

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 16th March 1972****The Council met at half-past Two o'clock**

[Mr PRESIDENT in the Chair]

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, MBE
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 DONALD COLLIN CUMYN LUDDINGTON, JP
THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, JP
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, CBE, JP
DIRECTOR OF URBAN SERVICES
THE HONOURABLE JAMES JEAVONS ROBSON, JP
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
DR THE HONOURABLE GERALD HUGH CHOA, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE DENIS CAMPBELL BRAY, JP
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE PAUL TSUI KA-CHEUNG, OBE, JP
COMMISSIONER OF LABOUR
THE HONOURABLE IAN MACDONALD LIGHTBODY, JP
COMMISSIONER FOR RESETTLEMENT
THE HONOURABLE ERNEST IRFON LEE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE SIR YUET-KEUNG KAN, 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, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE GERALD MORDAUNT BROOME SALMON, JP
THE HONOURABLE ANN TSE-KAI, OBE, JP
THE HONOURABLE LO KWEE-SEONG, OBE, JP

ABSENT

DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RODERICK JOHN FRAMPTON

Second reading**APPROPRIATION BILL 1972****Resumption of debate on second reading (15th March 1972)**

HIS EXCELLENCY THE PRESIDENT: —Council will resume and continue with the debate on the Appropriation Bill 1972.

Question again proposed.

MR WILSON T. S. WANG: —Sir, I open the batting today not with a home-run but with a note of congratulation to my honourable Friend, the Financial Secretary, for the comprehensive and penetrating way in which he presented his maiden budget. Moreover, the publication of the supporting financial statements and statistical appendices and the simple budget booklet in both languages will certainly help to stimulate public interest in matters that should concern us all. I believe much misinformed criticism will be forestalled in this way. I am glad to hear that the simple budget booklet will be distributed free of charge but I must admit to some disappointment that the whole Estimates volume is still priced at \$55. As I said in the last debate, it is wrong in principle for Government information to be obtainable only by those who can afford to pay for it. I feel I must stress this point again.

On the subject of recruitment and training of local personnel, we noted that the present estimate calls only for a modest 4.3% increase in the strength of the Civil Service. This is the fourth lowest increase since 1960-61 despite a record increase in Government expenditure. If an increase in the productivity of the Civil Service accounts for this modest figure, we should applaud it. However, the fact is that heads of departments are often known to blame shortage of staff when certain tasks have not been carried out, while many projects are being delayed for the same reason. A fact which should not escape our notice is that vacancies representing 10 to 11 per cent exist in the approved establishment, while the situation is even worse at the administrative and professional level. The Salaries Commission has now made certain recommendations which, if implemented, will have the effect of reducing this ratio; but will this alone solve the problem?

Is there really a shortage of local people wanting to join the Civil Service? Can we put this down entirely to the "brain drain" and to the fact that the private sector is in keen competition? Are there other reasons? I am inclined to feel that there is room for improvement in the present method of recruitment and in the training of the serving officers.

At this time, I am reminded of old man Keung's way of fishing. He used no hook nor bait. At a time of general under-employment,

any method of recruitment yields the same results but surely not in a keenly competitive society like ours.

Government would have to do more than merely advertising for applicants. The potential applicants should be approached and fully briefed on the nature of their work, promotion prospects and requirements, apart from salary scales. Able young graduates nowadays receive a good number of offers. They should be booked well before their graduation. When processing of applications takes as long as months, even second choices are unlikely to be still available after completion.

A sense of security is desirable but even a "gold rice bowl" type of post may not be attractive to enterprising young men. They want a chance to achieve something and they want their achievement to be recognized in terms of promotion to more responsible posts. They are not unconscious of the danger of being turned into useless mules on a tread-mill.

We cannot rely entirely on recruitment from abroad to take up deficiencies in our administration. Overseas personnel are increasingly getting scarce and expensive. What is more important is that our policy should be far-sighted and what we should take is active steps to discover men of potential ability from among our serving officers and implement a comprehensive scheme of training for them so that we may have an adequate supply of capable and highly qualified local men to fill posts of responsibility.

For this purpose, it is essential to prepare a forecast of establishment a good number of years ahead. Whenever it is anticipated that specially qualified personnel will be required, a search for the right men should begin well in advance, so that all interested persons, already or not yet in the Civil Service, may be given sufficient time to prepare themselves for the posts or be invited to take up courses of training if required.

I propose, also, that Government, like a good employer, should be more generous in awarding local officers leave, if not so much as those enjoyed by expatriates at the end of each tour of service. I suggest that it is a false economy to confine our local officers to daily routine and keep them like frogs in wells. They need to get out and widen their horizons. Much can be done on leave in terms of study, training or even just on general observation of conditions elsewhere. I am sure the better quality of serving officers that would result would prove a valuable dividend.

Sir, critics may be right in saying that the Financial Secretary has not produced anything new in his maiden budget, but I do notice that he

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has some new thinking. This is evident in the introduction to his revenue proposals in which he said he had carefully considered whether any revenue concessions ought to be made; and he went on to admit that the present generation of taxpayers has contributed very substantially in recent years to the financial resources available for spending in the future. Their contribution in the last five years has been over \$2,000 million, even without taking account of the interest accrued. This is something which none of his predecessors ever thought fit to mention. I believe therefore that this indicates a new and fresh philosophy in the man who is to control the public purse. I believe also that we can anticipate some "new look" in future estimates.

While the figure of \$2,000 million is still ringing in my ears, I would like to seize the opportunity to urge Government to consider carefully whether it can allow for the benefit of the present generation some more disbursement out of this amount which would not be regarded as an artificial boosting of public expenditure. I venture to suggest that there are some basic services that we are still lacking and that should be provided now since they will lose their value if time is allowed to pass. I refer particularly to the provision of educational and recreational opportunities for the young, and to the welfare of the aged.

The welfare of the aged should take first priority over other claims for public assistance. There are people who have lived through many years of hard lives and are most entitled to a good share of our present prosperity. They should be granted better public assistance than the others, and better than merely on a subsistence level. There is also an urgent need for the provisions of more homes for them, and I believe that the time is ripe for making a start on long-term plans designed to pave the way to a satisfactory social security scheme.

The provision of educational opportunities for young people, particularly those below the age of 15, should be even more obvious at this moment when we are concerned about the most undesirable upsurge of juvenile crime. We must not and cannot afford to let our young people go astray for a few more years and be content to say that school places will soon be available. Admittedly there are physical difficulties involved in expediting the construction of schools and the training of teachers. However, I am not at all convinced that we have done all we can to reach at a much earlier date our present target of providing 50% of 3 years aided post-primary education by 1976 and 100% by 1980. I therefore propose that urgent action should be taken to explore all other ways and means of expediting this provision.

While we await hopefully the early attainment of our target, I propose that Government should accept here and now the responsibility for ensuring that no child between the age of 6 and 15 is deprived of education solely because of financial difficulties and that public funds should now be made available so that all parents in need can apply for financial assistance to pay for a part or the whole of the school fees to enable their children within this age bracket to study in any school registered with the Education Department, provided that the Director of Education is satisfied that there are no aided places available for them.

On physical recreation, I urge again the immediate formation of a Council for Physical Recreation. Such a Council should be an essential means of enlarging the scope of our activities in a field which must surely be regarded as tremendously important for our young people.

Its first function would be to render assistance to the existing bodies and departments which are now doing valuable work, so that they can make the most of their facilities and manpower. The second function of this Council would be to encourage the formation of clubs on a regional and district basis to cater for the needs of each neighbourhood.

This Council would provide expertise and financial assistance for which we must have Government's backing and necessary funds. To achieve our aim to provide physical recreation on a sufficiently extensive scale, I figure it needs at least \$5,000,000 a year and undoubtedly every cent if it will be spent most effectively and profitably as much can be done in this field and much needs to be done, and a lesser sum would provide window-dressing and nothing more.

Sir, let us not give the cold shoulder to any appeal for a little more physical recreation for our young people of the present generation.

With these remarks, I am glad to support the motion.

MR H. J. C. BROWNE: —Sir, in the budget debate last year many of us felt that Sir John COWPERTHWAIT'S estimated surplus would be exceeded because of his habit of underestimating revenue. The increased revenue seems to come mainly from excess collections of internal revenue, and with a thumping surplus of about \$700 million now estimated for 1971-72 I must confess, like my Friend the honourable SZETO Wai, that the revenue estimate of \$3,727 million for 1972-73 looks very conservative. I realize there are many problems involved in budgeting, but I do feel that a special effort should be made to get future estimates closer to actual if these annual budgets are to have the creditability that they deserve.

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I know it is difficult to measure the cost effectiveness of the Public Service, and I am glad to hear that the Organizational Surveys Unit has now been integrated into the Finance Branch. I hope it will be strengthened and expanded and that it will be effectively used by the honourable Financial Secretary as a tool: firstly, to streamline existing Government systems and procedures, and secondly to spearhead an economy drive on Government spending. In suggesting an economy drive let me make it clear that I believe we are very well served by the Public Service and I would like to repeat the point made in debates last year that the men at the top in the Secretariat and in many departments seem to be overworked and too thin on the ground to cope without delay with the increasing complexity of our affairs.

There is always room for savings in any large organization, and Government can be no exception. With the Public Service now almost 100,000 strong and costing nearly 50% of recurrent revenue, we need a new and determined drive to reduce waste and increase productivity. I hope this suggestion will be seriously considered, even if it means writing new positive terms of reference to replace the present rather passive terms of reference of the OSU; perhaps it will mean tripling its size, employing consultants where necessary and, as the honourable P. C. Woo suggested yesterday, putting a Senior Administrative Officer in charge of the whole effort.

With the more sophisticated estimates and accounts that are necessary to deal with the increasingly large sums of money, I wonder whether Government has enough qualified accountants spread through the departments. I notice, for example, that the Education Department, which is to spend \$520 million next year, has only three Treasury Accountants. Perhaps it is relevant to ask here what progress has been made with the legislation to establish the Hong Kong Society of Accountants. The honourable Financial Secretary answered questions on this matter in July 1969 and March 1970.

I must add my congratulations to the honourable Financial Secretary for his lucid exposition of our financial and economic position. In general, I support the policy of budgeting for a modest surplus, because our commitments to considerable and increasing recurrent expenditure in education, medical, social welfare and other items may well lead us into deficits later in the 70s. And I am glad that a start has now been made in borrowing from the Asian Development Bank for capital projects. But, as other speakers have said, there is a tremendous amount that still must be done in housing, resettlement, social welfare and secondary education.

On the subject of education, I understand that handicapped children still have to pay for their primary education while normal children can get it free. I would like to ask when Government is going to increase this subsidy to these special primary schools in order to make them free. Also, do we know how many handicapped children are not receiving any primary education at all because there are no places for them in special schools. And when we do know the figures I wonder what plans there are to provide schooling for these children.

On the subject of technical education, I would like to support what my Friend, the honourable Dr S. Y. CHUNG, said yesterday. Two new technical institutes are now in the PWD programme and hopefully will be ready by 1975-76 but I do nevertheless hope urgent consideration will be given to adding two more institute to be ready, one in 1976 and one in 1977. But of course this will not solve the immediate need for more places. Hong Kong is a great place for improvising and getting things done. Is it practical to consider renting some accommodation, perhaps near the Morrison Hill Institute, and starting some extra classes in September 1973, which would eventually be absorbed into one of the new institutes?

Now I know that such temporary arrangements would not have all the equipment and so on that might be needed but let's not let the best be the enemy of the good and we would at least get some young people off the streets and teach them something.

Moving now to the tax side, I support the modest tax adjustments that are proposed and I am glad that in his virgin budget the honourable Financial Secretary has been careful not to disturb the conditions that have made Hong Kong attractive to overseas investments. I was interested in the honourable Financial Secretary's comments on the trend of our economy. We certainly depend to an alarming extent on our export trade, and as quotas and other trade barriers go up and nearby countries produce more sophisticated goods and become more competitive, we are only going to survive if we trade up and develop more technologically orientated industries. I would like here to pay tribute to the skilful way in which Government have handled the many complicated trade negotiations with different countries and also to remark that it has been represented to me that D. C. & I. should, as a reward, be provided with very much better office accommodation.

One way in which Government could further encourage overseas investment is to put up more land for sale and not try to secure excessively high premia by restricting the amount of land made available. And, as we become an increasingly important international financial centre, I hope that action will be taken soon on the recommendations of the Companies Law Revision Committee.

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Fortunately, that other economic prop, the tourist trade, continues to hold up, and although in 1971 the overall number of tourists dropped slightly compared to 1970, the exceptional figures of 1970 were inflated by Expo '70 in Japan. The recent revaluation of the yen has made overseas travel cheaper and more attractive to the Japanese and, with the new hotels that are coming on stream this year, I shall be surprised if we do not easily exceed a figure of one million tourists in 1972.

Surveys show that each tourist spends about HK\$1,740 in Hong Kong on his visit, and so in 1972 the total spending will be something over \$1,800 million. This is a sizeable and very valuable contribution to our economy.

But because of congestion, rising costs and other factors Hong Kong is not as attractive as it used to be and we are facing increasing competition for the tourist dollar from other places in Asia. We cannot take the expansion of our tourist trade for granted, and I feel that Government should consider taking positive steps to make things more attractive for tourists in Hong Kong and I have a few suggestions.

Firstly, I would like to see more beef behind the Urban Council's campaign to clean up the city and the countryside and if necessary we could introduce new legislation to strengthen their hand.

Secondly, we need to increase the scope of things that tourists can do, and I urge a new policy towards the development of resorts in the New Territories and on Lantau. I feel a more positive approach is needed, by setting aside areas for resort development and then inviting bids from international and local developers. I feel we should also give higher priority to improving the road system on Lantau so a vehicular ferry service can be introduced. Also double-tracking the short access road to Lok Ma Chau is urgently required as it is often overcrowded. But, of course, these facilities would all be used by our own people as well as by tourists.

Finally, the Airport; the forecasts show that we are going to run into serious congestion again in the terminal building from 1973 onwards, and I urge Government to give higher priority to Phase 2 of the Stage IV development of the terminal building and to press on with the detailed planning of Phase 3.

Now, as regards the shops at the Airport; I am concerned to see that against the original estimate of revenue of \$12 million from airport concessions in 1971-72, the figure has now more than doubled to \$25 million in 1972-73. I think it is wrong to put airport shop spaces out to tender to the highest bidder without considering other factors. This

results in charging rents that are higher than almost anywhere else in the Colony. Now almost every tourist—I think it is 98%—goes in and out of Hong Kong through the Airport, and it gives a very unfavourable impression if they are asked to pay an unrealistic rate when money is changed, and high prices for goods they may purchase at Kai Tak. Now I know tourists get overcharged at some shops in town and I am worried about that too, but at least they are not operating out of Government premises on a quasi-monopoly basis as they are at the Airport. So I feel that if we don't do something about overcharging and also about the congestion that we are going to get in the airport terminal, we are bound to run into increasingly adverse publicity.

Sir, I support the motion.

MR Q. W. LEE: —Sir, when you delivered your first speech as Governor of Hong Kong, you said it was your object in the years ahead "to encourage both Government and the community to progress so that the people of Hong Kong would find it an even better place to live in". The maiden budget so appropriately presented by my honourable Friend, the Financial Secretary is, in my view, in the right direction towards attaining your declared object. It is well balanced financially and socially and the principle leading to the preparation of the figures and proposals contained therein will help making Hong Kong a better place to live in.

I now wish to comment on three points. They are:

- (a) our reserves position and the changing character of the UK sterling guarantee;
- (b) the decision to obtain a loan from the Asian Development Bank; and
- (c) the proposal to refund only one half of the rates charged on unoccupied premises.

There has not been much dispute that Hong Kong should have reserves. It is only their size and where they should be invested that have always been controversial.

The Financial Secretary has explained that our economy is substantially dependent on world trade and is always exposed to the economic situation of our trading partners. I wish to add that internally our social, economic and political progress dictates that we have to spend more and more on new developmental and social projects such as the desalting plant. High Island water scheme as well as public assistance, technical education and loans for small industries. Moreover one day we may even decide to go ahead with the Mass

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Transit Scheme, social security, national health, free secondary education and so on. We must therefore be prepared to deal with the situation that from 1974-75 onwards, our budget would begin to show deficits as forecast. So it is clearly logical that we must have substantial reserves. In fact if we come to think that the capital expenditure commitment in respect of Category A projects in the public works programme is a massive \$3,424 million compared with only \$1,736 million a year ago, the figure of \$4,000 million of our reserve is not as substantial as it appears to be.

As to where our reserves should be put, there is always the question why we have to put so much of our reserves in London. Sir, we all remember that after Hong Kong suffered a substantial loss of \$700 million as a result of sterling devaluation from US\$2.80 to US\$2.40 in November 1967, our previous Financial Secretary, Sir John COWPERTHWAIT, then conceived the idea of seeking protection for the value of our sterling investments. An agreement was reached in June 1968 between the United Kingdom and Hong Kong whereby the United Kingdom was to issue Hong Kong dollar bonds to protect the Hong Kong dollar value of our sterling funds in the United Kingdom. This arrangement was, however, substituted in September 1968 by a sterling guarantee which gave protection to the official sterling assets deposited by all Commonwealth countries in the United Kingdom that the value of sterling would not be less than US\$2.40. It is backed up by the Basle Agreement with a stand-by cover of US\$2,000 million given by the Group of Ten so that Commonwealth countries would not find it necessary to run down their sterling balances at all for fear of another devaluation. Besides this guarantee attraction, London has a large money market capable of offering good returns and sound investment opportunities for our reserves. The yield we are getting from our UK investments is, I understand, higher than that from Hong Kong. The advantages of putting a part of our reserves in London are therefore obvious.

Notwithstanding these advantages, however, we must always consider how safe are our reserves against a future world monetary crisis affecting sterling. I think the time has now come when we should re-appraise our situation very seriously.

Since the re-alignment of all major currencies in the world in December 1971, the parity of sterling was raised from US\$2.40 to US\$2.6057. This almost completely changes the character of the sterling guarantee for it is only below this rate of US\$2.40 that Hong Kong will be qualified for protection. Therefore, for all intents and

purposes, the UK sterling guarantee now means very little to Hong Kong.

But the situation of Hong Kong is even more uncomfortable by reason of the fact that Government has extended similar guarantee to banks in Hong Kong to protect the Hong Kong dollar value of their depositors money which they put in sterling investment in the UK. For, while a devaluation of sterling from US\$2.6057 to below US\$2.40 is unlikely, the possibility of sterling falling back to between these two rates should not be ruled out bearing in mind that the recent strength of sterling is partly technical as reflected by the weakness of the US dollar. Should the US dollar regain its strength, Hong Kong would be open to a risk that could arise from the possibility, however remote it may be, of sterling being devalued to a rate below US\$2.60 but still above US\$2.40 and yet the Hong Kong dollar, for very obvious reasons, may not follow such devaluation or may only follow partly as in the 1967 sterling devaluation. The result would then be that Government has to compensate the banks for their losses which it could not recover under the UK sterling guarantee because the US dollar rate of sterling would still be above US\$2.40. In very simple words, if sterling turns weak and our Hong Kong dollar remains strong, as it should be, then Hong Kong would be in a disadvantageous position, as just now described.

What then is the solution? Ideally, the UK should raise the parity of sterling from US\$2.40 in the guarantee to US\$2.60 or, better still, to guarantee the gold content in sterling. It is clearly in the interest of the UK, as much as in ours, that the Hong Kong dollar should remain so heavily leaned on sterling because Hong Kong is the holder of a substantial portion of UK's sterling balances from her Commonwealth partners. However, the problem is not an easy one to solve because the situation is complicated by the fact that the UK has agreed to reduce the role of sterling as a reserve currency after her entry into the Common Market in 1973. I know my honourable Friend, the Financial Secretary, has very much the same concern over this whole problem. With the sterling guarantee expiring in September 1973, Hong Kong must in any case commence negotiation with the UK to find a solution and settle this complicated problem. I see the time coming nearer and nearer for Hong Kong to face a new but equally complicated problem of having to diversify its reserves into other currencies.

The Asian Development Bank was established in November 1966 in Tokyo and has its headquarters in Manila. Its functions are to provide the financing of eligible development projects in member countries. The sources of such finance are from the Bank's capital funds contributed by member countries, by the provision of guarantees and/or by raising money through the issue of bonds. When Hong

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Kong was invited to join the Bank, we had first to consider whether economically Hong Kong was too rich to be a borrower and too poor to be a lender, particularly in view of the fact that the capital contribution by members to the Bank was non-interest bearing and non-dividend paying. As a matter of principle, one was never too rich to borrow or too poor to lend and sound banking practice has in fact shown that the rich are good borrowers and the less rich good lenders. It is interesting to note that Hong Kong, having joined the bank in May 1967, is now negotiating for a loan from the Bank to finance part cost of our desalting plant, and that the Financial Secretary is optimistic about our chances of raising such a loan. This has, however, given rise to the question of why we should borrow from external sources and not draw on our reserves, or borrow internally. In this connection I wish to say that, since we are going to face much higher expenditure in the years ahead, it is not desirable to deplete our reserves, however substantial they may appear to be. On the other hand, I understand that the Asian Development Bank loan we negotiate will be for a long term period and the interest rate is lower than what we are getting from our reserves. Apart from these points, there are certain other advantages associated with external borrowing on which I would like to comment briefly. They are:

- (a) we do not have to draw on our reserves, thereby further strengthening our reserves position to meet contingencies;
- (b) it will increase our internal liquidity;
- (c) it will counteract inflationary depreciation on the further purchasing power of our reserves;
- (d) it will create international presence and attention, thereby bringing about psychological political stability and make Hong Kong a neutral financial clearing house in the Far East.

For the foregoing reasons I believe the action taken by Government to raise money from the Asian Development Bank is economically and politically sound and therefore should be supported.

The Financial Secretary tried to justify his proposal to refund only one half of the rates charged on unoccupied premises with the arguments that landlords should make some contributions to the various local services and that the administrative cost of refunding rates paid and inspecting vacant premises was fairly substantial. Besides, he also said that his proposal would have the side effect of deterring landlords from keeping their domestic premises vacant.

To deal with the last point first, I am of the opinion that a charge of 7½% on the rateable value of unoccupied premises would not

effectively deter landlords or developers from keeping their premises vacant or unsold in a seller's market when demand exceeds supply. On the other hand, this charge would be an unfair burden on the landlords and developers in a buyer's market when supply exceeds demand and premises are difficult to let or to sell. I suggest the deterrent factor should best be left to the natural law of demand and supply, as my honourable Friend, Mrs Ellen Li, said.

To the main arguments that landlords should make some contribution to local services and administrative costs for refunding and inspection, I would like to point out that rates are basically charged on the occupation of premises, as the Financial Secretary already said; therefore to levy charges on unoccupied premises would turn out to be a total departure from the concept for which it was originally intended.

If it should be decided to revise this basic principle, the logical approach would be to charge a smaller percentage, say 2½% to a maximum of 5% rates on vacant premises and the full 15% payable only when they are occupied so that this would not be too far a departure from the original concept. A grace period should be given to premises newly completed, say 6 months from date of occupation permit, and to premises that have been let, say 3 months from the date of their being vacant.

Sir, with these remarks, I support the motion.

MR OSWALD CHEUNG: —Sir, there are in next year's Estimates quite massive sums of money to be used for the construction of public works of a major character which are situated in the New Territories: High Island, medium-size desalter, Castle Peak, Sha Tin, more low cost housing in Kwai Chung, and others too numerous to mention, all of which underline the fact that the New Territories is one of our greatest assets, and it is of its proper development and the enhancement of its value to this City that I rise to speak today. I will divide my subject, if I may, into 3 parts:

First: improvement of amenities for the people who actually live there.

Second: the potential of the New Territories in housing and the expansion of industry.

Third: its use for recreation.

First, then, the well-being of the actual people who live there. The New Territories has quite a large population, for if the urban area of Tsuen Wan and Kwai Chung with its 300,000 inhabitants are included, the total population is 700,000, which is larger than that of some English

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counties. Is there anything the Government can do to improve the amenities and services to the people who live there? As I see it there is. In the course of visits which some of my Unofficial colleagues both on this Council and on Executive Council had paid during the past year to various districts, to Yuen Long, to Fanling, Tai Po and to the outlying Islands, the rural committees have drawn our attention to amenities which could be improved or introduced. They relate to low cost housing, to water supply, to street lighting, telephones, garbage disposal, medical facilities, and secondary schools. And I will speak of these, if I may, in that order.

Government has already announced a low cost housing estate in Sha Tin, with greatly improved amenities on the ones so far built in the urban areas, which is to be warmly welcomed. But apart from Sha Tin, what of other areas like Cheung Chau, Tai O, Fanling, Tai Po? They have so far not had the benefits of subsidized housing. Is there not a need for low cost housing schemes in these places, even if on a smaller scale than that contemplated for Sha Tin? The rural committees have convinced us that there is such a need, and we would ask that their requests, within reason, be met.

As regards water, there is, surprisingly, a problem about water in a number of places in the New Territories. One particular aspect of it has been dealt with, in a manner which is a credit to all concerned: and that relates to the improvement of water supply to the Island of Kat O. In October in Finance Committee Government requested and we approved a scheme which cost \$2,340,000 to pipe a supply of water to Kat O. If Kat O is to be supplied, may I ask why not Lamma Island which is still inadequately supplied? I raised this matter in a question almost a year ago in this Council; but we have still not heard of Government plans to deal with this problem. Water on Lamma, I believe, is important, not only in the context of an adequate supply to the people who actually live there, but in the context of the large numbers from the City who seek recreation and relaxation there one day a week—as to which I shall have more to say later. Meanwhile, I leave the subject of water on Lamma by saying that in my opinion we should not wait for the contemplated refinery to provide the water. Government should provide it, even if on a smaller scale, ahead of the building of the contemplated refinery.

Next, I refer to the supply of potable water to the villages in the district of Yuen Long, and indeed in other districts. I understand that a scheme to supply villages, at the rate of one standpipe for 500 people, which was recommended by the District Administration to the Public

Works Department, has been nearly completed. Is this quite enough? The rural committees think not. I think there are valid grounds for meeting this discontent. Is metered water available to all and every village which asks for a supply and, if so, even if they are to pay for the water, will they or will Government pay for the cost of the connection?

Finally, on water, I would draw attention to the development of fish culture on the southern shores of Deep Bay. I am told, and I believe these figures to be accurate, that whilst in this Colony we consume 450,000 piculs of fresh water fish in a year, we only produce ourselves something like 40,000 piculs, the rest being imported from China. I believe that, properly encouraged, the fish pond industry can produce far more. But at present they are handicapped by the lack of a reliable supply of water. Secondly, they also lack fish fry, and I would ask that Government should examine this problem, to see whether with its vast resources it could not greatly increase the supply both of fish fry and of water to the fish ponds. And the matter of breeding sufficient fresh water fish for consumption is of far greater importance than that migratory birds should find resting places on the shores of Deep Bay.

Street lighting is not provided in the majority of villages. I should have thought that, in this day and age, it is not unreasonable for village people to ask that for their convenience and, in these days of violence, for their personal safety street lighting should be installed; and seeing that the rural electrification programme has reached an advanced stage, is not the problem one of gingering up the people who are responsible for installing the wiring and the street lamps? It seems to me neither a big problem, nor its solution expensive.

As with street lighting, so with telephones: the rural areas are woefully ill-supplied, and again the satisfaction of such requests which contribute to a better life seems to me one which does not require vast expenditure and I ask that the Telephone Company be advised, and the Postmaster General be directed, to look into this matter.

On garbage and pollution, I will make only two observations. I believe, rightly or wrongly, this problem has largely grown as a result of confusion in the lines of command. I ask who is responsible for the disposal of garbage in the New Territories—is it my honourable Friend, the Director of Urban Services, or is it my honourable Friend, the District Commissioner, New Territories? I suspect the answer is my Friend, Mr ALEXANDER, although I think there seems to be some doubt in the matter. I would suggest, Sir, if it has not already been done, that the responsibility for garbage disposal be firmly entrusted either to Mr ALEXANDER or to Mr BRAY, and that once it has been so entrusted

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that he be given the staff and the necessary finance to tackle this problem. Cannot the streams be cleared with mechanical shovels on tractors, such as are being used by private enterprise for digging the fish ponds in the Yuen Long area? Cannot dumps be formed or found, or the garbage taken to sea? Is a decision on this matter being awaited from some other part of the Government? Cannot special garbage litter bins be designed and placed everywhere, bins capable of being removed when full and taken away in trucks, a clean one being left in place of the full one which is removed? The hazard is growing, and in my opinion requires to be tackled urgently and with imagination; and I am appalled to read that in some quarters it is thought that it will take 10 years to solve the problem.

As regards medical facilities, I was happy that the Director of Medical and Health Services recently asked Finance Committee for money to improve the services at Pak Oi Hospital, but what perturbs me is on the one hand the complaint by rural committees that medical facilities in the New Territories are inadequate and, on the other hand, the fact that the facilities already provided are not fully used. It leads me to ask, are the right facilities being provided at the moment? Is the policy of Government to have one clinic for every 100,000 of population the correct one to apply to the rural areas? I would suggest that my Friend, the Director of Medical and Health Services, might find it mutually profitable to sit down with the representatives of the New Territories rural committees to discuss their needs, and that Government give sympathetic consideration to those needs.

Lastly, under this head, rural committees have pointed out that the New Territories are short of secondary schools; I know we are short of secondary schools all over Hong Kong but perhaps they are more deficient in the New Territories than in the urban areas, and it is somewhat unhealthy that large numbers of students have to come to Kowloon by train or by bus in order to go to secondary school. I think that in this connection it would be right to encourage rural committees to get into contact with existing grant-in-aid institutions, who already run successful schools in the urban areas, to see if their expertise cannot be made available to the rural areas. To establish more secondary schools privately along these lines would, I think, fit in with Government's policy of encouraging the establishment of private schools by providing land, grants and loans.

I come to the end of this part of my remarks by saying that the requests made by the rural committees for better amenities and services of the kind that I have referred to are reasonable and modest, and I commend them to the Administration. Perforce, with more urgent tasks

to hand, Government has had to devote its attention more to the urban areas in recent years, but the claims of the rural areas ought now to be actively examined and, in my judgment, met.

I come therefore to the second head of my subject, the potential of the New Territories in housing and in industry, and here I will divide my remarks into a number of subheads.

First, the development of Sha Tin; here I am more than gratified to learn that my own thinking over the past few years is in line with Government's thinking—at least Government's thinking of the last 2 years. May I be permitted to offer these thoughts? The development of Sha Tin ought to be a town planner's dream: he starts practically from scratch. May I however ask that the ship be not spoiled for a ha'pworth of tar. There is, in my opinion, an absolute necessity for reserving adequate space for roads and for Government and community use. I do not wish to see Sha Tin ruined, as Tsuen Wan has been partly ruined, by having the width of roads reduced from 80 and 60 feet to 60 and 40 feet merely to swell our coffers from land sales. I hope we have learned from what happened in Tsuen Wan, and learned from even the harder lesson which San Po Kong has taught us in the last 10 years. Nor do I wish to see 10 or 15 years from now in Sha Tin conflict between pedestrians and vehicles: in a word, I urge that Sha Tin be so designed that pedestrians and vehicles will be properly segregated. It would mean underground pedestrian crossings on major roads, which would be much cheaper to build now than in later years. Secondly, if Sha Tin is to have a population of 600,000, or whatever it is—and indeed it may well be a million before we are finished—it is of the utmost importance that access to it and egress from it be dealt with forthwith. It means at least three major arteries: a second tunnel parallel with the present road tunnel, double tracking the railway, and a six lane highway along the present Tai Po Road with a fork off it to Kwai Chung or a new road or tunnel through Shing Mun. This would be expensive but, in my opinion, a dire necessity—when I say expensive perhaps I should qualify that by saying that the roads and tunnels would be expensive, but not the double tracking of the railway to Sha Tin, which would cost at the outside \$20 million, the cost of one flyover.

I end these remarks of mine by referring to the lesson which Kwun Tong has taught us. Kwun Tong was a marvellous idea but nobody would go there because there were inadequate roads going there and it is proving much more expensive to build those roads now than if they had been built before the town was developed.

That leads me to Castle Peak. Much has gone into its planning and construction; what amazes and indeed alarms me is the fact that plans for it went ahead of communications by road, which, it seems to

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me, is a remarkable case of putting the cart before the horse. How can one make it a viable proposition before you put in a proper highway leading to it? I would have thought any town planner worth his salt would have reversed the process. Put in the road first; you put in the road and there will be a demand for land and that, in my opinion, is much healthier than putting in the township first so that people would then demand the road. I am sure that my Friend, the Financial Secretary, would find it much more profitable really to reverse the process because, with proper roads leading to a new area, he will get much more from premium by the way of sale of land. But though we are late I think we need not make matters worse. There is on the books a plan to build a six lane highway to it, but in my judgment we ought to build that six lane highway in one piece and not in two stages. As at present contemplated only three lanes, that is to say half of that road, will be put in between Tsuen Wan and Castle Peak between now and 1976, but in my judgment it will be cheaper to put in all six lanes at once; and apart from it being cheaper I would regard it as a necessity if you are going to develop Castle Peak profitably; and to build the highway in one piece is construction which I think we can well afford and which I am inclined to think will pay the Treasury handsome dividends by way of land sales.

So much so for specifics. I hope my Official colleagues might have been persuaded from what I have said so far that what I have said is right and I hope in a fortnight's time to receive reasonably favourable replies to these suggestions of mine. If I don't, perhaps I ought to let it be known that I do not intend to wait until the budget debate next year to debate these matters further and at somewhat greater length.

On the wider question, Sir, as to what the New Territories can contribute to the problems of housing and the expansion of industry, I think perhaps the time has come when we really must sit down just simply to think about it. I do not suggest for one moment that my Friend the District Commissioner New Territories and his staff do not think about it. I know, for example, that he has been giving thought to the development of the huge valley between Castle Peak and Yuen Long and to the other valley between Fanling and Sha Tau Kok, to the removal of shacks and of shanty towns, to the provision of drains and sewers; but I am inclined to think that my Friend is short of staff who could devote their time to thinking and planning, unburdened with day to day administration. Perhaps Government could consider providing him with that staff. I also think that the development of the potential of the New Territories could be helped by bringing together a small

group of 4 or 5 people outside of Government who should be charged with thinking about these problems and to advise on the development of the New Territories.

I come finally to the use of the New Territories for recreation.

At this advanced hour in the afternoon I propose to be brief. I support what my Friend, Mr BROWNE has said. The problem as regards recreation in the New Territories I think is essentially this: we have, rightly, given one day of rest to our working population, but we have not given any or any sufficient thought to what they can do with that one day of rest. They are descending every Sunday into the New Territories by the hundreds of thousands, and we have not done anything like enough to cope with that problem. The queues of cars from the railway arch just beyond Tai Po back to the Chinese University on Sunday mornings, and the other queue from Sha Tin all the way back to the District Commissioner's house on Sunday evenings, are merely examples of the problem. I suggest we have to cater—and cater specially—for the recreation of the masses; we have to cater to the use of the New Territories even if it is only for that one day a week; and when I say we have to do this I mean that it is right that we do all in our power to see that the leisure that the working people have earned by their work in the other six days of the week is enjoyed to the full. It is, in my opinion, no good saying that roads and other facilities are sufficient for all needs from Monday to Saturday; we must develop facilities to cope with the needs for Sunday.

I end, Sir, with no peroration. I see that the needs of the people in the New Territories and of its developments for housing and industry can easily and comfortably be reconciled with its use for recreation and for the delight of the tourists. The problems I have outlined have so far been tackled piecemeal and, I suspect, without a sufficiently high priority and I would, therefore, ask that more thought be given to these problems.

Sir, with these remarks I have much pleasure in supporting the motion.

MR G. M. B. SALMON: —Sir, may I add my congratulations to my honourable Friend, the Financial Secretary, on the presentation of his first budget, and also on the 715 pages of the Estimates of Revenue and Expenditure which gives us a mass of information and which, as he has said, has been very well produced by the Government Printer. If I may single out two specific items, I particularly welcome the proposals for increasing public assistance, and also the scheme designed to make loans more readily available to small industrial enterprises on whom we rely so heavily.

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With regard to trade, we have in the last twelve months been through difficult and anxious times, but seem to have emerged from various threats that looked likely to hurt us severely, and other impositions of restriction, reasonably satisfactorily so that there is no great cause for pessimism. I only hope my honourable Friend's forecasts for exports for this year and next one are about right, though I note he qualified these by assuming that undue discrimination will not be exercised against us by our trading partners. As far as UK is concerned, we are rather more than trading partners. Whether our substantial reserves in London were used for bargaining purposes in the textile negotiations with the British Government in London in January of course I don't know; as my Friend Mr LEE has said, there may well be advantages from diversification of our reserves, bearing in mind the appreciation in value had we held deutchmarks or yen, so that we have a bargaining position on economic issue elsewhere. Be that as it may, we had I suggest full reason to be badly shocked and disappointed over the short notice of the quota controls in the United Kingdom, and I hope my honourable Friend will keep this Council and not just the Trade Advisory Board advised of development.

A further point I would like to make in connection with trade concerns our public relations effort. We have our own Hong Kong office in London, and we have our own representatives in Brussels, Geneva and Washington—and I wonder, incidentally, whether it would be worth considering having our own man in Tokyo as well. Do any of these people employ PR consultants? With regard to UK, it is widely known that the Lancashire cotton textile industry has for some time retained a prominent firm of consultants for the “Textile Industry Support Campaign”, and one wonders to what extent the reversal of the British Government's decision on quotas can be attributable to their efforts. Certainly there is an indication that our public relations activities not only in UK but elsewhere as well is lacking in some respects and perhaps this whole subject could receive attention.

Probably few of us stop to think of the planning, the skill and the dedication of the whole Public Works Department in progressing all the many and varied projects, big and small, that are currently under construction or in the pipeline. The Public Works Programme included in the Estimates shows the gigantic task with which the Department is faced, and they have my utmost admiration. That some projects get delayed, in whatever category they may be, is inevitable for one reason or another, and I don't want to give a lot of examples of these. But the long delay in the Colony mail sorting

office in Hung Hom and the GPO in Central stick out like a sore thumb; while it is absurd for an item, such as improvements at the Tathong Point Light Station, to go into Category E, which means it is urgent, in 1969 and have to be upgraded to Category A in 1972 because it is now going to cost three times the original estimate.

However all this really brings me to what I think is rather a sad position with regard to getting on with various recreational and sporting amenities, some of which having been bogged down for too long. This is not the occasion for me to speak on the causes of crime and drug taking, even if I was qualified to do so; but a substantial cause must surely be the home life of many of our citizens, not just in the overcrowded resettlement estates, but the very many living in slum conditions in areas of very high density population. My honourable Friend, the Commissioner for Resettlement, seems to be doing a fine job in making the Resettlement Estates better places to live in, but progress in improving housing conditions generally is going to be a hard slog. But one form of relief to the younger generation, and I personally think a most important one, is the provision not only of open spaces, parks and playgrounds for children, but also for places where sport of one sort or another can be played. It is a little disturbing in any event to see a magnificent playground at the top of Garden Road which, being where it is, is very much under-utilized to say the least, and find other very worthy projects, both in the urban areas and New Territories, which in spite, I am sum, of constant pressure from the Urban Council, linger on for many years in categories C and D. I doubt that in any of our urban areas we are anywhere near the original target of 30 acres of open space per 100,000 people; and from the massive building developments in Tsuen Wan and Kwai Chung, I have a nasty suspicion that even in this new township, where recreational space could easily have been put aside with proper planning, there are not anywhere near enough amenities and facilities for the great many people who live there.

Reverting to sport, I realize there are limitations. When I was last in Japan, I asked how many golf courses there were in and around Tokyo, and the answer was 56 this week and 57 next week. I am not going to give my Friend, the Financial Secretary, the chance to shoot me down by suggesting that Government should provide the land, let along the finance, for half a dozen golf courses, highly desirable though this would be. And although it is obvious that we could do with any number of soccer pitches, our limitations of land obviously limit the number we can have, particularly in the Urban areas. But I think we could and should do a lot more to provide areas for such games as tennis, basketball, volleyball, squash, and others, to get our youth using up their energy in open air sport

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rather than leaving them in their leisure hours with nothing much to do and nowhere much to do nothing in a situation which so easily leads them to trouble.

Here I must say just a word on our first class programme for swimming pools, for which we have to be grateful to the Jockey Club. They are, of course, providing money extracted from gamblers and it goes without saying that if the Jockey Club were allowed off course betting shops, a lot more still would become available from our widespread gambling community to invest in such desirable projects. And I also note with much interest the building of the first multi-purpose district hall of the Kai Tak East type, and do hope that a programme for many more of such halls will not be long delayed.

But although I would be the first to give much credit to all those concerned in improving our active recreational facilities, I do warn against complacency and urge that still more be done. On page 608 of the Estimates, there is a list of committees who determine whether individual building, engineering and waterworks projects should be included in the programme for consideration by the Public Works Sub-Committee, and may I suggest a further committee be now appointed, chaired I would hope by the Deputy Colonial Secretary, so that sporting and recreational facilities get equal attention in the consideration of priorities.

Two years ago my honourable Friend, the Colonial Secretary, said in his budget speech "The ability of the Post Office to cope with this increased workload is hampered by very genuine problems of accommodation". You, Sir, have I know recently visited the GPO and I am sure you will agree that if the Post Office staff were "hampered" two years ago, they are today working almost miracles to receive, sort out and deliver the mail as they do, in conditions that are now really very difficult indeed. They not only have to cope with an accommodation problem, but my Friend the Director of Public Works has very considerably widened Connaught Road without first extending the Postmaster General's private bridge. This does not seem very intelligent planning. What is worrying is that the GPO's problems, although they are to have another hanger on the central reclamation, are going to get worse before they get better, especially I imagine in wet weather, because of the extraordinary inaction over building the Colony sorting office and new GPO as I have already mentioned. I have an idea that someone is going to tell me that this is all the fault of successive Postmaster Generals who have had different ideas of what is required, and different ideas of the mechanization needed, with the result

that for over 10 years there has been no more than a lot of planning and no action. I suggest the time has come to put a stop to planning, and get some action started before the Post Office staff, who are often quite unfairly criticized, really get into an impossible situation.

In his speech, the Financial Secretary did not speak on pollution. It seems to me that slowly but surely we are getting on top of the air pollution problem, but we have not heard much lately of the "Keep Hong Kong Clean" campaign and the only reference I can find in the Estimates is that a co-ordinator was appointed in 1971. I do hope this whole idea is not going to fall by the wayside. At this point my Friend Sir Yuet-keung KAN, who yesterday told us how Julius Caesar dealt with his problem of traffic congestion from, I suppose, public light chariots, today suggests that I quote from the Bible. He has sent me a passage from Jeremiah which reads as follows:

"And I brought you into a plentiful country, to eat the fruit thereof and the goodness thereof; but when ye entered, ye defiled my land, and made mine heritage an abomination."

Sir, Hong Kong is filthier and is an abomination. We should all be ashamed of it and we simply must do something about it.

With regard to the harbour, the Marine Department's oil pollution unit, which has a lot it could do, is apparently hamstrung by not having an appropriate launch to do its work. Being properly ready to deal with oil spillages, both minor and major, is of much importance, and I hope the question of the oil pollution unit being water-borne will be tackled without delay. The recently appointed pollution committee, chaired by Mr FORSGATE, is doubtless hard at work, but it may be some time before they can report on this very big subject. Meantime the Hong Kong General Chamber of Commerce has already recommended that Government creates an appointment at Director level with authority to co-ordinate and control the efforts of the many departments involved towards the preservation of the environment, and I would urge this proposal be given a favourable response.

Finally, Sir, a word about traffic, and my honourable Friend's threat to hit motorists harder still in the future, not only by heavier car park charges, but also presumably by an increase in the cost of car licences, driving licences, and the like, in due time. Does this mean a policy of confining the ownership of a car to the very rich by penal taxation? I would suggest that the ownership and use of a car is, in this day and age, a natural and quite proper objective for all, and that heavy taxation is only going to hit the less well-to-do and not worry very severely the rich or those who enjoy the use of a Company or Government car. That we have a traffic problem no one will

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deny, and I for one am not going to say today whether we should or should not have an underground system. I do think we should have a decision, but may I say, because my honourable Friend appeared to be looking straight at me at the time, that I was not responsible for the snigger, which in fact came from the audience behind me, when we were told the matter has now moved from a working party to the Colonial Secretariat. I only hope this is a real advance in the interminable time that the whole matter is taking.

As for easing, if not solving, the problems, there are three practical measures. Firstly, we do have a substantial and commendable road programme, and the progress in fly-overs, widening of and improvements to roads, and so on, is there for all to see, and there is a lot more to come. Secondly, we need more car parks. Unlike Mr WATSON in 1966, I cannot begin to try to show by figures that Government car parks are or should be profitable. My honourable Friend, the Financial Secretary, indicates they are not, but unless he uses some extraordinary Governmental accounting system, I would be prepared to wager (this is not covered in the Government Ordinance) that the car park next to the Hilton and the Star Ferry car park will have been very profitable in this financial year; and with the new charges will be even more so next year. Perhaps my Friend could table car park accounts, which at present I understand are not even given to the Urban Council who manage nor the Transport Advisory Committee who advise on such matters? But if the operation of multi-storey car parks is not profitable to Government who do not have to pay out cash for land, what is the use of saying that land will be made available to private developers who will have to pay for land and will have even less hope of making car parks profitable? I invite my Friend's attention to the then Colonial Secretary's budget speech in 1961 in which he announced an excellent car park policy, and it is only the greatest pity—and it cannot be said that funds have not been available—that this policy was not carried out. I hope Government will think seriously again, particularly with the tunnel opening so soon, and make provision for car parks, profitable or otherwise, where they are urgently needed to get cars off the road and ease the traffic flow.

And lastly, Sir, I would urge very serious consideration be given to phase out, as quickly as possible and practicable as more double-decker buses come on the road, the minibuses that are the biggest single obstacle for the movement of buses, trams, and everyone else. As an example, I can say from personal experience last Friday afternoon that the only way along Des Voeux Road Central was along the

tram tracks and minibuses were solidly, and mostly empty and unmoving, monopolizing the left hand side of a considerable stretch of the road. I have already said in this Council that minibuses are the craziest form of public transport in busy, congested urban areas, and I say it again this afternoon.

Sir, I support the motion.

MR T. K. ANN: —Sir, I wish to associate myself with my honourable Colleagues in congratulating my honourable Friend, the Financial Secretary, on his first budget which is both realistic and presented with the greatest circumspection. His speech delivered on 1st March was eloquent, lucid and convincing. No outburst of great disappointment, no surprise nor sighs, but rather some degree of satisfaction has been aired by the general public with the exception of a few. The budget speech gave a clear indication of approaches to our urgent problems following, Sir, your sagacious call of achieving our object of prosperity with social progress.

Sir, so many important and debatable points have already been covered by other speakers before me. There is little for me to add but to support their views with great fervour. Going through my honourable Friend's speech and his budget, I discern that the Financial Secretary has given his unqualified and rightful recognition of the importance of our manufacturing industry to our economy, as it contributes, according to him, about 43% of the Gross Domestic Product. Although the budget is to deal mainly with annual expenditure, revenue must have engaged his mind more in the first instance. He voiced an optimistic view about our economy but, I sense, not without some reservation.

He said, that the main primary determinant of incomes and hence of revenue yields is the economy's *export* performance over which we can really exercise but a limited degree of control. Therefore it is a vulnerable situation. He further said that should our trade and hence the growth of our revenue ever slacken off seriously, and we be forced to cut the rate of growth of our expenditure, it could only be achieved at a social and administrative cost. A strong reserve position must, therefore, be maintained in relation to annual expenditure. I could not agree more.

He showed that the growth rate of Hong Kong's Gross Domestic Product was of the order of 4-5% only in 1968, whereas in 1967, despite the disturbances, the rate was 14-15%. By 1969 a surge movement of our economy was beginning to build up increasing the rate of growth by 20%, and in 1970 by more than 20%, but it eased off to 10% in 1971. The rate of growth of investment is now slowing down, more so in plant, machinery and equipment than in land,

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building and other construction. In 1968 and 1969, he said, our export earnings increased by 25% in each of the years, eased off to 17½% in 1970 and to 11½% in 1971. Further easing is conceivable in 1972 before a resurgence of the rate of growth can be envisaged in late 1973. His prognosis for 1972 and early 1973 is therefore not optimistic. His view is in accord with the general belief of industrialists.

All this is well, but the anticipated resurgence of the rate of export growth is based on the assumption that the overseas market demands will always be for the same goods which we are now able to produce competitively. This simply cannot be true to life. The recent attempt by Hong Kong industrialists to increase synthetic fibre manufacture exports by staking new investment in this field is one evidence of the need for change in our industrial capability. It was, unfortunately, frustrated by new restrictions imposed by our trading partners.

Much has already been said on technical education by my honourable Friends, Dr CHUNG and Mr BROWNE. Many industrialists questioned whether it was already too late a start by us in this essential sphere of preparation for a new surge in our economy.

This slow start may be a blessing in disguise for we cannot rely permanently on textiles and plastics and wigs. The latter has already been proved after a meteoric start. According to the 1971 Census of Manufacturing Establishments, these three sectors absorbed 61% of the total employment of about 671,000 persons who manufacture for both export and domestic consumption. It is not a balanced economy—too lopsided. Would it be wise to accentuate it further?

I was, some years ago, very deeply impressed by a Japanese delegate at an ECAFE meeting commenting that Japan always endeavours to meet overseas market demands and make changes in her line of exports. This thought has come back to me quite often since then. It is true that many products Japan exported in the fifties have shrunk practically to nil in the sixties, and so will the products of the last decade fade out in the seventies. A ready example is the transistorized pocket radio in which Japan can no longer compete with Hong Kong, Taiwan and South Korea. In this regard, Hong Kong can be no exception. Our enamelware industry has dwindled from an export turnover of \$72 million in 1956 to less than half the amount or \$32 million in 1970. During the ten year period 1960 to 1970, it shrank from 2.2% of our then total domestic exports to a present day percentage of 0.26%. A further example is the plywood industry which has had

a very short life. On the other hand, our early planners saw the possibility of developing the electronic industry and expanding our garment industry by trying to penetrate the fashion domain. The Ready-to-Wear Festival, which you, Sir, saw ten days ago, is a result of this exercise.

Thanks to the deliberate *laissez faire* policy, Hong Kong prospers. In Hong Kong's circumstances any undue interference by Government will, we all agree, only stifle its growth. In fact, *laissez faire* is a misnomer. Government did prepare fertile ground for its industrial expansion. Our well known housing scheme for the workers—here we can make no distinction between citizens and workers—industrial town planning, water supplies for commercial and industrial use, productivity promotion, export credit insurance, safety and health policing, just to name a few. The troubles we may still have today, such as traffic and transport, are partly attributable to our growth having outdone the imagination of our early planners.

In planning, Government can see the forest as well as the trees and is sufficiently powerful to point to a direction which leads to new successes. Although a private entrepreneur knows better than Government what is best for him and his business, he knows only what is good individually not collectively. The main concern of a Government is to ensure full employment and to improve the quality of life of its population.

Sporadic industrial development often brings waste and detour in its train. At one time, we took the fatalistic view that every industry developed in Hong Kong must undergo the four stages of development: that is initiation, propagation, confusion and consolidation. Is it necessarily so? What is more, what was true in the fifties and sixties may not be true in the seventies. The world has changed. We must find new targets and pave new approaches.

Sir, what I am implying is that there is a new need urgently felt in the circumstances in which we now find ourselves. I feel an industry survey both technical-wise and marketing-wise into the prospects of Hong Kong's existing manufacturing industry and in new industry which might be established is now overdue.

It is immaterial whether it is Government itself or another agency that undertakes this survey, but Government support of this survey is absolutely vital, for only Government is financially capable and has the ability for a comprehensive in-depth survey. Above all, she has data that is not available to independent researchers. This survey is important and should be carried out in the coming year or two in conjunction with a study as to whether industry can sustain the heavy increases in crown rents now much in discussion among industrialists.

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We are circumscribed by our environment which is unique in itself. That is to say all our raw materials are imported. We earn only the added value. All our factories are situated within a radius of seven miles. Competitors are often in the same multi-storey building. There exists a vast number of professional exporters. The average number of workers is 25.73 persons per establishment. Therefore horizontal expansion is made very easy. It explains also our rapid surge on previous occasions. Out of 26,149 manufacturing industrial establishments as at 4th August 1971, 19,402 were registered and recorded by the Labour Department at the end of 1971. There is a very large proportion of small entrepreneurs and sub-contractors. Flatted factory buildings were and are being prepared for them by our property developers. In fact there will be an abundant supply of flatted factory space in the current year reaching a total of about 13 million sq. ft. of which some 3 million sq. ft., were vacant at the beginning of this year. This situation will not change much in the foreseeable future.

As our wage levels have gone up rapidly during the past decade, we must now produce high quality sophisticated goods in order to survive. But the demand for some of our existing products may fade out or vanish altogether in the coming years. New products will have to be identified and new productive equipment and tools acquired. I am satisfied to note here that my honourable Friend, the Financial Secretary, has proposed to guarantee loans for small industry ranging from \$50,000 to \$250,000 up to a total of \$30 million. It is hoped that this limit on the total commitment may be raised very much higher when the scheme proves successful.

With regard to an industry survey, we require to know the expansion potential of existing manufacturing industries for both short term and long term development; we require to know the probability of unresolvable competition from neighbouring countries who have also developed well in the past decade, possible diversification into related fields, new industries having regard to Hong Kong's present capabilities and potentials and in the main infrastructure already set and determined, market trends throughout the world for the types of products Hong Kong has traditionally produced or could produce, and technological trends of which Hong Kong could take advantage. This is a tall order for any private body to undertake alone. The efforts being made by the Federation of Hong Kong Industries in the field of design, packaging, and testing though showing good results are limited because of insufficient resources. The result of such survey will definitely throw valuable light on the problem of attracting prospective entrepreneurs

and more overseas investors, and in the meantime guide Government in her future industrial infrastructure planning.

Sir, we are fortunate that Hong Kong is a tourist centre. This brings a very large number of good customers and buyers to us. But remember, they are coming to us so we are passive. A kind of dynamism must be instilled into the minds of our manufacturers and traders. On this score, the Trade Development Council is doing a remarkable job in sending trade missions abroad to absorb new knowledge, learning of new demands.

May I once more, Sir, come back on the technical education. It is really a problem of the chicken and the egg. Whether technical education will bring forth new industries and new improvements in our existing industries, or our new industrial development will need new types of courses and new skills is really an open question. Nobody can tell which breeds which. A fair answer to this must be that they are complementary to each other. It is definite that we do need a great many more technicians and craftsmen trained in fundamentals, and the technologists which our new polytechnic will be aiming to produce. Our industrial workers must be better educated and technically prepared in line with what is happening in our neighbouring countries, otherwise we will be outpaced by them in no time.

My honourable Friend, the Financial Secretary, takes a very philosophical view of the near future through an employment vista. He raised a question in his budget speech: will easing of our growth rate in 1972-73 lead to any pockets of unemployment appearing *or* will it involve, via an easing of the tight labour market of recent years, no more than a falling off in internal inflationary pressures and a reduction in labour turnover? Well, no matter which is the outcome, it will accentuate our problem of dealing with young persons in the malleable age groups. The 1971 Census showed that 20,900 of our children in the 12 and 13 age groups were not attending school nor could they join industry. Of the age groups 14-17 inclusive, 152,549 were also not attending day school. Having regard to the fact that 28,710 young persons of 14-17 were employed in industry at the end of 1971, we can assume that approximately 123,000 in this age group are either *unemployed* or employed outside industry. It is difficult to ascertain what percentage is unemployed, but this figure is equivalent to 15% of the economically active population outside the industrial sector. The total economically active population is 1.5 million according to the 1971 Census, while a census of manufacturing establishments also carried out in 1971 revealed that industrial employment was 671,308. So one can hardly imagine that everyone of the 123,000 young persons in 14-17 age groups is working in the non-industry sector. Even a 10% unemployment is a large number for these young age groups not to mention those in the older age groups who might

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be in a similar situation. These youths living in a social limbo need extra care and consideration.

In today's paper we learn a survey had been carried out on 1st November by the Labour Department of selected trades and services in the non-industrial sector, such as education services, restaurants and cafes, import and export businesses, medical services and banks. It revealed that only 4,815 young persons under the age of 18 are employed in the establishments covered. The actual situation might therefore be more alarming than we can imagine. Of course, young people in the hawker trade and retail business are not considered here.

Moreover, there are more to come. The age groups reaching 14 for the next five years total about 100,000 a year. Jobs must be found for perhaps 25% of them based on the present pattern as shown in the 1971 Census, which presents another problem. Thus we see industrial development is an urgent matter of a magnitude only Government can provide the framework for it, otherwise the problem would have to be dealt with in later years on a social level. Experiences in the formative and impressionable years will often exercise incorrigible influence on young minds. Unemployment and unprofitable leisure are poison to young people. The increasing number of violent crimes perpetrated by youth today must be due in part to the fact that the children between 12-14 of yesteryears were not attending school nor engaging in gainful work and further degenerated by contacts with undesirable elements in adulthood. Although now Government is aiming at free secondary schooling for 50% of this age group by 1976, it is not sufficient and moreover still has a long way to go. Just like our traffic problems, it requires some near-term measures to cope with the worsening situation. I suggest that the process be accelerated and the need be more emphasized and if feasible, technically biased education be provided to the extent of one-third of the candidates for post primary education.

Sir, I have simply stated the problems and have not offered any better view on the remedy. We must make sure that this education gap will not become a hothouse breeding social unrest in the future. For those who are finding difficulties, increasing public assistance must be provided, but more important is that useful utilization of youth's inexhaustible energy should be explored for the community's common good.

In this regard, a well thought out White Paper on our social problems is most desirable. Problems of the sick, the handicapped, the widowed and the aged are of a philanthropic nature; whereas youth in

the social limbo can work destruction. However, if well handled, it can equally be converted into a strength contributing greatly to the community in a rewarding way.

Finally, Sir, I wish to make some discernment of my honourable Friend, the Financial Secretary's important indication of his new approaches which I fully endorse. He said in his speech that by and large we must fit public expenditure to available public resources and not extend those resources to fit expenditure. He recognizes that the present generation of tax payers has contributed very substantially in recent years to capital works. He favours discouraging Hong Kong residents from transferring their assets overseas before death. Gradual abolition of estate duty will, by corollary, have the effect of encouraging overseas money continuously flowing to Hong Kong, which we always favour. He foresees the day when certain indirect taxes assume a more important role for reasons which are partly non-fiscal. He thinks that it must be a cardinal rule of our indirect tax system that it does not bear on industrial costs or on the basic cost of living. He warns that certain aspects of Hong Kong's growing traffic and transport problem will need to be tackled resolutely in the coming years and unpopular measures will before long be necessary. All these will provide the right climate for further industrial development. I wish to add here, Sir, that with the approved establishment of the Civil Service rising from year to year up to present level of 100,000 short by only 1½% and the rising level of emoluments, Government should, wherever possible, mechanize its services perhaps by more capital expenditure and lubricate its departmental and inter-departmental mechanism to streamline its operations, in order to meet the above stated objectives.

Sir, with these comments, I have pleasure in supporting the motion before Council.

MR K. S. LO: —Sir, the public reaction to this year's budget is generally favourable. It has been dubbed as "everyman's budget" or "people's budget". It has, indeed, something for everyone, from the poorest to the richest. The poor will be benefited by the proposed increase of 60% in amount paid out under the Public Assistance Scheme, and the rich will stand to gain by the reduction in the estate duties.

But nevertheless there are also one or two grouses. The motorists are loud in their complaint against increased charges for parking, and others complain of Government not spending enough in the provision of recreational and sports facilities. As far as parking charges are concerned, I am with the Financial Secretary who pointed out that this would be just the beginning of getting to grips with the traffic problem.

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I would support those in favour of more recreational and other social facilities. However, in all fairness to the present Financial Secretary, the fault lies in the past when expenditure on these items was being held back.

I would refer critics to the Report of the Public Works Sub-Committee of the Finance Committee. Under heading Buildings, one reads that there had not been any request for building funds from Social Welfare Department for a number of years, and there is nothing in the Category A for this year. In fact the Sub-Committee went as far as to ask for the Department's clarification on the policy of providing social and community centres in the urban areas and in the NT. Under the same heading item (j), one reads that most of the amenity items sponsored by the Urban Services Department are still sitting in Categories B and C, and those departments concerned with the processing are in no hurry to get them up to Category A.

Since no funds can be voted until a project is in Category A, hence the reason for our not getting more of these facilities for this coming year. It also clearly illustrates that it is not just a question of money, but rather the need for forward planning and better co-ordination among the departments.

I have dealt with this at some length, not to defend our Financial Secretary who is more than capable of defending himself, but to illustrate a point on Government's overall planning policy to which I shall return later.

To those who are looking for sweeping reforms, the budget again came as a disappointment. But for those who care to study the Financial Secretary's speech more carefully, they cannot help noticing some signs of the winds of change. Let's hope that these fresh little breezes will soon develop into steady winds which will carry us forward to a new era.

I particularly welcome his departure from his predecessors by putting expenditure before revenue. Up to the present we have been trying to fit public expenditure to available public resources. In fact in nine times out of ten our past Financial Secretaries made it pretty certain that there would be a big surplus at the end of each year. Now that we have built up this huge surplus, I think it is time that we turn around to look at the community's needs first and then try to find the necessary revenue. If in any one year the expenditure should exceed the revenue, then we should either spend some of our surplus funds or increase the taxes or do both.

The main reasons why we are not having more schools, housing, recreational and sports facilities today are due to two things: surplus budgeting and inadequate forward planning. My senior colleague, Sir Yuet-keung KAN, has spoken about Government's deficiency in forward planning and I couldn't agree with him more in this respect. Last year I spoke of Government's lack of overall long term planning in the areas of social services. I said that had Government tried to assess the community's requirements in education, housing, medical and health services, recreational and cultural facilities in the same manner as it had done with our requirement for water, and then plan them accordingly and set target dates to bring them into being, things would have been very much different today.

We have done it with water, is there any reason why we cannot do it with the other services?

In 1970 I saw a copy of a document of what was known as the draft Colony Outline Plan which attempted to map out the various needs of each zone. For example, it lays down in detail the number of schools, clinics and hospitals, markets, parks and playgrounds for each zone. This sort of planning is most useful especially to the newly developed townships such as Kwun Tong, San Po Kong, Tse Wan Shan, *etc.*, where the provision of social amenities has sadly fallen behind the growth of the population. But according to the latest report in the 1971 Hong Kong year book, this plan still remains a conceptual document.

I would urge the Government to develop this into a master plan as soon as possible and to appoint a high powered body to carry out the implementation.

Sir, my colleagues the honourable P. C. WOO and the honourable H. J. C. BROWNE have both spoken on the high cost of administration and the need for investigating existing Government systems and procedures. The honourable Mr BROWNE suggested that there should be an economy drive in order to reduce waste and to increase productivity. Again, I find myself in full agreement with my colleagues and subscribe wholeheartedly to their suggestions. The Financial Secretary has pointed out that out of \$384 million increase in the recurrent expenditure, Civil Service emoluments accounted for 56% of it. This represents a record of 22.5% increase over the previous year. Total personal emoluments as a percentage of total recurrent expenditure is estimated to be 47%, but will soon rise to 50% when more vacancies are filled. I have again failed to obtain comparative figures from other countries, but both the past and present Financial Secretaries had told us that ours was on the high side. I do not think that our civil servants are being overpaid. In fact, having had the privilege of serving in the last Salaries

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Commission, I am quite satisfied that they are not. But even with my superficial observation in the course of our visits and exchange of views with the various departments, I am of the opinion that efficiency and productivity can be improved with better management. A great deal of this has to do with better organization, supervision, training, simplification and mechanization.

I am, therefore, pleased to know that part of the Organizational Surveys Unit is now being combined with the Complementing and Gradings Division of the Finance Branch. If I might suggest it, Sir, some assistance from outside management consultants at this juncture will prove to be most useful.

It is most gratifying to be told that Government has at last agreed to accept the proposal made by the Trade and Industry Advisory Board for setting up a loans to small industries scheme. This comes to me as a great personal satisfaction, since I have made so many pleas for such a project in the past. The last occasion I referred to this project was last October, and someone made the remark that the tone of my speech had changed from one of anger to despair. Well, today this despair has turned into new hope once again!

The acceptance of the scheme by the Government is a significant triumph for the small industrial enterprises, and comes in the nick of time when fixed investments in plant, machinery and equipment showed signs of drop. It is also the first time that Government has given official recognition to the part played by them in the economic growth, and the contribution made by them in the domestic exports. Let us hope this will encourage them into upgrading the quality of their products, and updating their management practices. If they are able to seize this opportunity in carrying out those two reforms, we shall see ourselves upgraded to the first league of manufacturers of quality and diversified products.

The initial amount of \$30 million is undoubtedly small, but as this is only a pilot scheme I have no doubt that further funds will be made available once the scheme has proven to be a success.

I must, however, sound a word of warning, and that is that the success or failure of this scheme depends entirely upon the speed with which an application is processed. There must not be too much redtape and the time of waiting should not be more than 2 to 3 weeks at the most. Any unnecessarily long periods of waiting will scare the small borrowers away and doom the scheme to failure.

Last year I commented on the Agriculture and Fisheries Department's small allocation of the budget for research and developmental work. I pointed out that, although this Department was given the task of increasing our food supply, over 90% of the budget was spent on administration and less than 10% on the productive side. I find again in this year's budget, although the Department's total expenditure has gone up by 21% to \$22 million, the money allocated for research and development has remained the same as last year, and in some cases the amount is even less than last year. Thus the sum allocated for assistance to vocational training of farmers remains a pitifully small amount of \$6,000. The sum allocated for fisheries research was reduced from \$270,000 to \$250,000.

Looking over the Department's annual report, I find the production of vegetables, pigs, chickens and ducks for the past two years to be almost stationary. In the case of marine fish, I find between 1960 and 1965 there was an average increase of 5% per year in fish landed; between 1965 to 1970, the average increase was down to 4% per annum, and between 1970 and 1971 there had been no increase at all. At the same time the average wholesale price of fish has gone up by 17% in last year alone. In other words, price went up because of increasing demand without the corresponding increase in supply. Today the price of fish has gone up so much that it is no longer a working man's diet.

In the case of meat and vegetables, I recognize the fact that, due to certain limiting factors, we are less competitive than our neighbour. But in the case of fishing, it is a different matter. We have a mechanized fishing fleet of over 4,600 vessels, and our fishermen are the descendents from those had fished around this coastal waters for centuries. Hence in terms of mechanization and skill, we are more than equal to any except perhaps Japan. Yet, the total landed catch for the year 1970-71 was only one and quarter million piculs. In other words, the average catch per vessel per annum is no more than 270 piculs, which is far from being high. So I feel much can be done in the field of research and training to make our fishing fleet more productive. Unlike the boys from New Territories farms who prefer to come to work in the city, or migrate to foreign lands, our waterborne boys still love the adventurous life of the sea, and want to remain as fishermen. So we must try to do everything we can to assist them before it is too late.

There are two areas where we can help them. Firstly, I think we should speed up our fishery research in order to guide them to better fishing grounds, and to introduce more efficient fishing vessels which the Department is doing at the moment in a small way. Secondly, we should teach our young fishermen modern fishing techniques which their own parents are unable to teach them. I am aware that the Department

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is running classes for them on such things as navigation, engineering and coxswainship. But what I have in mind is to conduct short courses on better fishing techniques for the adult fishermen whenever they are in port. These are purely my own suggestions and I should like the Department to give them some serious thought.

Last year the budget session was enlivened by some speakers turned poets, who finished their speeches in verse. This year for some reason or other the muse seems to have forsaken us. In a desperate last minute attempt to save the day I have hurriedly put together a doggerel which runs something like this:

Oh God, on this fiscal year
Grant our Financial Secretary
A big fat budget surplus
Which he prizes so dear.

Grant our rich their fondest wish,
Be it gold or sharksfin soup,
But remember our very poor
Their daily requirement of fish.

Sir, with these remarks I support the motion.

Motion made. That the debate on the second reading of the bill be adjourned—THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER).

Question put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 29th March 1972.

Adjourned accordingly at twelve minutes to five o'clock.