seems to me that, in common with other countries, one of our most important problems in the 70s is to try and keep the lid on rising costs, and although we cannot avoid inflationary trends resulting from our external trade, I do feel that the Government, as the largest employers, must give a lead in this respect.

I believe we are well served by our Public Service and that expansion is both necessary and inevitable. What worries me is the recent high rate of expansion; furthermore, I am not satisfied that enough is being done to streamline procedures and improve productivity

by work study and the application of other modern management techniques.

I raised this question in the budget debate in 1969 and 1970 and make no apology for doing so on a third occasion. With an annual wage bill of around \$1,000 million, and increasing, we cannot afford to ignore the savings that could be made if the problem of productivity is tackled systematically. What's more, I believe that in any case efficiency will improve at the same time.

In his speech on 25th March 1970, the Colonial Secretary said that the Organizational Surveys Unit would be moved under the control of the Finance Branch. I shall be very interested to hear whether the honourable Financial Secretary is satisfied with the performance of this Unit; frankly, it seems much too small to do more than scratch the surface of the problem. Also, should not the Computer Section be hived off and run separately? Has any progress been made with the decentralization of work study in the larger departments, for example the PWD and Marine Department?

If Government are doubtful about expanding the Organizational Surveys Unit, have they considered employing management consultants who specialize in different activities?

With all respect to the hard working Heads of Departments, I believe it is wrong for the Secretariat to wait to be asked before calling in consultants, the Organizational Surveys Unit or work study experts. In my view the Secretariat should take the initiative and, as a matter of policy, introduce a plan for every Department to be looked at in depth by experts over the next three years. These reports could then be made available to the Establishment Sub-Committee of the Legislative Council.

Sir, I understand that this is Sir John COWPERTHWAITES last budget and I would like to echo the words said by my honourable Friend, Mr Y. K. KAN. Hong Kong has certainly been lucky to have had as Financial Secretary a cautious and hard-headed Scot who combines an unusual breadth of vision and a phenomenal grasp of detail. We are certainly going to miss him. I have been giving some thought to some of the things that the next Financial Secretary ought to think about on financial policy in the 70s, and I would like to suggest:—

Firstly: avoid deficit financing and thereby maintain our financial stability and a strong Hong Kong dollars,

Secondly: don't give way to pressure, from either the private or public sector, to introduce controls or protection that will disturb the market forces that have kept Hong Kong competitive, and

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Thirdly: nourish the climate that encourages overseas investment; this means maintaining remittability and communications, low and simple taxes and the minimum of red tape.

Sir, being inspired by one or two of my Colleagues, I might conclude:—

So Financial Secretary be ye undeceived,

Know one false step is ne'er retrieved.

So be with caution bold,

Not all that meets your wandering eyes

On vice-like grasp is lawful prize—

Nor is the surplus gold!

DR S. Y. CHUNG:—Your Excellency, as far as economic development is concerned, 1970 was another good year for Hong Kong as a whole. Although achievements in some areas last year were less spectacular as compared to those of 1969 and 1968, Hong Kong's economic growth continued in a much satisfactory manner.

Exports of domestic manufactures in 1970 registered an increase of 18% over that of the previous year. It is, however, recognized that the growth of domestic exports in 1970 was much lower than the 25% increase in 1969 and the 26% rise in 1968. Industrial employment continued to expand throughout the year 1970, but the rate of expansion has slowed down substantially. The total labour intake into various industries in 1970 was 28,000 persons, which was only half of that of each of the three previous years.

Since the statistics on reported vacancies in industry were collected by the Labour Department, the number of vacancies has been increasing quarter by quarter until the record high of 28,000 vacancies in the second quarter of 1970. But in the third quarter of last year the number of reported vacancies, for the first time, declined to 21,000 and in the fourth quarter it made a further dip to 17,000. The rather sharp decline on the growth of domestic exports and of industrial employment during the second half of last year coupled with certain uncertainties in our overseas trade relations have caused some people some concern on the outlook of 1971.

I, however, do not share such pessimistic view and my crystal ball predicts that 1971 will be a year of consolidation and much orderly growth. It is on this basis that I feel some conservatism of my honourable Friend in his total estimate of \$2,900 million for the 1971-72 recurrent revenue.

Since 1960-61 when Sir John took over the office of the "Hong Kong Exchequer", the average annual increase on the recurrent revenue was over 13% and I must compliment my honourable Friend on the occasion of his last budget debate for his remarkable achievement. With the exception of the year 1967-68, which honourable Members will no doubt understand, there was not a single year in which the recurrent revenue had an increase of less than 10%. The forecast of 8.7% increase in 1971-72 by the honourable Financial Secretary is, therefore, rather on the low side.

The estimated rise of only 5% in the yield of rates is certainly strange in a time of large rental increase. The honourable Financial Secretary estimated a loss of revenue in 1971-72 of about \$30 million for both rates and property tax due to lack of manpower in making the revaluation. However, he sees more fit to increase the water charges instead of attempting to make a more realistic revaluation of the rates and property tax. If I had to choose between the two evils, I would have made my choice on the upward revaluation of rates rather than on the increase of water charges. My choice is, at least, much more sound on modern social grounds.

I do not intend to dwell at length on the water charges as I understand my honourable Colleague, Mr T. K. Ann, will deal with it very fully later on. Nevertheless, I want to make two very brief points in passing. They are concerned with the operating account for the water works for the year ended 31st March 1970 as given in Appendix XVII of the Draft Estimates. First, on the expenditure side, I cannot, nor is the public are prepared to, accept the fictitious interest amounting to over \$68 million charged on the capital investment which was financed not from any loan but from our own public funds. If the fictitious interest on capital investment were deleted, the Waterworks account, as rightly pointed out by my honourable Colleague, Mr SZETO, would have shown a huge profit of \$52 million and not a deficit of \$16 million for the financial year 1969-70. Secondly, on the income side of the Waterworks account, I must express my bewilderment on the omission of the actual interest which was accrued from the almost \$30 million water deposits paid by water consumers.

This matter of water charges is a crucial issue which, if mis-handled, could lead to grave consequences. A debate of this nature, in my humble opinion, can hardly achieve any constructive conclusions and I, therefore, suggest to honourable Members that a Select Committee of this Council be appointed to look closely into the whole problem of water supply including both aspects of water charges and capital financing.

The capital revenue which reflects mainly our income from land sales, has been fluctuating quite substantially during the past ten years. In the years of building boom, such as 1962 to 1964, the capital

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revenue reached almost \$250 million a year; whereas in the years of slack building trade, like 1966 to 1968, it could go down to as low as \$40-50 million a year. Since I hold optimistic outlook for 1971, I, like my honourable Colleagues, Mr SZETO and Mr Wilson WANG, do not share the rather gloomy forecast of my honourable Friend that there will be a fall of capital revenue from \$310 million this year to \$196 million next year,—a drop of 37%—unless, of course, the Government purposely withholds or relaxes its land sales programme.

On the whole, the estimated 1971-72 revenue, in my humble opinion, is following the usual pattern of conservative approach and cautious attitude which has been so consistently displayed by my honourable Friend during his ten-year tenure of office as Financial Secretary. From the past record, the budgeting technique adopted by my honourable Friend is, generally speaking, and as pointed out by my Colleague, Mr KAN, to deflate revenue and inflate expenditure and in this respect the 1971-72 budget is no exception. I think it is time for us to have a more candid, more accurate and more realistic budget.

Sir, permit me to comment on two issues raised by the honourable Financial Secretary in his speech two weeks ago,—television licences and cost of medical services. Whilst I welcome the abolition of the television licence fee, I question the wisdom of delaying the effective date until 1st April 1972. My honourable Friend cited certain public complaint which was directed to the arrangement made for abolition of radio licence. It was said that some unlucky people had just renewed their licences, while some lucky ones had their licences just about to expire. However, my honourable Friend appears to overlook the fact that his proposed arrangement would penalize those 250,000 honest and law-abiding people who pay for their television licences. Those people who have been paying for a licence will be required to continue paying for another year, whereas those television set owners who have been defying the law will, in fact, be permitted to continue operating their television receivers without licence. I do not think this is fair and just, and the proposed arrangement will simply encourage more widespread evasion during the next 12 months since Government has openly admitted its failure to combat evasion. The most equitable way, as I see it, is to abolish the TV licence on 1st April this year and to refund to those TV licence holders the licence fee on the remaining valid period beyond 1st April 1971.

Coming to our medical and health services, my honourable Friend was apparently alarmed by the fast growing costs, and gave a note of warning on the possibility of introducing contributory public health service. I would like, Sir, to take this opportunity to make a brief

review of the costs of our medical and health services for the past decade. Ten year ago in 1960-61, the cost of medical and health services was \$73 million, or 13% of the total recurrent expenditure. In this financial year 1970-71, the revised estimated expenditure for the medical and health services is \$234 million, which is only 12% of the total revised recurrent expenditure. In the budget year 1971-72, it is \$267 million which is again just over 12%

Viewing the case from another angle, the annual cost of medical and health services was rising from \$73 million in 1960-61 to \$234 million in 1970-71,—an average rate of 12% increase per annum. On the other hand, the total annual recurrent revenue was growing from \$780 million in 1960-61 to \$2.7 billion in 1970-71 (I use the same American terminology), an average rate of over 13% rise per annum. Therefore, percentage wise, we are not spending any more money today than we were ten years ago on medical and health services, and I, therefore, fail to see the need for my honourable Friend to sound out the warning at this stage for possible increase in Government hospital charges.

I understand we presently have three classes of standard in Government hospitals, and the third class patients are charged \$2 a day on an Asian diet, \$4 on a special Asian diet and \$6 on European diets. I do not believe that there is any ground for Government to increase this scale of charges for the third class patients. As a matter of fact, I would rather prefer that this minimal charge of \$2 be abolished. In this way, we are then providing a completely free but high standard medical services for the public in Hong Kong.

I however recognize, as my honourable Friend recognizes, the growing affluence of our society especially during the recent five years. In the near future there may be a fast increasing need by the more wealthy sector of our society for the first and second class facilities in Government hospitals and I, therefore, suggest that Government should consider providing more of these fee-charging facilities to meet rising public demand on one hand and to recover a larger proportion of cost on the other.

Finally, Sir, I welcome the improvements in the presentation of the draft Estimates this year, particularly the publication of an attempt by Government in forecasting annual expenditure up to 1974-75. This innovation, as my honourable Friend calls it, is certainly a step in the right direction and will help keep the interested public better informed of the Government's financial plans.

However, expenditure forecast is only half of the picture and no financial budget forecast is really meaningful until there is also revenue

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forecast. My honourable Friend said that revenue forecast is a crystalgazing exercise which he would not like to put on public exhibition for a number of reasons. Unfortunately, we are not provided with these reasons and I, therefore, find it rather difficult to accept his arbitrary decision of not publishing the revenue forecast which is, I understand, already available in unpublished form.

With these remarks, Sir, I support the motion.

MR Q. W. LEE:—Sir, when Your Excellency addressed this Council at the opening of the present session, you referred to protectionist pressures in the United States, application of Britain to join the European Economic Community and the UNCTAD Generalized Preference Scheme as "a number of darker clouds on the horizon". While these problems have yet to be fully resolved, and unhappily, strong protectionist forces are at work in many of the major trading countries of the world, there are signs of silver linings in some—if not all—of the darker clouds to which you referred. If recent press reports are accurate, possibly the Americans will soon reach agreement with Japan over trade in synthetic textiles. Such agreement should lessen support for a restrictive trade bill in the United States. On the UNCTAD Generalized Preference Scheme we were all heartened to learn the Common Market had decided to include Hong Kong in their Scheme. This is a great step forward, as Mr Geoffrey RIPPON, Minister of the Foreign and Commonwealth Office, said recently in the House of Commons. There is hope that, other countries, particularly the United States and Japan, will also be persuaded to grant a similar status to Hong Kong. I should like to take this opportunity to pay special tribute to you, Sir, the Financial Secretary, the Director of Commerce and Industry and all your other officers who have contributed to the successful outcome of this complex matter. I am also mindful of the assistance given by the British Government, particularly Mr RIPPON and his colleagues, in presenting our case in Brussels.

The proposed budget for 1971-72 is indeed a sizable one. But because of the above reasons—the silver linings I referred to—and because of my belief that world trade will improve generally in the year ahead, I share the confidence of my honourable Friend, the Financial Secretary that a high level of growth in our economy will continue during the coming year, a fact he has taken into consideration in preparing our estimates of recurrent revenue.

Now I would like to comment on a few points in the Financial Secretary's speech.

On water, my Colleagues who spoke before me have already expressed their objection that charges for water should be increased. The Financial Secretary said that above a minimum amount, water supplies are a commodity which the public may choose to consume in greater or smaller quantities and pay the appropriate price. This argument is acceptable but it should also be equally acceptable that in pricing water, Government should recognize that every one has to use a minimum amount, the provision of which must be considered as a social service if only for health and cleanliness reasons. I therefore suggest we should reconsider introduction of a greater degree of differential pricing. By this I mean a cheap rate for a minimum quantity, for both fresh and salt water, to meet the needs of daily life. Conceivably, there are practical difficulties, some of which have already been explained by the Financial Secretary. I believe most of these difficulties are not entirely insoluble. Perhaps Government would care to explain its case in greater detail if it thinks this cannot be done.

My second point is on primary education. I believe we are starting to move in the right direction by offering free primary education to every child who wants it. My honourable Friend, the Financial Secretary, expressed doubts about the need for free education for all as opposed to universal compulsory primary education. Here, he was being realistic and I agree with him. It is unlikely that in Hong Kong—or any other city—every parent would want to send their children to attend a free primary school, and some parents will always be prepared to pay for their children to attend private schools for obvious reasons. What seems to be necessary is for Government to examine the provision of primary school places in relation to the total number of children in the primary school age as may be revealed by the Census which has just been taken. It is quite possible that we are reaching a situation in which there are more free primary school places than the community wants and that more attention could be given to other areas of education. I would therefore like my honourable Friend, the Director of Education, to make a statement on Government policy in the provision of more primary schools.

My third point concerns the Public Assistance Scheme. I am glad to hear Government intends to review the level of assistance once the Scheme is well underway. The introduction of the Public Assistance Scheme and free primary education are undoubtedly important milestones in developing our social services and it is of utmost importance to keep both schemes in line with the public needs. It seems to some people that the cost of running the Public Assistance Scheme is out of proportion to the amount of assistance now actually given. I think we need not stop at the current level, and should be prepared to spend more if the need for a higher level of assistance is justified for those who cannot earn their own living, particularly as the cost of living rises.

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The Financial Secretary drew attention to the estimates for the Universities of as high as \$131,000,000. This reminds me of the tax policy on donations to charities proposed by him last year. Many donors are anxiously awaiting Government announcement on what institutions will be approved for this tax concession. I assume the Universities and other qualified educational institutions would be included in the Scheme so as to attract more tax-exempt donations for the many projects needed by them.

Finally I would like to say a few words on our apparently huge surplus, which in actual fact covers only 80% of our 1971-72 budgeted expenditure. Sir, you will remember that there was considerable and sharp criticism last year on Government's surplus budget policy and of sending a portion of the surpluses for investment in London. It is interesting to note that, notwithstanding the contra view just now expressed by my honourable Colleagues, the reaction from the public as well as from the press to this year's even larger surpluses has not been that widely critical. I take this to indicate public satisfaction that a surplus policy is sound. Because of the growing public confidence in this policy it is important that we should see the value of our surplus fully protected. By this I refer to the Sterling Exchange Guarantee Scheme. I trust plans for renegotiating protection of our Sterling assets are well in hand long before its expiry in September 1973.

Sir, I support the motion.

MR G. M. B. SALMON:—Your Excellency, this is my first budget debate, and therefore the first time I have examined as carefully as time allows the 657 pages of estimates of revenue and expenditure for the forthcoming year. I would like to congratulate all concerned on the production of this massive volume and on all the information it contains. Naturally I have learnt a great deal of all the different establishments and their present activities and future plans, and for the first time have had a good look at personal emoluments which are, of course, now being examined in detail by the Salaries Commission. And I am surprised—I think I should say disgusted—to see the starting pay in the disciplined services. The whole community relies on the Royal Hong Kong Police Force and the Fire Services Department, and holds them in high esteem for devotion to duty. It seems to be quite incredible that with a starting pay of \$342, less than an office messenger, a hospital orderly or a pest control labourer, or indeed anyone else in Government service, they can get any recruits at all, let alone men of the right type. I hope it is in order for me to suggest that the Salaries

Commission, which will take months to finish its work, might look at once into the emoluments of the bottom and middle ranks of the Police Force and Fire Services Department who are being quite inadequately paid, and make quickly interim recommendations for some immediate improvement, and not wait for the completion of the full survey they are undertaking.

Like most people, I was surprised and disappointed not to hear from my honourable Friend, the Financial Secretary, some words of wisdom on the Mass Transit System even though it is realized that, although there has been so less than six years of study already, not much can happen in the forthcoming financial year. Meanwhile, the road development programme, as set out in the estimates is a most impressive one, and reflects much credit on my honourable Friend, the Director of Public Works and his staff who have an immensely busy time ahead of them. However there is a very meagre programme for pedestrian footbridges and subways. On both sides of the harbour, traffic movement is impeded not only by jaywalkers and people crossing the road where they will, but also by the many traffic lights at pedestrian crossings. It would, I suggest, help enormously if wherever practicable, footbridges or subways were provided. This would to some extent inconvenience pedestrians who would have to walk up and down steps, but on the other hand they too would not have to wait for the lights. The all-important thing to my mind is to do everything possible to improve the flow of traffic.

By the end of this debate, a lot will have been said about water. Declaring an interest, I would like to suggest that the proposed new charges are rather hard on ocean-going ships whose offtake of water over a year must be minimal compared to overall demand, certainly I imagine a lot less than 1% of the total. As water is already cheaper in Singapore, Taiwan and Japan, to at least one of which most ships probably go before or after their Hong Kong call, ships only take water here when they have to already. To the high price now proposed must be added the cost of delivery by waterboat, for less than 10% of the supply to ocean-going vessels can be made ex-wharf. The result is that the cost of this essential harbour service is going to be very considerably higher than in neighbouring ports, which is not a good advertisement for our Port with its reputation for reasonable charges. I suggest the same charge as is applied to industry would be more equitable. On the other hand, the annoying little charge for Sunday cargo working has at last been removed, probably the first reduction of any port expense anywhere that shipowners have for many years, and it only seems a pity it has taken 80 years to find out that the charge was not serving its purpose.

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I would now like to turn to the subject of typhoon shelters with the reminder that we have been fortunate not to have had typhoons hit us directly for a few years, but that we may not be so fortunate in this and in the years to come. For one reason or another, we are snipping away bits and pieces of existing shelters and according to a Marine Department survey, no less than 250 acres of shelter space will be lost to reclamation during the next three years. I am aware that there are certain plans in the pipeline to rectify the position to some extent, but in addition one early step that should be taken is the removal of some 4,000 squatter boats which presently occupy for free about 40 acres of space in typhoon shelters and sheltered anchorages. I understand the Director of Marine does not have legal powers either to remove these boats or to prevent new boat squatting, and I hope my honourable Friend, the Attorney General, will look into this problem. With the co-operation of my honourable Friend, the Commissioner of Resettlement, it should surely be possible to effect removal of stationary craft from this valuable space in the shelters, and house the people ashore and also to see they do not reappear. I mention this subject because the typhoon season is not far away and the safety of our harbour craft and fishing fleet is of the utmost importance, as is the efficient working of the port and the need for minimum disturbance when typhoons threaten.

Finally, Sir, with regard to free primary education, I must say I agree with my honourable Friend, the Financial Secretary, that those parents who can afford or even want to pay fees should continue to do so. But if it is to be entirely free, then I believe primary education should be compulsory by law. You, Sir, spoke on this subject last October and said that such a law could not effectively be enforced, but then that would be nothing new. I would suggest that gambling comes into this category, and we seem to have unlicensed hawkers all over the place, and owners of buildings blocking up exits, and minibus drivers breaking every law of the road, and many other examples. Perhaps a law requiring compulsory education could not be enforced as such, although it presumably is elsewhere in the world, but adequate penalties on parents who were found not sending their children to school might have the desired effect. The fact that a place is now available for every child of primary school age, and that primary education can be free for all, though I do not necessarily agree it should be, is a considerable achievement. Let's finish the job by seeing that every youngster goes to school.

Sir, I support the motion.

MR T. K. ANN:—Your Excellency, before I comment on the last budget of my honourable Friend, the Financial Secretary, I wish to associate myself with other unofficial Members of this Council in paying tribute to him for his remarkably outstanding achievements during his tenure of office as Financial Secretary of this Colony.

In this period Hong Kong has prospered more, trebled its budget and trade, quadrupled its domestic exports and has accumulated a financial reserve of unprecedented magnitude—the stupendous sum of \$2,071 million—which will afford us a new sense of security, both as reserve for lean years, and for future economic expansion.

One, of course, observes that during this past decade the consumer index has risen by at least 40%, and that we have been riding on the crest of the sixties' world inflation. Therefore, the figures were in part boosted by inflation in Hong Kong and elsewhere.

However, it is undeniable that living standards of the population in Hong Kong have improved considerably. A great deal of progress has manifested itself in many respects. The most noticeable achievement to any visitor is the housing schemes, which have in fact formed the basis of our present economic prosperity and social stability.

Sir, higher tribute must be paid to you for your foresight in persisting with this policy, which has reached the stage where 43% of the population is living in Government and Government-aided housing. Though the squatter population was still estimated to be about 358,000 at the end of 1970, it is gratifying to note that a further building programme to house half a million over the next six years is now under consideration.

Sir, no less important than shelter is water, another of life's foremost essentials. Government's incessant efforts in providing its supply for the population is equally laudable. Sir, you assumed office in the midst of our most serious water crisis. In contrast, we have already been enjoying a 24-hour supply for more than three years.

After the completion of Plover Cove Dam, the High Island Scheme is now to be implemented, to commence the use of its system by 1976 and complete by 1979, thus bringing our vision into the 1980's. Having estimated the future needs at an annual aggregated cumulative rate of increase of 7%, a desalting plant, as a guarantee for the envisaged need, is to start by 1974 at an estimated cost of \$190 million, or one-fifth the cost of the High Island Scheme. Everyone in this Colony will support this far-sighted planning.

My honourable Friend, the Financial Secretary, proposed—in his speech on the 24th February—to increase the water charges forthwith

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from 1st July 1971 to a very appreciable extent "to recover the costs", but I would rather say "to finance the schemes". I quote from his speech:—

"Above a fairly small minimum amount, it is the provision of a commodity of which customers may choose to purchase more or less, they should therefore pay the appropriate price (on a non-profit basis) for what they choose to consume, the more particularly as a continuity of supply to meet this demand requires the investment of large amounts of the community's capital."

Sir, I am inclined to think that this view is debatable.

First of all, water is a daily necessity, as a human intake and for reasons of hygiene. Different peoples have different habits. Different climates call for different needs. Some take more baths and do more frequent laundering.

In Hong Kong it is indeed a difficult task for Government to provide sufficient water to meet the needs. Just as when supplies were deficient, the whole populace had to suffer, so they want to enjoy a little more when the conditions allow them to be more care-free. Government can judiciously restrict supplies when it deems necessary in the light of changes in the situation.

Secondly, the natural growth of our population has slowed down, and in 1970 excess of births over deaths was only 59,136, or about 1½ % of our "uncensus-ed" population. The estimate of increase for the period between 1966 and 1970 was 411,400 including immigrants, only averaging 2¾% a year. Although the number of persons in the age-bracket for marriage will grow in the coming decade, nowadays our young people prefer to have smaller families than their parents, who were notorious for being prolific.

My honourable Friend has stated that the demand of trade and industry for water is rising, and has been for some years, more rapidly than domestic demand. It was forecast that between 1969 and 1981 the latter would rise only from 75 million gallons a day (or 48% of 1969 daily consumption of 155 million gallons), to 114 million gallons a day, or a cumulative increase of 4.1% a year: but the former *i.e.* the trade industry from 42 million gallons a day (or 27% of 1969 daily consumption) to 196 million gallons a day, or a cumulative increase of 13.7% a year—more than three times as fast. (I reckon the balance of 25% presumably represents free and unrecorded supply to the population and loss in distribution).

The period 1969 to 1981 is more than half a generation and the population increase could be progressive. Therefore the forecast made by my honourable Friend for the domestic consumption may be in line with the probable development. However, my honourable Friend's forecast that trade and industrial needs will rise from 42 million gallons a day to 196 million gallons a day, might be over-estimated.

It is stated that the dyeing and finishing industry is the *biggest* industrial user. The figure of daily consumption I have for our textile industry as a whole, including cotton wool and synthetic fibres but excluding garments, for the year 1969-70 is around $7\frac{1}{2}$ % of a day's colonywide consumption. The estimated rate of growth of 13.7% cumulative yearly increase from 1969 onward cannot be meant for the textile industry, because a colossal expansion of the textile industry is physically impossible for the next five years in view of the worldwide restrictions imposed on Hong Kong's export of textiles, even under the forth-coming Generalized Preference Scheme. Government may be aware that two large dyeing and finishing factories out of a total of 12 have closed down completely in 1970. This further lessens the possibility. Then the estimated rapid growth must be for some unidentified trade and industry.

I agree entirely with the view that as a long-range policy we should not stifle trade and industrial growth but lack of water supply. But these are future needs. Any investment for future needs should not have to be borne by present consumers of present supplies. If it is to be called a "commodity" in the context of Hong Kong's economic situation, I would say that no buyer of any commodity is willing to finance the cost of putting up a new factory for its manufacture, which is meant for other buyers. As I see it, water supply is part and parcel of Government's provision of the infrastructure for industrial development to furnish employment for the population.

Thirdly, if in the opinion of Government all proposed schemes are absolutely necessary, and since the community's capital comes precisely from the people it governs, with the major contribution coming from industry and trade, there does not seem to be the need for Government to take before it gives, in face of our present immense reserve.

Fourthly, in the 1969-70 Waterworks Account, there appears a deficit of \$9.6 million for the supply of fresh water, but in the expenditure column there is a sum of \$65.5 million in the form of interest, assumed at the rate of 7% at present. This amount represents 46% of the total expenditure. In this connection I cannot help but ask why no interest costing is applied to the expenditure on highways, which present road users should equally bear in the same circumstances

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as the water consumers, and why—as a matter of equity—only 3.5% interest is applied to the housing schemes.

Even an increase of 50% water charges would reap to Government a revenue of \$46.3 million a year, on the present basis, which greatly exceeds the \$9.6 million deficit. I cannot agree more with my honourable Friend Mr Y. K. KAN'S comment that it is questionable as a policy to separate the water account from our overall accounts and to attempt to make it self-supporting.

Fifthly, it is true that the dyeing and finishing industry as an individual sector consumes a large amount of water, but it is an essential link in our textile industry, which is the backbone of our present economy. Without the dyeing and finishing industry, our spinning/weaving industry would have to export only grey cloths and spinning/knitting industry undyed yarns, and our garment industry would have to import bleached/dyed/printed fabrics, and our knitting industry bleached/dyed yarns, to and from abroad. What an untenable situation! We therefore cannot view this industry in isolation and load it with excessive burden of cost all of a sudden, which must be viewed as a new departure of Government policy. It goes without saying that the proposed increase will reduce our competitiveness in the world markets as we have to add the enhanced cost of water to our export prices in the present very keen competitive situation.

Apart from textiles, Sir, other big users such as the garment industry, plastic industry and the metal industry, would be equally affected by the increase. The building and beverage industries are also part and parcel of the economic life of the Colony, which consume large quantities of water too.

As desalting plant is now contemplated to ensure a future constant supply and water from desalters is much more expensive, it may be reasonable to introduce in future years a levy for guaranteeing supply after the plant is in operation and begins to produce water.

The proposed increase of water charges in this point of time will be an added impetus to the present trend of inflation in the Colony. Mind that in recent years inflation on a world scale does have some social ingredient and is not anymore a pure economic matter. I am afraid the proposed increase may start a new round of price rises after the 1970 merry-go-round, as everyone in the Colony will be affected by this increase. People engaged in businesses connected with water are already claiming for price increases. The excuse is easy: that water charges will rise 100%.

Sir, with all due respect to the arguments advanced by my honourable Friend, I do not see any reason nor the propriety for water charges to be raised now. In the 1971-72 Estimates the question is merely whether we shall have a bigger or a smaller budget surplus. Many will agree with me that to do away with the proposal to increase water charges will indeed be a generous parting gesture from both Your Excellency and Sir John.

I am grateful, Sir, for your indulgence. My other comment on the budget is brief and concerns traffic.

As other unofficial Members have commented too, I do not find any reference by my honourable Friend, the Financial Secretary, to Mass Transit System, which we all realize will be a very costly project. But until such a massive plan can materialize, we are seemingly to live with our present road congestion for quite a long time to come.

During the past decade the number of private cars has increased by about two and a half times. The number of public cars and cargo vehicles taken together has increased at approximately the same rate for the period. The latter are the much more frequent and intensive users of roads, which also reflects our intensified economic activities. Any grinding to a halt on our roads will have economic significance.

To attempt to improve the *flow* of traffic by means of more carefully planned flyovers should therefore be a plausible, palliative measure, especially in the economically meaningful districts. Several of the flyovers in the Colony are now becoming *stopovers* in rather extended peak hours, the most conspicuous being the Princess Margaret flyover where it joins Waterloo Road near Naim House, which indicates that there is a lack of co-ordinated planning ahead. The roundabouts designed in the early days are becoming real headaches.

I regret to say I fail to notice any provision made for such like palliative measures in the present budget. Delays are a waste of human productive hours and tend to increase our export costs. It is my earnest hope that this aspect of road improvements will be looked into by my honourable Friend, the Director of Public Works, in the light of my comments.

Sir, with these observation against the proposal to increase water charges, I support the motion.

MR K. S. LO:—Your Excellency, being the last to speak, I am afraid there is little that I can say that has not been said by my honourable Colleagues. I must therefore ask for your indulgence if I should sound somewhat repetitious and long-winded.

[MR LO] **Appropriation Bill—resumption of debate on second reading (24.2.71)**

We should all take recognition of the strength of our economy and here I wish to join my Colleagues in giving credit to our Financial Secretary for having built up this immense strength during his term of office. We might not always agree with his fiscal policy but we have to give him credit where credit is due.

Having said that, I should now like to pass some comments on the budget under review.

According to the honourable Financial Secretary, we shall see a surplus of \$550 million by the end of this fiscal year. This comes on the top of \$2,380 million surplus which we have accumulated over the past ten years. It is interesting to note that during his term of office, the only occasion when there was a deficit was in the year 1965-66. After that, it was just one surplus after another. Perhaps it was purely by coincidence, but nevertheless interesting, that our Public Works Non-Recurrent reached the peak in that same year at a figure of \$587.4 million. Since then it went downhill all these years until it reached 395.9 in 1970-71. I would not like to speculate whether this continuous reduction was due to the shock received by the Financial Secretary in deficit budgeting, or due to the inability of the PWD to keep up its productivity. All I can say is that had we kept up with the level of spending on public works of capital nature as in 1965-66, we might have today a few more clinics, technical schools and other community requirements. The public will have less reason to complain, if we were unable to afford it, but it seems such a great pity that we don't have a little more when we could afford it. It will at least give our younger generation an opportunity to enjoy a better quality of life which they have never had before. One of our contemporary papers defines the quality of life as "such things as the quality of the physical environment, the range of educational and intellectual opportunity, the facilities for physical and athletic recreation, the richness and diversity of artistic and cultural experience, the enjoyment of civil liberties, and even perhaps the possibilities of challenge to human achievement—physical, intellectual and spiritual".

The surplus for the fiscal year 1971-72 is estimated at \$162 million. This again will be another under-estimation. For the past 10 years our Recurrent Revenue alone shows an average growth rate of 14.3% per year. In spite of the optimism shown in his budget speech, the honourable Financial Secretary allows only a 8.7% increase. If the coming year turns out to be even just another average year of 14.3% growth, there will then be an additional sum from recurrent revenue to the tune of \$173 million. Hence, the fiscal year for 1971-72 will more likely end up with a surplus of somewhere in the neighbourhood

of \$335 million. I think the public will have a much greater confidence in the Government, if we were to be more straight forward and frank with them; otherwise there will always be a credibility gap between the two.

The Senior Unofficial Member and my other Colleagues have already spoken against the proposed increase in water charges. All I want to add is that the increase would have been more agreeable had it come in smaller doses over a period of years instead of one great leap forward. Instead of giving the assurance that there will be no further increases before the end of 1976, the public would have been more receptive if the Financial Secretary had said that the increase rate would be 10% per year for the next five years.

I now would like to touch on the \$81 million in Rates which the honourable Financial Secretary is about to waive aside. Coming from one who is always so careful with public funds, this to me, is indeed a surprise! His reason for doing so being that because of the introduction of rent control, the staff of the Rating and Valuation Department had to be diverted for administering the scheme and therefore there would be an insufficient number available for the planned revaluation for 1971-72 and 1972-73. As the rent control had been in operation for almost a year, the Department concerned should have anticipated the work for the revaluation planned for this year and put in a crash training programme for additional staff. However, even if we are unable to carry out the revaluation for this year, I see no reason why we cannot train enough staff to carry out the revaluation simultaneously in Hong Kong and Kowloon for next year. Would not the Government be accused for favouring the rich, if we were to sit and do nothing and watch the \$81 million slipping through our fingers, especially in the light of the proposed new water charges?

Under the Agriculture and Fisheries Department, one reads a memorandum note which says that the Department seeks to increase the productivity of farmers and fishermen through the introduction of improved planting materials, breeding stock, and new techniques. These are most commendable and urgent tasks which the Department should press ahead with full vigour. But alas, when one examines the budget in more detail, one finds that for Agriculture Branch the total sum allocated for educational and developmental work comes to only slightly over \$500,000, and for Fisheries Branch, another sum of \$300,000.00 is allocated for research, development and extension. The total budget for the Department comes to \$18,000,000.00 of which \$13,000,000.00 is being spent on Personal Emoluments and less than a million on developmental work! In my humble opinion, Agriculture and Fisheries are the two areas where the increase in production would do the most economic and political good to the Colony. Economically

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speaking, more home grown vegetables, poultry and pork from the New Territories will not only bring more income to our farmers but also will help to bring down the price of food and thereby stabilize the cost of living. Politically, it will help in cutting down our imports of these items and make ourselves less dependent on the outside supply. What I would like to see is for Government to carry out a sustained programme in expanding the work on irrigation, pest and disease control, and in providing further incentive to the farmers by supplying high protein feed and fertilizer of good quality and in large quantities at the lowest possible price. Although our farming land is limited, but there is enough to take care of our needs in vegetable, poultry and pork if an earnest effort is being made. Finally, I must say that I am not trying to be critical of any individual officer, but I am critical of the Government's failure in establishing a long term objective for self-sufficiency in those items.

I now come to the accumulated mammoth surplus of \$2,380 million. I am not advocating that it should be spent; to do so would be acting irresponsibly. But I think there is a better economic usage which we can put to it, whereby it not only will bring higher return to the capital but also do some good to our local industry. All I ask for is that 1% of it be brought back to Hong Kong to help found a Finance Corporation for granting loans for small industries for the purchase of machinery and equipment for modernization and expansion. I am not going to waste Members' time in trying to argue the case whether a need has or has not been proven. On matters of this nature, we ought to take a positive approach and be able to see the good it will do to our economy by assisting the more viable small factories to expand and grow. To those we have doubts about the role which small industries can play in a nation's industrialization, I would like to quote what the world authority has to say on this subject Mr Robert HOLTZ, an international authority on small and medium-sized industries says "In every country in the world, whether it be highly industrialized or in the process of being so, we find that small and medium-sized businesses always account for at least 50% of the GNP and 50% of employment, and in most cases these figures are as high as 70, 80, and 85%. In other words, economic development proceeds through the development of small and medium-sized enterprises".

We have been talking about this loan scheme for so long, Sir, I hope some action will be taken before another year passes.

Sir, I share the Financial Secretary's concern on the high cost of public service. I have been trying to obtain some information from the neighbouring countries for comparison, but have not been successful

so far. But I can readily accept the Financial Secretary's word that ours must be on the high side. He attributed the main cause to what he called the "expatriate effect", and again, I am in full agreement with him.

The Government has long come out with its localization policy but so far the scheme has not proven to be very successful in attracting local young men and women to fill the middle and upper echelon posts which my Friend referred to. No one knows the exact reasons, but I would venture to suggest a couple of possibilities. The first has to do with recruitment. Up to now only those with British degrees and professional qualifications will be considered and this immediately excludes a large number of our lads. I am therefore pleased to see that in future graduates from recognized American Universities will be given equal consideration. This is a step in the right direction and I am sure it will have the effect of attracting more of our youths back to serve Hong Kong after they have finished their education in North America.

The other reason can be attributed to the lack of training facilities for the Administrative Officer grades of locally enlisted men and women. The courses that are conducted by the Government Training Division are mainly general courses aimed at the basic training of officers up to the Executive grade. There is nothing locally to match the type of training for civil service offered by the Imperial Defence College in UK. Those who are fortunate enough to be chosen for overseas training do so by attending short courses, or purely on familiarization trips. I don't think the Government has done nearly enough in giving training to the local officers. This is illustrated by the budget for the coming fiscal year where \$12,500,000.00 has been budgeted for the transport expenses of expatriate officers for vacation leave overseas, and only \$4,300,000.00 for training scholarship and post-qualification courses. My honourable Friend the Colonial Secretary, speaking on the tabling of the Report on Training in the Public Service, must have anticipated my remarks concerning the small sum spent on scholarships training. I hasten to add that the \$12,500,000 budgeted for transport expenses does not include salaries of officers while on leave.

I urge Government to consider recruiting a larger number of Administrative Officers locally to allow for some wastage in the initial years and to pick out the promising ones to send for overseas courses. This is one way of cutting the cost of public service down in the long run.

There are other ways of cutting the cost. Some years ago Government started a new Organizational Surveys Unit for the purpose of reorganizing the departments and streamlining the administration. I wonder how far this has been carried out and what results are we

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getting? The Financial Secretary spoke of the alarming increase in the cost of civil service. He estimated that the increase for the year 1971-72 would be in the region of \$140 million. One of the factors contributing to this increase is the piecemeal expansion and upward regradings of departmental staff from time to time. This "creep" alone will cost us \$40 million for the coming year. After having served for only a few months on the Establishment Sub-Committee of the Finance Committee, I have already noticed the pressure of this "creep". As I read the papers in support for additional manpower requested by various departments, I find myself asking such questions as whether it might not have been possible to effect some savings by streamlining the methods or by redeployment of the existing staff? Could we not improve the efficiency of the department concerned and step up the productivity if the Organizational Surveys Unit had been asked to do a thorough study? Of course, this has been done to a certain extent, but hardly enough. I am given to understand that the Organizational Surveys Unit has only about 60 staff in the whole department, of which less than 20 are experts. With this handful of men they are given the task of changing the various departments' records into computerization, and so I am wondering where they can have the time to look into other matters?

I think it will pay for the Government to bring this Organizational Surveys Unit to full strength by bringing in outside management consultants if necessary, as suggested by my honourable Friend, John BROWNE, to do a thorough reorganization job of all the departments within a short space of time. After the job has been accomplished the staff number can be reduced back to the normal size purely for consultancy and the maintenance of standard.

Finally, I am tempted to say something about Government's long-term planning in terms of time and space, but I might be accused of trying to teach grandmother how to suck eggs. There is no question that all the Government departments do a great deal of planning, some more thorough than others. A good example is the Water Works which plans our water supply not only ten years ahead of time but also capable of saying precisely that by 1976 the High Island Reservoir will begin to produce water. On the other hand, there are other departments whose planning is much more in general terms. For example, in the case of Education Department, although it has mapped out so many primary and secondary school places required in terms of population ratio, I don't think it has worked out in detail what types of schools are needed and in what districts, and when these schools are to be built to meet those needs. Again, I cite Kwun Tong as an example.

The power companies which are privately operated and have to face the same problem of meeting the demands of the fast expansion of population and industry are prepared to say that they are prepared to supply the consumers demand for electricity where it is needed and when it is needed. I wish our Government could say the same on its services to the taxpayers.

Sir, with these remarks, I support the motion.

Motion made, and question proposed. That the debate be adjourned—THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER).

Question put and agreed to.

Committee stage

Council went into Committee.

LAW OF PROPERTY AMENDMENT (AMENDMENT) BILL 1971

Clauses 1 to 3 were agreed to.

DANGEROUS GOODS (AMENDMENT) BILL 1971

Clauses 1 to 8 were agreed to.

MERCHANT SHIPPING (AMENDMENT) BILL 1971

HIS EXCELLENCY THE PRESIDENT:—With the concurrence of honourable Members we will take the clauses in blocks of not more than five.

Clauses 1 to 10 were agreed to.

Council then resumed.

Third reading

THE ATTORNEY GENERAL (MR D. T. E. ROBERTS) reported that the Law of Property Amendment (Amendment) Bill 1971 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.

MR HETHERINGTON reported that the

Dangerous Goods (Amendment) Bill 1971

Merchant Shipping (Amendment) Bill 1971

had passed through Committee without amendment and moved the third reading of each of the bills.

Question put on each bill and agreed to.

Bills read the third time and passed.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—Council will accordingly adjourn pursuant to Standing Order No 8(5). The next sitting will be held at 2.30 p.m. on Wednesday 24th March 1971.

Adjourned accordingly at ten minutes to six o'clock.