

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 21st June 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 (*Acting*)
MR MICHAEL DENYS ARTHUR CLINTON, CMG, GM*, 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, CBE, JP
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE JACK CATER, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
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 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
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE LO KWEE-SEONG, OBE, JP

ABSENT

THE HONOURABLE GERALD MORDAUNT BROOME SALMON, JP
THE HONOURABLE ANN TSE-KAI, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RODERICK JOHN FRAMPTON

Announcement by the President

HIS EXCELLENCY THE PRESIDENT: —I think that uppermost in all our minds at this moment is the natural disaster which has struck us, and I think it would be the wish of honourable Members that I open this sitting by offering the sympathy of this Council to all those who have lost relatives or homes or livelihood. Our very sincere condolences go out to them in what they are suffering.

Secondly, this Council's high tribute is due to the response of the regular and emergency services and the Army. In terms of speed, determination, physical endurance and, where it was called for, sheer courage, it's a proud story. And let us not forget that it is one which is still continuing while we meet. I am sure we can count on them to finish the job as they have started it.

Thirdly, there is the response of the public. Most have helped in whatever way was practicable. Some have given money, some food, some clothing and others have done what they could to refresh those engaged in the work of rescue, or to shelter families or friends who have lost their homes, and much of this practical help in kind has come from the resettlement and low-cost housing estates in the disaster area. To this too, I am sure that the Council would like to pay its tribute. It is such actions which make a community.

To do what is right to alleviate suffering and hardship, money will be needed; this concerns the Finance Committee of this Council, and as usual I am sure that honourable Members will do whatever needs to be done.

The cause of all this was a major natural disaster. A lethal and practically unprecedented combination of up to 40 inches of rain in four days, following 35 inches in about the previous six weeks. But we must find out exactly what it was that produced the catastrophe in these specific areas and what the circumstances were that resulted in loss of life in each case, and whether there is not something that we can do to make sure it doesn't happen again. I hope therefore that the decision to set up a Commission of Inquiry, and to do so quickly, will commend itself to this Council.

One word in conclusion. These days have shown again what we in this community can do in time of emergency, in terms of action and in terms of solidarity. Can we tackle with the same vigour and solidarity the long term problems which are so great? I believe that with vigorous government and with the support of this Council and the community we can. I believe that this is what everyone hopes we will do. Thank you.

SIR YUET-KEUNG KAN: —Sir, may I on behalf of the Unofficial Members of this Council also express the deepest and most sincere sympathy with all those who have been so tragically affected by the disasters that occurred last weekend.

I would also like to tender a warm tribute to the Fire Services, the Armed Forces, the Public Works Department and Government contractors, the Police, the emergency services and indeed all those who took part in the arduous and dangerous rescue operations.

Sir, once again we may, with good cause, be proud of the selfless spirit and untiring efforts of so many members of this community in time of crisis.

I feel sure that those who have suffered have gained comfort from the help and sympathy so generously extended to them, and in particular from the message of sympathy from Her Majesty the Queen, the deep concern you yourself, Sir, have shown and your assurance that no effort or resources will be spared by Government in tackling the tremendous problems involved. In so doing, Sir, I think I can speak on behalf of my Unofficial colleagues that you can rely on the full support of this Council and the Finance Committee.

Finally, I would say that we welcome the decision to have a Commission of Inquiry to investigate the circumstances in which the disasters occurred and to make recommendations as to how such disasters may be avoided in the future. A thorough-going, full-scale effort must be made to prevent the recurrence of tragedies of this kind and a Commission of Inquiry is an excellent starting point.

THE COLONIAL SECRETARY (ACTING) (MR M. D. A. CLINTON): —Sir, on behalf of my Official colleagues on this Council I would also like to express our deepest sympathy to those who have suffered from this disaster.

Papers

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

<i>Subject</i>	<i>LN No</i>
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Subsidiary Legislation: —

Road Traffic Ordinance.

Road Traffic (Parking and Waiting) (Amendment)

Regulations 1972	105
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Papers

Road Traffic Ordinance.	
Road Traffic (Temporary Car Parks) (Amendment)	
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Cross-Harbour Tunnel Ordinance.	
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Banking Ordinance.	
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Public Transport Services (Hong Kong Island) Ordinance.	
Public Transport Services (Hong Kong Island)	
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Immigration Ordinance.	
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Road Traffic Ordinance.	
Road Traffic (Taxis, Public Omnibuses, Public Light	
Buses and Public Cars) (Amendment) Regulations	
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Road Traffic Ordinance.	
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Detention Centres Ordinance 1972.	
Detention Centres Ordinance 1972 (Commencement)	
Notice 1972	121
Detention Centres Ordinance 1972.	
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Oral answers to questions**Registration of Persons Office**

1. MR P. C. WOO asked: —

Will Government take steps to expedite dealing with the backlog of applications for certificates of registered particulars from the Commissioner of Registration of Persons?

THE COLONIAL SECRETARY (ACTING) (MR CLINTON): —Sir, I greatly regret that the backlog, which at present stands at 1792, is so large. The Commissioner clearly needs additional staff and, in fact, sought

such staff in November last year. In the meantime there has been over-long argument as to the number of reinforcements he requires. I am arranging for his request to be settled at once.

MR WOO: —Sir, may I ask that priority be given to those persons who make applications for these particulars for purposes of naturalization? They require these particulars in order to accompany their applications before their applications can be processed by the Immigration Department.

THE COLONIAL SECRETARY (ACTING) (MR CLINTON): —I Will take this up with the Commissioner.

Vehicle inspections

2. MR SZETO WAI asked: —

Would Government consider the installation of automatic testing equipment in existing Government vehicle inspection centres to speed up inspections in order to extend compulsory periodic inspections to private cars and goods vehicles?

THE FINANCIAL SECRETARY (MR C. P. HADDON-CAVE): —Sir, there is at present no statutory requirement for motor vehicles to be inspected on a regular basis, although in practice public service vehicles are, with some exceptions, inspected annually. Consideration is being given to whether, in the interests of road safety, powers should be sought to require all motor vehicles to be inspected periodically at owners' expense. As part of this overall review, Government is considering a proposal, which has been supported in principle by the Transport Advisory Committee, that a semi-automatic vehicle inspection centre should be established. It would not be physically possible to expand the existing vehicle inspection centres to cope with the annual inspection of all vehicles and a new centre or centres would need to be established for this purpose.

MR SZETO: —Sir, my honourable Friend made reference to public service vehicles and he said "with some exceptions". May we know what are the exceptions?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —I can't tell my honourable Friend, Sir, the exact exceptions but the point is that at the moment there is no legal requirement for all public service vehicles to be inspected. The effective practice I will explain to my honourable Friend in writing as soon as possible.

Oral Answers**Subventions to day nursery centres**

3. MR WOO asked: —

In view of the rapid rise in their operational costs, will Government consider a further increase in its subvention to the day nursery centres run by voluntary agencies?

THE COLONIAL SECRETARY (ACTING) (MR CLINTON): —Sir, Government is aware of the need to provide additional social welfare subventions to non-profit-making day nurseries operated by voluntary agencies so as to meet increases in operational costs, to improve standards and to extend facilities. The Social Welfare Department in consultation with the Hong Kong Council of Social Service has been reviewing the level of assistance considered appropriate. A paper on this subject will be considered by the Social Welfare Advisory Committee, which meets on the 6th July, and proposals will be made to the Finance Committee of this Council as soon as possible thereafter.

Training of technicians and craftsmen

4. MR WILSON T. S. WANG asked: —

Would Government state whether, in view of the heavy demand for trained technicians and craftsmen, it is prepared to offer special facilities and/or incentives to any company in Hong Kong introducing an apprenticeship or similar training scheme?

MR PAUL K. C. TSUI: —Sir, Government already assists in many ways with the training of apprentices.

I hope that the Apprenticeship Bill, now being drafted for presentation to this Council, will provide for substantial further assistance.

Traffic wardens

5. MR WOO asked: —

Will Government state whether it is intended to implement a scheme of traffic wardens who will perform some of the duties now undertaken by Traffic Policemen?

THE COLONIAL SECRETARY (ACTING) (MR CLINTON): —Sir, in reply to a question asked at the sitting of this Council on the 24th of May this year, my honourable Friend was informed that the Commissioner

of Police had a working party examining the question of utilizing civilian personnel not only in the Traffic Branch but in other branches of the Police Force; and that he had not yet received its findings but that when he did he would submit recommendations. The working party, which was set up late last year, is conducting a thorough post by post examination and is expected to report later this year.

Perhaps I should add that some two years ago, when the idea of traffic wardens or, more specifically, parking meter attendants was examined at official level, the proposal did not find much favour. The position may now be rather different and we all share my honourable Friend's concern that suitable ways of overcoming the Force's present shortage of men be quickly found; and this is very much in mind.

MR WOO: —Sir, may I suggest that as a suitable way of employing ex-police officers Government should employ them as parking meter attendants?

THE COLONIAL SECRETARY (ACTING) (MR CLINTON): —I think that is an excellent suggestion by my honourable Friend and we will certainly consider it.

Community service

6. MR WANG asked: —

Will Government introduce legislation to enable the Courts of the Colony to make community service orders whenever such an order is considered to be a penalty appropriate to an offence or the offender?

THE ATTORNEY GENERAL (MR D. T. E. ROBERTS): —Sir, a bill to empower the Courts in England to make community service orders was introduced into Parliament last year, though I have not been able to find out if it has yet been enacted.

The Government considers that it would be wise to study how this legislation works in England before deciding whether it is desirable to introduce similar provision in Hong Kong.

Free primary education for handicapped children

7. MR H. J. C. BROWNE asked: —

Has Government made any decision on the introduction of free primary education for handicapped children and, if so, from what date will it become effective?

Oral Answers

MR J. CANNING: —Sir, there is no doubt that free primary education should be provided for handicapped children.

Detailed plans to provide it are being made. These cover necessary increases in the present level of subsidies, to take effect from the 1st of September 1971.

Proposals to this effect should soon be put to the Finance Committee of this Council.

MR BROWNE: —Sir, while I realize that my honourable Friend cannot anticipate the decision of the Finance Committee, I wonder if I might ask whether an announcement on this matter might be made one way or another before the end of the current school year?

MR CANNING: —I very much hope, Sir, that an announcement that these measures will be introduced could be made before the end of this academic year which finishes in mid-July. But if that is not possible, then certainly before the beginning of next academic year—I should certainly hope so.

Recruitment of doctors for the public service

8. MR WILFRED S. B. WONG asked: —

Will Government state how many vacancies there are for doctors in the Civil Service, and whether the number of vacancies are likely to increase by the time the 2 new hospitals in Lai Chi Kok are in full operation? Will Government say what further measures are being taken to counteract the shortage?

DR G. H. CHOA: —Sir, as at June the 17th there were 181 vacancies for doctors in the Medical & Health Department. This number includes 50 posts for the new Lai Chi Kok Hospital, and another 50 as leave reserves. As usual, at this time of the year, a number of doctors who are about to complete their pre-registration internship have applied for posts in the Department. I am glad to inform the Council that on July the 1st, 78 new graduates are expected to join the Service as Medical and Health Officers. I would like to emphasize once more that our figure of vacancies includes an element for the future and leave reserve purposes and does not represent the actual number of existing operational posts unfilled.

It has now been decided to plan and administer the new Lai Chi Kok Hospital as one large hospital complex consisting of a general wing and a psychiatric wing instead of two separate hospitals. For the general wing there will be an establishment of 121 posts. For a hospital wing of such a size with 1,300 beds and a large casualty department besides other facilities, it is normal practice to put it into operation by phases. The filling of these posts is expected to commence from the middle of 1974. I have already indicated that 50 of these new posts have been added to our present total establishment so that we can proceed to train medical officers as they become available. A further number of some 18 posts will be required for the psychiatric wing, which is expected to be ready by late 1975, or early 1976.

As indicated in my reply to my honourable Friend Mr P. C. Woo on August the 18th last year in this Chamber, I anticipate that the new posts, 139 in all, for the new Lai Chi Kok Hospital, together with a number of others for other new projects and an expected number of vacancies occurring from time to time due to retirement, resignation, *etc.*, will be filled mostly by new graduates of the University of Hong Kong joining us over the next few years.

MR WONG: —Sir, does that mean that an annual total output of 120 medical graduates from the University of Hong Kong would be sufficient to fill the vacant Government posts?

DR CHOA: —For the present, Sir, we usually have about 70% to 80% of the graduates joining us. The gap will be closed, we hope, in the years to come.

Costs of Government multi-storey car parks

9. DR S. Y. CHUNG asked: —

Will Government provide breakdowns of annual cost on per car park and per parking space basis in *each* of the six Government multi-storey car parks to show (a) land cost, (b) building cost and (c) recurrent cost?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, the breakdowns of annual cost requested by my honourable Friend are given in the paper which is laid before honourable Members. These figures are for 1971-72. I explained how they were compiled in my statement on parking charges in this Council on 7th June.

Oral Answers

COST & REVENUE STATEMENT OF GOVERNMENT MULTI-STOREY
CAR PARKS
(1971-72)

	<i>Star Ferry</i>	<i>City Hall</i>	<i>Garden Road</i>	<i>Rumsey Street</i>	<i>Middle Road</i>	<i>Yau Ma Tei</i>	<i>Grand Total</i>
	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m
Annual land charges	0.83	0.37	1.02	1.20	1.21	0.54	5.17
Amortization of building costs	0.10	0.07	0.32	0.44	0.34	0.23	1.50
Annual recurrent cost	<u>0.33</u>	<u>0.23</u>	<u>0.51</u>	<u>0.51</u>	<u>0.49</u>	<u>0.41</u>	<u>2.48</u>
Total Annual Costs	<u>1.26</u>	<u>0.67</u>	<u>1.85</u>	<u>2.15</u>	<u>2.04</u>	<u>1.18</u>	<u>9.15</u>
No. of Car Spaces	<u>433</u>	<u>195</u>	<u>742</u>	<u>905</u>	<u>912</u>	<u>414</u>	<u>3,601</u>
Average cost per space per month							
Land charges	\$160	\$160	\$114	\$110	\$111	\$108	\$120
Amortization of buildings	20	28	36	41	31	45	35
Annual recurrent cost	<u>63</u>	<u>100</u>	<u>57</u>	<u>47</u>	<u>44</u>	<u>84</u>	<u>57</u>
	<u>\$243</u>	<u>\$288</u>	<u>\$207</u>	<u>\$198</u>	<u>\$186</u>	<u>\$237</u>	<u>\$212</u>

DR CHUNG: —Sir, may I ask my honourable Friend what are the unit land prices on per square foot basis used for calculating the land cost for each of the six car parks?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —The only information, Sir, that the honourable Member asked me to provide is, I think, fully set out in the paper which I have laid.

DR CHUNG: —Sir, the paper gives the total annual land charges. I would like to know, if possible, Sir, the land price per square foot.

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —The honourable Member did not ask me to provide the information, Sir.

SIR YUET-KEUNG KAN: —Sir, may I ask one supplementary question. As the total cost of each multi-storey car park is necessarily different, does that not mean that there is some degree of cross subsidization between users of these car parks?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, land costs and recurrent costs do vary, the latter largely according to size as is obvious from this statement; but losses per space vary much less because of the different revenue figures for each car park. The fact is, we regard each of the car parks which services a district as part of a single system and our policy is to recover total costs with average charges.

MR OSWALD CHEUNG: —Sir, may I ask a supplementary. My Friend Dr CHUNG asked for a breakdown of the land costs. What has been provided in the paper are what are called annual land charges. If my Friend does not have the information sought by Dr CHUNG, will he undertake to provide it as soon as possible?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, I am very happy to provide any additional information required, but I would point out to my honourable Friend that the question reads "Will Government provide breakdowns of annual cost on per car park and per parking space basis in each of the six Government multi-storey car parks to show (a) land cost, (b) building cost and (c) recurrent cost?" The table before honourable Members provides that information.

DR CHUNG: —Sir, may I ask another supplementary. What is the date when the evaluation of these land prices or land costs was made?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —The date on which the site was alienated for this purpose, Sir.

Hong Kong Society of Accountants

10. MR BROWNE asked: —

When will legislation be introduced for the Hong Kong Society of Accountants?

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, I must apologize to my honourable Friend, who has raised the same question, I am afraid, on a number of previous occasions. I apologize for the continuing delay in introducing the Accountants Bill into this Council. The reason is that at the end of the final drafting stage of the bill (about 6 weeks ago) we encountered serious technical difficulties over the translation and use of the terms "accountant" and "practising accountant" in Chinese. We are at present trying to sort out these difficulties, in conjunction with the working party of practising accountants. I hope that it will be possible to find a reasonable solution

[THE FINANCIAL SECRETARY] **Oral Answers**

acceptable to all (and, of course, the Government is most reluctant to bring this bill forward until it is generally supported by the profession) and that we can refer the bill to Executive Council for advice as to whether it should be introduced into this Council in the near future.

Government business

Motion

EXCHANGE FUND ORDINANCE

HIS EXCELLENCY THE GOVERNOR (SIR MURRAY MACLEHOSE) moved the following motion: —

It is hereby resolved, under section 3(5) of the Exchange Fund Ordinance, with the approval of the Secretary of State, that the aggregate amount of borrowings under section 3(3) of the said Ordinance shall not at any one time exceed seven thousand million dollars.

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, honourable Members will recall that the Exchange Fund Ordinance was amended in May 1971 to enable the limit of the Financial Secretary's borrowing powers for the account of the Exchange Fund under section 3(4) of the Ordinance to be varied by a resolution of this Council. Previously an amending bill was required. Such a resolution must be proposed by the Governor with the approval of the Secretary of State.

The borrowing powers of the Exchange Fund have been increased in recent years from what must now be regarded as a nominal \$30 million to \$1,500 million in July 1968 and then progressively until they were raised to \$6,000 million in November of last year. These increased borrowing powers have been needed to bring the sterling assets of the Hong Kong banks under the umbrella of the United Kingdom sterling guarantee arrangement. The basic mechanism is simple: the Exchange Fund borrows Hong Kong dollars from the banks for the purchase of the sterling assets the banks wish to have guaranteed and, at the same time, deposits the sterling so purchased back with the banks concerned. The banks' sterling assets are thereby brought into official hands.

During the seven months which have elapsed since the present limit of the Exchange Fund's borrowing powers was fixed at \$6,000 million, the amount of bank controlled sterling assets covered by the guarantee arrangement has increased from £ 325.7 million (equalling

\$4,737.45 million) to £ 402.2 million (equalling \$5,850.18 million). It follows that the Exchange Fund can only borrow the equivalent of £ 10.3 million before the present limit on its borrowing powers of \$6,000 million (or £ 412.5 million) is reached. This balance would not last more than 3 weeks at the rate of increase experienced so far this month. Indeed, Sir, I have just been informed since this Council met that a request for cover has been received which, if approved, will more than exhaust the balance of £ 10.3 million. So the purpose of this resolution, which the Governor has proposed with the approval of the Secretary of State, is further to raise the limit to \$7,000 million (which is the equivalent of £ 481.25 million).

The extent to which these additional borrowing powers will have to be used, and over what period, will depend on a number of fairly unpredictable factors, the main one of course being the buoyancy of our current balance of payments position which will, in turn, largely depend on the strength of our export performance though, in the shorter term, any weakening of the import trend could lead to an accrual of sterling in the hands of the banks. A contrary factor would be any tendency for fiscal surpluses to be generated over the next few months. This would have the effect of holding down any increase in bank held sterling. But certainly at the moment the banking system has become extremely liquid, total deposits having risen from \$18,500 million at the end of November last year to \$20,400 million at the end of April; net balances due from banks abroad have also risen from \$6,100 million at the end of November to over \$7,000 million at the end of April.

One factor, Sir, which will *not* influence the extent to which these additional borrowing powers will have to be used is the utilization of our 10% diversification facility. As I hinted when replying to a question in this Council put to me by my honourable Friend Mr Wilfred WONG on 10th May last, it has now been decided that the facility should be utilized only in respect of sterling assets belonging to the public sector in view of the 100% guarantee in terms of Hong Kong dollars enjoyed by the banks in respect of their sterling assets. As the rate of exchange at which the United Kingdom guarantee would be implemented remains at £ Stg. 1/US\$2.40, less the IMF margin of 1% then ruling, the present sterling/US dollar rate of £ Stg. 1/US\$2.6057 would have to fall by nearly 9% before the guarantee became operative (or by about 11% from the top of the band). Yet any devaluation of sterling in terms of the US dollar of 9% or less, which was not followed by the Hong Kong dollar, would mean that the Hong Kong dollar value of the banks' sterling assets would fall and would have to be restored through the Exchange Fund, without any assistance from the United Kingdom guarantee arrangement. In these circumstances it is only reasonable that the 10% diversification facility should be utilized to reduce the foreign exchange risk of the

[THE FINANCIAL SECRETARY] **Exchange Fund Ordinance**

sterling assets belonging to the Government's Surplus Fund and the Exchange Fund (and possibly also the Coinage Security Fund). Through the good offices of the Exchange Banks Association, I have so informed those banks which participate in the guarantee scheme. I should add, Sir, that a start has already been made in implementing a diversification programme.

Sir, I support the motion.

MR Q. W. LEE: —Sir, the Financial Secretary has just explained how the borrowing powers of the Exchange Fund are being used as a basic mechanism to extend the UK Sterling Guarantee to cover the Sterling holding of the Hong Kong banks. He also explained the circumstances leading to the necessity to increase the limit of such borrowing powers to \$7,000 million. Before supporting the motion, I have a few points to make.

First, I would like to supplement that the increase in bank-owned Sterling is basically due to the steady growth of deposits in our banking system, although overseas interest in our share market may be one of the more obvious contributing factors very recently. Banking statistics show that for the twelve months ending April 1972 the total deposits increased by \$3,541 million to \$20,379 million. Of this increase \$2,089 million, or 59%, was in savings deposits, \$1,009 million or 28% in demand deposits and only \$443 million or 13% in fixed deposits. It is quite clear, therefore, that the bulk of these deposits belongs to the continuously banking minded people of Hong Kong. They are actually being generated internally from our growing economy and not, as some quarters believe, due to inflow of money from overseas into our banking system. While it must be admitted the buoyancy of our economy is due partly to overseas financial participation in our stock market, in our industry or in our public market, it is hard to believe overseas funds are simply deposited in the low interest bearing savings and demand deposits but not the much higher interest bearing fixed deposits.

Secondly, my honourable colleagues will recall that in the budget debate on the 16th of March this year, I very carefully used the word "uncomfortable" to describe the situation which Hong Kong found itself in after the realignment of all major world currencies in December 1971. The fact is, as my honourable Friend has already explained, Government through the Exchange Fund guarantees the Sterling value at the rate of \$14.54 in respect of both note-issue cover and bank owned funds, while under the counter United Kingdom Sterling Guarantee we are only covered at the old parity of US\$2.40 to the pound as against its new parity which was revalued by 8½% to

US\$2.6057 in December 1971. In other words, 8½% of the Sterling held by the Exchange Fund is now uncovered. At the moment Hong Kong as a whole has a very substantial Sterling holding. In theory, therefore, the present situation presents a 8½% question for Hong Kong—or 9% as my honourable Friend put it, using his formula—because in the event of Sterling falling back to its old parity of US\$2.40, at which rate only would the guarantee become effective after deduction of 1% according to the IMF rule, and Hong Kong Dollar not following, we could suffer a loss of as much as 8½% to 9% of our Sterling holdings without any recourse to the Sterling Guarantee. I must say, therefore, the more the Exchange Fund borrows, the more "uncomfortable" is our situation.

Thirdly, a solution to the problem satisfactory to both the United Kingdom and Hong Kong is not easy to work out. Although I am glad to learn that diversification is in process as just disclosed by the Financial Secretary, which may be a step in the right direction, I am of the opinion that it is still in the best interest of both the United Kingdom and Hong Kong that Hong Kong dollars should be closely tied to Sterling. Hong Kong holds a vitally substantial amount of Sterling in the United Kingdom. I am quite sure the United Kingdom would like to continue to have our Sterling as much as we like to have their guarantee, which of course must be realistically and effectively protective.

Fourthly, in order to reduce the present exposed position of the Exchange Fund, which is even more exposed in the light of what my honourable Friend just disclosed that he has received a fresh request for increased cover, I would like to suggest therefore, as an interim measure and partial solution, that the United Kingdom should guarantee the Fund's Sterling holding in respect of note-issue cover on the basis of HK\$14.54 to the pound Sterling and not US\$2.40. Since any drop in the value of assets held as our note-issue cover, which is entirely in Sterling, must necessarily reduce the value of the Hong Kong dollar, it is only logical that the value of these assets in terms of Hong Kong dollars should be guaranteed and not in US dollars. There are of course technicalities to be solved which I do not wish to elaborate here. But in view of the unique nature of this kind of Sterling holding, as distinct from bank-owned funds, I feel very strongly the principle is justified, provided it is on the understanding that Hong Kong should only be compensated in respect of loss due to devaluation of Sterling. If Hong Kong should choose to revalue against Sterling for reasons entirely of our own, the United Kingdom should not of course be responsible.

Finally, I urge that no time should be spared for an immediate discussion be commenced for the Sterling Guarantee to be revised on more realistic terms as an overall solution.

[MR LEE] **Exchange Fund Ordinance**

Sir, I recommend the above suggestions for the consideration of the Government and support your motion.

Question put and agreed to.

First reading

LOANS (ASIAN DEVELOPMENT BANK) BILL 1972

PUBLIC HEALTH AND URBAN SERVICES (AMENDMENT) BILL 1972

NURSES REGISTRATION (AMENDMENT) BILL 1972

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

Second reading

LOANS (ASIAN DEVELOPMENT BANK) BILL 1972

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the second reading of: —"A bill to make provision for the raising of loans from the Asian Development Bank and for matters connected therewith."

He said: —Sir, honourable Members are aware that a loan from the Asian Development Bank has been successfully negotiated, this being the first loan which Hong Kong has sought from an international institution. The loan is to be made available in various currencies equivalent in total to US\$21.5 million and it will be used to finance a substantial proportion of the foreign exchange cost of our 40 million gallons a day sea-water desalting plant. The loan is repayable over 10 years from the 1st of January 1976 and the rate of interest payable is 7½% per annum on the outstanding balance. I regard the terms of the loan as satisfactory and the loan itself will ease the task of financing over \$2,000 million worth of expenditure on water development projects in the four years ending 1975-76. In accordance with Colonial Regulation 237, the enactment of legislation to authorize the raising of the loan is necessary before I may properly sign the Loan Agreement with the Bank on behalf of the Hong Kong Government.

The bill, Sir, before honourable Members is a very simple bill and its several clauses are clearly explained in the Explanatory Memorandum. Although the immediate purpose of the bill is to authorize the loan which has been negotiated for the desalting plant, it has been drafted in such a way that any further loans which may be

negotiated with the Bank will not require the enactment of further Ordinances. Instead, further loans may be authorized by resolutions of this Council adding further items to the two schedules to the bill.

Sir, while the negotiations for the loan were taking place with the Bank, preparations for the desalting project, including the drawing up of detailed technical specifications, were progressing simultaneously. Formal invitations to tender were issued 6 weeks ago to prequalified contractors for the design, supply and installation of the plant; and contracts will be let in August.

Finally, Sir, while speaking on the subject of the Asian Development Bank, I should like to record here my deep regret, as a Governor of the Bank, that the President, Mr WATANABE, has found it necessary to resign his post for health reasons. The devotion with which he has discharged his onerous task of guiding the Bank through its formative years and establishing for it a sound reputation—and the success which he has achieved—can hardly be over-emphasised. If President WATANABE'S health so permits, and I sincerely hope it will, it is the Hong Kong Government's wish to welcome him here to perform the signing ceremony for our first Loan Agreement before his retirement takes effect. I should add, Sir, that the Loan Agreement, when signed, will be published and laid on the table for the information of honourable Members.

MR WONG: —Sir, speaking in support of the Loans (Asian Development Bank) Bill 1972, I would like to make a few remarks. Firstly, I would like to congratulate Government for having successfully negotiated the first loan ever which Hong Kong has sought from an international institution. As you are aware, in my past speeches in this Council I have always advocated loan financing as the key to progress. My only regret is that Government has not tried an equivalent bond issue at an interest rate of 7% tax free. I have been assured by a number of bankers that such a bond would be easily over subscribed at the present time. It would at the same time, absorb surplus cash and ease the task of financing expenditure on development projects.

With these remarks I support the motion.

Question put and agreed to.

Bill read the second time.

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

Loans (Asian Development Bank) Bill—second reading*Explanatory Memorandum*

This Bill enables the Government to raise loans from the Asian Development Bank for specific projects. It will initially authorize the Government to obtain a loan from the Bank of an amount equivalent to US\$21,500,000 for the construction of seawater desalting works near Castle Peak, consisting of six units having a total design output of 40 million gallons per day.

The Bill is drafted in such a way that further loans can be authorized by Legislative Council resolutions adding further items to the Schedules to the Bill.

Clause 3 empowers the Government to borrow money from the Bank. The amounts which may be borrowed and the purposes of such borrowings are to be specified in the First Schedule. Any agreement concluded under this provision is to be laid before Legislative Council as soon as practicable.

Clause 4 empowers the Government to issue such bonds, promissory notes and other instruments as may be necessary to give effect to a loan agreement.

Clause 5 provides for the appropriation and application of moneys borrowed under this Ordinance and also charges repayment on the general revenues and assets of the Colony. Clause 5(2), read with the Second Schedule, enables expenditure made in connexion with a project for which moneys are borrowed under this Ordinance to be charged as an advance and paid from the general revenues of the Colony pending reimbursement from the loan funds. This provision is rendered necessary by Colonial Regulation 238.

Clause 6 includes a provision enabling the Governor to remit any tax, duty, charge or fee in respect of the loan agreement and other instruments connected with the borrowing.

Clause 7 provides for the Schedules to be amended by resolution of the Legislative Council.

The First Schedule specifies an amount of US\$21,500,000 which may be borrowed for the proposed desalting project.

**PUBLIC HEALTH AND URBAN SERVICES
(AMENDMENT) BILL 1972**

MR D. R. W. ALEXANDER moved the second reading of: —"A bill to amend the Public Health and Urban Services Ordinance."

He said: —Sir, as honourable Members are aware, the Public Health and Urban Services Ordinance gives the Urban Council or, in the case of the New Territories the Director of Urban Services, a wide variety of powers, in the field of environmental hygiene. Some of these powers can be exercised easily, others with only the greatest difficulty. Despite the length of the Ordinance and the many by-laws and regulations made thereunder, experience has shown that the legislation is inadequate when it comes to dealing with one of the problems confronting the Urban Council and the Urban Services Department, that is, the removal of any canopy on which refuse is deposited and which is left in such a state as to be or become unsightly, a nuisance, a health risk, or even a danger.

The Public Health and Urban Services (Amendment) Bill now before honourable Members seeks to rectify this position by, first of all, inserting a definition of the word "canopy" in clause 2 of the bill. Clause 3 introduces a new section 22A which, if refuse is found on a canopy, enables the Authority to order the owner of the canopy to remove the refuse within a given time. If he fails to do so, he is guilty of an offence.

Also, under subsection 2 of the new section 22A, if the Authority is of the opinion that refuse which is found on or in a canopy is, or may become, injurious to health or a danger, or constitutes a nuisance or is unsightly, the Authority may cause a notice to be served requiring the occupier of the premises or, if there is no occupier or the occupier cannot be found, the owner of the premises to remove the canopy within such time as may be specified in the notice. If this notice is not complied with, the Authority may remove the canopy and do whatever is necessary to effect its removal. This is provided for in subsection 3 of the new section 22A, but action under the subsection may not proceed until 14 days from the date of service of the notice or, in the event of an appeal to the Governor (which is provided for in subsection 7 of section 22A) until determination of the appeal.

Subsection 5 of section 22A provides for recovery by the Authority of expenses incurred in removing a canopy and removing and detaining the canopy until the expenses recoverable have been paid.

Subsection 6 provides that, if a canopy is removed under subsection 3, no action, liability, claim or demand shall lie against the Authority or the Government for any damage done to the canopy on the premises or for any damage or loss arising out of or by reason of the removal of the canopy. Subsection 7 gives the owner or occupier upon whom the notice is served fourteen days in which to appeal to the Governor who may confirm, vary or cancel the notice.

[MR ALEXANDER] **Public Health and Urban Services (Amendment)
Bill—second reading**

It is hoped that the additional provisions in this bill, if passed, will enable the authorities concerned to deal more effectively with offending canopies and the horrid refuse which collects on them.

In another connection, the opportunity has been taken to amend the Sixth Schedule of the Ordinance to make the Urban Council and the Director of Urban Services the authorities for allocating Urban Council and departmental playing fields to schools. It is the intention that this authority will be delegated to the Director of Education who will be permitted to allocate the use of these fields as he does at present.

Question put and agreed to.

Bill read the second time.

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

Explanatory Memorandum

Clause 3 adds to the principal Ordinance a new section 22A which—

- (a) confers power on the Authority to serve a notice on an occupier of premises requiring him to remove refuse on a canopy on the premises; if he fails to comply with the notice, he commits an offence;
- (b) confers power on the Authority, if he is of opinion that refuse on a canopy is or may become dangerous to health or persons, or constitutes a nuisance, or is unsightly, to serve a notice on the occupier or owner of the premises requiring him to remove the canopy.
- (c) empowers the Authority to remove a canopy if a notice to remove it has not been complied with;
- (d) enables the Authority to recover expenses incurred in the removal of the canopy; and
- (e) enables a person upon whom a notice is served to remove a canopy to appeal to the Governor.

Clauses 2, 4(a), 5 and 7 make consequential amendments to section 2 and the Third, the Sixth and the Ninth Schedules of the principal Ordinance.

Clause 4(b) amends the Third Schedule by substituting the Urban Council for the Director of Education as the Authority under 108(2)(a).

Clause 6 amends the Eighth Schedule by deleting from it item 9, since the Labourers' Lines (New Territories) Regulations have been revoked.

NURSES REGISTRATION (AMENDMENT) BILL 1972

DR CHOA moved the second reading of: —"A bill to amend the Nurses Registration Ordinance."

He said: —Sir, the objects of this bill are twofold. Firstly, there has been a great deal of unease among the nurses who will be enrolled under this principal Ordinance as it now stands because the name of the grade is "enrolled assistant nurse". This was the title used by the Working Party on Nurse Education and Training which was appointed by the Nursing Board in 1965 to consider the whole field of nurse education and training and to make appropriate recommendations. One such recommendation was the establishment of this second grade of nurse. However, it is now clear that the nurses dislike the use of the word "Assistant" as they consider this places them in an inferior position *vis-a-vis* their registered nurse companions, when the intention is that they will work alongside each other but performing different duties. Clause 3 of the bill, therefore, is intended to replace the term "enrolled assistant nurse" wherever this occurs by the new term "enrolled nurse".

The second amendment introduced by clause 4 of the bill extends until 31st December 1972 the date before which certain categories of nurses may apply for enrolment by virtue of their earlier training and subsequent *bona fide* nursing experience. It has been found necessary to extend this period as it became clear from submissions which were made to the Nursing Board that either the nurses themselves or, in certain cases, the nursing authorities of their hospitals did not fully understand the provisions of this particular section of the principal Ordinance and were therefore under misapprehensions concerning its implications. The original purpose behind the recommendation that this new grade of nurse be created was that it should comprise members of the nursing team who had completed a two year training course and subsequently passed a Nursing Board Examination leading to enrolment. It was, however, appreciated that there were nurses working in Hong Kong who had completed a full 3 or 4 year course of training outside Hong Kong but for one reason or another this training did not meet the registration requirements of the Nursing Board. These nurses can, of course, continue to work as at present without being enrolled,

[DR CHOA] **Nurses Registration (Amendment) Bill—second reading**

but if they did wish to apply for this, then provision was made for them to be enrolled by virtue of their earlier training and subsequent *bona fide* nursing experience. However, an example of the type of misunderstanding which arose was that one group of these nurses expressed the fear that enrolment would mean that their salaries would have to be reduced to the same level as those nurses who had completed the two year course only. This, of course, is not a matter in which the Nursing Board dictates the terms of service to hospitals. To allow time for these misapprehensions to be dispelled, therefore, and in order that no nurse should lose her eligibility for enrolment under section 14(3) of the principal Ordinance through no fault of her own, it is necessary to make this amendment.

Motion made. That the debate on the second reading of the bill be adjourned—DR CHOA.

Question put and agreed to.

Explanatory Memorandum

This Bill has two objects.

Clause 3 has the effect of replacing the term "enrolled assistant nurse" by the new term "enrolled nurse".

Clause 4 amends section 14 to extend until 31st December 1972 the date before which under that section certain persons who have completed a course of training acceptable to the Nursing Board are qualified to be enrolled as enrolled nurses.

TRAMWAY (AMENDMENT) (NO 2) BILL 1972

Resumption of debate on second reading (7th June 1972)

Question again proposed.

DR CHUNG: —Your Excellency, when my honourable Friend the Financial Secretary moved this bill two weeks ago, he forecast that even after the elimination of royalty the return on net fixed assets employed would fall to about 7.1% in 1972 and about 2.7% in 1973, if the present fare structure remained unchanged. My honourable Friend went on to say that in order to enable the Tramway Company to make a return on its assets employed of somewhere between 12% and 16% during the next few years, the Company should be permitted to abolish its third class fare and introduce a single class fare of 20 cents.

As a matter of interest, I went through the annual reports of the Company to see the financial performance of the Company during, in particular, the 1960's and compiled a summary of major financial items such as royalty, profit tax, net profits, net fixed assets and return on net fixed assets. These summarized financial data are contained in a table as set forth in the paper which, with your permission, Sir, is laid before honourable Members. These figures represent the Company's financial results derived from its tramway operations only. The net profit figures are obtained by working backward from known royalty figures and are therefore only approximate and may not strictly correspond with the Government's or Company's records:

(1)	(2)	(3)	(4)	(5)	(6)
<i>Year</i>	<i>Royalty</i>	<i>Profit Tax</i>	<i>Net Profit after royalty & tax</i>	<i>Net Fixed Assets at Year-end</i>	<i>Return on average Net Fixed Assets</i>
	HK\$	HK\$	HK\$	HK\$	%
1960	2,328,831	967,723	6,774,066	17,508,565	37.9
1961	2,344,474	974,224	6,819,567	16,379,359	40.2
1962	2,768,966	1,150,618	8,054,323	15,400,764	50.7
1963	2,848,511	1,183,672	8,285,702	14,735,753	55.0
1964	2,466,759	1,025,038	7,175,268	13,806,028	50.3
Average	2,551,508	1,060,255	7,421,785	15,566,093	46.8
1965	2,288,679	951,040	6,657,271	34,920,962	26.4
1966	2,265,000	1,129,440	6,400,155	34,152,598	18.5
1967	1,440,000	718,054	4,068,973	33,045,686	12.1
1968	1,460,000	728,027	4,125,487	32,154,753	12.7
1969	1,693,000	844,212	4,783,869	31,788,331	15.0
Average	1,829,336	874,155	5,207,151	33,212,458	17.0
1970	1,382,000	689,132	3,905,084	31,049,524	12.4
1971	nil	721,000	4,086,000	30,293,194	13.3

Honourable Members will observe from the table that during the first five years of the 1960's that is from 1960 to 1964, the average annual return on average net fixed assets employed, as shown in column 6 of the table, was fantastically high and amounted to 46.8%. In one particular year, that is 1963, the return on assets employed was as high as 55%. In other words, for every dollar investment in fixed assets the annual return is 55 cents.

In the year 1965, the Company revalued the book values of its holdings of land at the Russell Street Depot and at King's Road and, as a result, the net fixed assets of the Company were suddenly increased by almost \$22 million, or by 140%. Accordingly, even with the same amount of net profit after royalty and after profits tax, the percentage return on assets would be greatly reduced because of such inflation of fixed assets by revaluation.

Honourable Members will therefore see from the table that during the second half of the decade of 1960's, that is from 1965 to 1969,

[DR CHUNG] **Tramway (Amendment) (No 2) Bill—resumption of debate on second reading (7.6.72)**

the Company had on the average an annual return of 17% as compared to about 47% in the first half, on assets employed. Had the Company not revalued its two lots of land, the average annual return on assets for the period from 1965 to 1969 inclusive would have been equally attractive as the first half of the 1960's and amounted to 46.5%.

Government, it appears to me, has accepted this principle of revaluation of fixed assets and has therefore created a precedent both for the Tramway Company and for other public utilities. My honourable Friend the Financial Secretary in moving the resolution to set the rate of royalty at nil in this Council a fortnight ago forecast that with a single class flat fare of 20 cents the Company would make a return on its assets employed of about 16.5% in 1973 and 12.5% in 1974.

My first question, Sir, is: what will be the stand of Government if the Company in the near future makes another revaluation of its land assets and therefore proposes for further fare increase because its return on revalued fixed assets has again fallen to "unrealistically" low levels? This situation is quite probable having regard to the following two circumstances. First, in their 1965 Annual Report the Directors of the Company considered that the revalued land prices at that time were already conservative and, in the light of further rising land prices in recent years, it is therefore likely that the Company could attempt to make another revaluation of its land assets in the very near future. Secondly, the Company has recently announced that it would redevelop its depot properties and build a modern tramway depot at Russell and Sharp Streets, and hence an up-to-date land value would probably be required by the Company.

Sir, a major responsibility of a government is to provide or to ensure the provision of an efficient and effective infrastructure of its community. Public transport is one of the basic elements in a community infrastructure. Many governments, particularly those socialist ones, own and manage their public transport whereas some other governments, though they do not own their public transport, ensure that their privately-owned public transport is efficient and economical through certain methods of control. I personally have no preference between the two but I believe that we in Hong Kong are taking the second course.

My second question therefore, Sir, is: has Government exerted sufficient and effective control on public transport? Take for example the Tramway Company in this case. At present, \$22 million or almost 75% of its fixed assets are holdings of land, and two-thirds of its

land holdings are depot land at Russell and Sharp Streets in the crowded and expensive urban area. Had the Company's land been sited in a suburban area having a much lower land value, say about one-third of the present value at Happy Valley, the return on assets for 1971 would have been at a high level of 25% instead of a low figure of 13%, and there would be no case for the Company to demand for an increase of tram fares as proposed in this amending bill. The Company has apparently not been required or encouraged to take any effective measure for reducing its unnecessary assets and to operate in the most economical manner. It is not necessarily the fault of the Company but, in my humble opinion, is the result of insufficient and ineffective control by Government on public transport.

If the Company is to build a new tramway depot, I cannot see any good reason for siting the new depot on such a valuable piece of land at Happy Valley. Since the basic criterion for determining tram fares is return on investment and in this case return on fixed assets. Government must ensure that the Company should not be permitted to acquire or for the present case to retain assets which do not contribute to and in fact do jeopardize the economical operation of tramways.

Sir, I do not object in principle to the increase of fares if the interest of the travelling public is safeguarded properly. However, in the present case, I do not think Government has done its duty to protect the travelling public's interest. If the Company is allowed to build a new tramway depot on such a valuable lot of land, it will imply unwarranted increase of assets and improper use of resources, thus causing unnecessary and undesirable inflation of tram fares to the detriment of the community.

There is another aspect relating to the increase of fares which I would like to touch upon today. It is about royalty. Whilst operating cost increases gradually year by year, income from fares shoots up abruptly during the years immediately after a fare increase. Since Government does not totally abolish royalty but just sets the rate of royalty at nil for the year 1972, it implies that it is the intention of Government to use the rate of royalty for the regulation of profits accrued to the Company. Although this method can effectively control the Company's profits, Government in effect takes away the additional sum of money contributed by the travelling public. In the light of social progress in the world today, I believe it is very undesirable for Government to obtain additional revenue through royalty payments from public transport, bearing in mind that Government is already receiving the 15% corporation profit tax from the Company.

I therefore suggest that Government should seriously consider the establishment of a "Profit Equalization Fund" instead of using royalty

[DR CHUNG] **Tramway (Amendment) (No 2) Bill—resumption of debate on second reading (7.6.72)**

for regulating the Company's profits. The operation of the fund is quite simple. When the Company makes more profits than the permitted level during the years immediately after a fare increase, the excessive profits will go into the fund. On the other hand, when cost inflation reduces the Company's profits below the permitted level, the deficiency could be made good by drawing money out from the fund.

Honourable Members will see from the table before them that Government had collected total royalty of about \$22 million during the 1960's. Furthermore, the estimate of the honourable Financial Secretary made two weeks ago in this Council that the Company from tramway operation in 1973 would have an income of \$25.4 million and a profit of 16½% on assets employed, was based on an assumption that the increase of third class fare to 20 cents would result in a drop of 25% as predicted, in previous lower-deck passengers. If the actual drop of lower-deck passengers is less than 25%, say only 10%, there will be an increase of income and hence profit amounting to about \$3 million in 1973, which could be credited to the "Profit Equalization Fund".

Sir, to conclude, whilst I do not intend to vote against this bill, I would like to urge Government to exert greater and more effective control on the Company. It is not sufficient to control alone the return on assets but equally, if not more important, to control further the acquisition, retention and disposal of fixed assets. I would also like to urge that Government should promptly and seriously consider the abolition of royalty altogether and the establishment of a "Profit Equalization Fund" for the purpose of regulating the company's profits. The same type of asset control and profit regulation could and should be applied to other forms of public utility.

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, my honourable Friend has raised two questions. The first relates to Government's attitude should the Company again revalue its land and thus increase the value of assets employed in the tramway operation. The answer to this question is quite simple; provided the land involved was properly allocated to the tramway operation and the revaluation was considered reasonable by my honourable Friend the Director of Public Works, the Government would accept it. Even though the Tramway Company operates a public transport service it is also a business enterprise and there is no reason why the Company's land should be valued at an artificially low level, given the alternative uses to which it could be put.

My honourable Friend's second question, although posed in the rather wide terms of whether the Government has exerted effective

control over public transport, really relates to whether or not the Government should require the Tramway Company to resite its depot in an area where land is less expensive than in Happy Valley. There are three points to be made in answer to this question: first, it is better from the point of view of the operational efficiency of the trams for the depot to be sited in a central part of the system rather than at one or other of its extremities. Secondly, on the north side of the Island, where the trams operate, there are no real suburban areas. It is all built up, so it would be extremely difficult to find land—sufficient flat land—of the area required near the tramlines. Nor could such land, if it were available, be found at as low as a third of the cost of the Sharp Street area. It would be much higher than that. Thirdly, as I understand it, the redevelopment of the Sharp Street property will be associated with uses other than that of the tramways. After redevelopment, therefore, only a part of the land involved will be properly attributable to the tram depot, so the land cost of the tramway depot in the tramway accounts will be that much lower. It is highly unlikely that a site at the extremities of the line could be used for these other purposes which could mean that there would be little or no saving on land costs in these locations. It follows from all this that I do not agree with my honourable Friend's criticisms of my analysis of the Company's financial position a fortnight ago.

Finally, my honourable Friend proposed the establishment of a "Profit Equalization Fund". I would remind him that, in my reply to my honourable Friend Mr SZETO Wai's speech on the CMB royalty resolution on 7th June last, I said that the rate of royalty payable in future years by the China Motor Bus Company would depend on the view taken of the Company's financial position in that year. The same would apply to the Tramway Company. I went on to add that I certainly *do* see royalty as a regulator and that I have an open mind—perhaps I should have said a reasonably open mind—on the question of how any future royalty proceeds should be utilized.

Question put and agreed to.

Bill read the second time.

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

Committee stage

Council went into Committee.

EVIDENCE (AMENDMENT) BILL 1972

Clauses 1 to 3 were agreed to.

**INTERPRETATION AND GENERAL CLAUSES
(AMENDMENT) BILL 1972**

Clauses 1 to 4 were agreed to.

**JUDICIAL PROCEEDINGS (ADJOURNMENT DURING GALE
WARNINGS) (AMENDMENT) BILL 1972**

Clauses 1 to 3 were agreed to.

PENSIONS (AMENDMENT) BILL 1972

Clauses 1 to 3 were agreed to.

MATRIMONIAL PROCEEDINGS AND PROPERTY BILL 1972

HIS EXCELLENCY THE PRESIDENT: —We will take the clauses in blocks of not more than ten.

Clauses 1 to 6 were agreed to.

Clause 7.

MR CHEUNG: —Sir, I beg to move that clause 7 be amended as set forth in the paper before honourable Members.

Since this Council last met, my honourable Friend the Attorney General and I have looked further into subclause 1 of clause 7. From cases decided in England since the equivalent provision there was enacted, it is apparent that the subclause is being construed by the Courts as laying down a new principle, and that what had been formerly only one of a number of factors to be taken into account is now elevated to the main principle to be followed. Such was not the intention of the Law Commissioners, as gathered from their report, when they recommended the equivalent subclause be enacted in England. The Attorney General and I have also consulted other lawyers familiar with this branch of the law, and they have formed the same assessment of the situation as ourselves.

The subclause therefore does not apply existing principles. The purpose of the amendment is to reproduce existing law, which I think would be right, for the reasons I gave during the debate on the second reading. The amendment would avoid unjust and, in fact, impracticable results.

*Proposed Amendment**Clause*

- 7(1) (a) Insert after "to have regard to" the following—
"the conduct of the parties and".
- (b) Substitute a full stop for the semi-colon after "acquiring" and delete the remainder of the subclause appearing thereafter.

The amendments were agreed to.

Clause 7, as amended, was agreed to.

Clauses 8 to 33 and the Film to the Fourth Schedules were agreed to.

INLAND REVENUE (AMENDMENT) (NO 2) BILL 1972

HIS EXCELLENCY THE PRESIDENT: —We will take the clauses in blocks of not more than five.

Clauses 1 to 12 were agreed to.

TRAMWAY (AMENDMENT) (NO 2) BILL 1972

Clauses 1 to 3 were agreed to.

Council then resumed.

Third reading

THE ATTORNEY GENERAL (MR ROBERTS) reported that the

Evidence (Amendment) Bill 1972

Interpretation and General Clauses (Amendment) Bill 1972

Judicial Proceedings (Adjournment During Gale Warnings (Amendment) Bill 1972

Pensions (Amendment) Bill 1972

Inland Revenue (Amendment) (No 2) Bill 1972

Tramway (Amendment) (No 2) Bill 1972

had passed through Committee without amendment and that the

Matrimonial Proceedings and Property Bill 1972

had passed through Committee with amendment and moved the third reading of each of the bills.

Question put on each bill and agreed to.

Bills read the third time and passed.

Adjournment

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

3.55 p.m.

Proposed Oil Refinery at Lamma Island

MR K. S. LO: —Sir, this Council has always taken a keen interest in the future development and land usage of New Territories and the surrounding islands, in order to ensure that the countryside and some of the islands may be left in their unspoiled state for the enjoyment of the public. At the last November meeting, the honourable Mrs Ellen LI asked the question whether Government has any plans to preserve some of the more scenic islands such as Hei Ling Chau and Lamma for public enjoyment. This was followed by another question put by me about the Government's intention in granting a site on Lamma for an oil refinery.

Lamma is one of the largest islands situated on the south side of Hong Kong. It is separated by a narrow stretch of 1½ miles of water from Ap Lei Chau. It is about 4 miles long running from north to south having a 3 mile width at the widest point. The south part of the island is rather hilly, but the northern part consists of mainly plains and gentle slopes. It has several villages which have been there for hundreds of years. There are dozens of beaches strewn along the island's coast line, which are extremely popular during the summer months. Thousands of picnickers flock to these beaches over the weekends. There are three ferry services to this island; two from the Central District operated by the Hongkong & Yaumati Ferry Co., and one from Aberdeen.

Apart from its scenic beauty and abundance of beaches, Lamma is also known for its archaeological finds. It has provided a valuable ground for our local archaeologists who have from time to time unearthed priceless treasures from there dating back to over a thousand years.

In view of its proximity to Hong Kong, Lamma should be reserved ideally for residential and recreational uses. From either Aberdeen or Ap Lei Chau, it takes less than fifteen minutes by ferry, and when the Aberdeen tunnel is constructed, Lamma can be reached from the Central District in less than half an hour. So it is probably the only island of any size where the future overflow of population from Hong Kong island itself can be contained.

Before Government finally decides to grant a licence for an oil refinery at Lamma, it should examine all the implications which it might entail. It is a well known fact that the nuisance potential of an oil refinery is far greater than any other industry. Government should, therefore, first pass all the necessary legislation for the control of air and water pollution in oil refining, before it grants the licence. Indeed, better still it should make certain that it has the practical means of enforcing such regulations once enacted.

The pollution problems posed by an oil refinery plant may come under two major sources namely air and water. The air pollution may again be classified under the headings of odour, smoke, dust and sulphur dioxide.

I should like to deal with each of these headings very briefly.

Odour. All crude oils smell. The principal malodorous compounds are hydrogen sulphide which smells like rotten eggs, and mercaptans, which are a class of hydrocarbons containing sulphur, which smell like rotten refuse. In refining, it takes only a very small amount of these compounds to come into contact with atmosphere and it will cause nuisance to people living several miles around the neighbourhood.

Here I should like to quote what P. SUTTON, Environment Engineer for Esso Refinery at Fawley, England, has to say on the subject.

He said:

"It is probable that odour remains the biggest air pollution problem; certainly it is the most intractable. Despite the precautions adopted, odours do get out and there is no denying that refineries (in common with many other processing works) have their own characteristic smell. The problem is that odours are difficult to describe, sometimes impossible to identify and quite impossible to measure."

This means that in the event of an oil refinery being allowed to be set up on Lamma, the south side of Hong Kong from the Peak down to Pok Fu Lam, Aberdeen, Shouson Hill and Deep Water Bay will be affected by this obnoxious odour, at sometime or other depending

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upon the direction of the wind. This will not only affect the people living in those areas, but will also downgrade the property values in those localities as well. Here I would like to remind the Council that Wah Fu Estate, our largest housing estate, is only 1½ miles opposite from the proposed site.

Smoke. Most of the smoke coming out from the chimney of an oil refinery could be controlled and might not cause too much of a problem. But oil refining also produces a lot of gas. Some of it may be sold or fed back into the refinery fuel system, but the surplus has to be burnt. It is the burning of this surplus gas by flare which very often causes dense smoke. Since flare must operate over a very wide range of gas flow rates, it is impossible to have it controlled in such a way to achieve complete combustion. So the only way of suppressing smoke is to inject steam into the flare, the cost of which can be considerable. I take it therefore that should ever a licence be issued the Government will insist upon the oil company adopting such measures.

Sulphur dioxide. The fuel burnt in a refinery equals to 5% to 10% of the total throughput. When heavy fuel oil is used, it generally has high sulphur content. There are two basic solutions: first, to extract sulphur for re-use and sale; and second, to emit the sulphur dioxide through high chimneys. The first approach is economic only when the refinery uses a high proportion of high sulphur fuel. Unless the sulphur is extracted, even a very small amount when it gets into atmosphere will cause injury to the health of those people living in the neighbourhood.

In order to achieve good dispersal, it must be discharged through high chimneys. In some of the refineries in United Kingdom, the chimneys are as high as 300 to 500 ft. Whether we can go as high as 500 ft. is a big question. In the first place, we have to find out whether such a high chimney situated in Lamma will not prove to be a hazard to air navigation. Secondly, even if it is not a hazard, it will definitely discharge smoke right into the bedrooms of those living up on the Peak. To have anything lower will endanger the health of those living in Wah Fu Estate and Aberdeen.

Sir, the information I have given above has been obtained from P. SUTTON'S paper on "Air Pollution Control in Oil Refining" presented at the Annual Conference of the National Society for Clean Air at Eastbourne in 1969.

The other major source of pollution is the liquid waste discharge. It has been found through studies carried out by the Industrial Wastes Studies Programme of the US Environmental Protection Agency that the

effluents in the form of cooling and waste waters discharged from an oil refinery may carry different minerals such as lead, chromium, fluoride, *etc.* These minerals will affect the marine life in the waters surrounding the discharge point. They will either destroy the entire marine life or if some fish are lucky to survive they could consume sufficient quantity of these minerals such as lead and chromium to poison the people who later buy them for food. For this reason, the authorities in United States insist upon refineries setting up certain controls for the effluent before a license is issued. Some of the controls are as follows:

- (a) Collection and treatment of all wastes to specified standards.
- (b) Maximum dry and wet weather discharge flow, and location of discharge facilities.
- (c) PH, oil, and temperature limitations on discharges.
- (d) Solid waste collection and disposal.
- (e) Continuous biological and chemical monitoring of effluent, and of a specified area round the effluent.
- (f) Conditions for transportation of crude oil from vessel to terminal.
- (g) Spill prevention and oil removal measures.
- (h) Special conditions controlling effluent concentration and total quantity limitations for specified effluent components.

Sir, up to now I have not touched upon the most objectionable aspect of having an oil refinery so close to Aberdeen Harbour where thousands of fishing junks are moored. In the event of an accidental spillage of oil, either from the tankers in the course of loading or unloading or through damage to the pipelines by typhoon and foul weather, an oil spill would be bound to spread into Aberdeen Harbour. Let us imagine for a short moment what an inferno it will cause amongst the thousands of junks inside that crowded Harbour if ever an oil spill were to catch fire. I shall not talk about oil smearing the beaches at Lamma, Deep Water and Repulse Bays, as that would be nothing compared to the potential disaster which I have just mentioned. In view of this danger, Government should never grant any licence for any oil company to set up a refinery on Lamma.

It has been stated that an oil refinery will bring economic benefits to Hong Kong. Can Government tell us approximately how much labour it is likely to employ, and how much revenue it is likely to receive from the levy of crude oil to be brought in for refining? How will the revenue from a refinery weigh against the potential revenue from sales of land for private residential development and the annual income from rating arising out of these properties?

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Another point that has been mentioned in favour of an oil refinery is that in the event of disruption of oil supply from overseas, Hong Kong will have a prior access to the stock held in a local refinery. Although on the surface this may look attractive, there is another school of thought which thinks that it might also invite outside trouble.

Even assuming that there are economic and political advantages to be gained from an oil refinery, the next question is: could it not be sited in another place which might be more suitable? For example, there is already one permit granted for an oil refinery on the Tsing Yi Island and a couple of others for tank farms; will there not be room for another refinery on the same island? As a matter of interest how much economic and political benefits have we been able to get out of this existing oil refinery that is now on Tsing Yi? I have been told that the reasons why this particular company prefers Lamma are twofold; deep water for large tankers and inexpensive site formation. As to the first, I have looked over the charts of the water in the Northeast part of Lamma and compared it to that side of Tsing Yi facing Kap Shui Mun, and I find that the coastal water along that part of Tsing Yi is even deeper than that around Lamma. On Northeast Lamma the depth is between 5 to 9 fathoms; whereas West Tsing Yi has a depth of 14 to 25 fathoms. This leaves only one other advantage—and that is less costly site formation work. But the question we should ask ourselves is: should we sacrifice public interest for the sake of saving some capital expenditure for a private oil company? If it is a question of either Lamma or nothing at all, then I would say, without any reservation, let them take it elsewhere.

Sir, since a decision of this nature will have grave consequences and wide impact not only on the life of those of us who are living in Hong Kong today, but also for the future generation to come, I must most respectfully request Government to give it its most careful consideration.

According to the British common law, every citizen has the right to go about his daily business and enjoy his home without being subjected to "nuisance"; and "nuisance" is defined as a material interference with normal living. In asking the Government to exercise the utmost care and to legislate in advance in this respect, this Council is asking no more than the protection of a citizen's basic right under the common law.

4.14 p.m.

MR D. C. BRAY: —Sir, my honourable Friend Mr K. S. Lo's speech is timely and I welcome this further opportunity to outline some of the considerations which the Government must take into account before

reaching a decision on the establishment of an oil refinery on the northern part of Lamma Island, or indeed anywhere else in the Colony.

I said "some" for my honourable Friend spoke about pollution and siting rather than the effects on the villagers and I too shall confine myself to these two subjects.

My honourable Friend has clearly undertaken considerable research into the environmental pollution aspects of oil refining. It was the need for a careful examination of these very aspects which prompted the Government to send a group of senior officers led by the Deputy District Commissioner to Singapore and to Australia to look at refineries last December following receipt of an enquiry from the Shell Oil Company as to the terms and conditions on which a site for a large oil refinery on Lamma Island might be granted. Their report concluded that it is possible to construct a modern oil refinery to environmental standards which are better than the overall Colony standards in respect of air pollution and water pollution caused by effluent from the refinery itself. It is possible—but to ensure this depends first on setting design standards for the construction of the refinery which reduce air and water pollution to negligible levels. A system of interceptors or separators would be required effectively to reduce the oily content of storm water and process waste water draining from the refinery to something less than 5 parts per million. A new refinery could be expected to incorporate the latest techniques for reducing the oily content of refinery effluent and the sulphur dioxide content of stack and flare emissions; it could be expected to have an air-cooled integrated plant, thus avoiding cooling water and the tendency to pollute from the cooling water, complete sulphur extraction equipment and primary and secondary separation systems would be required for refinery effluent. To design and construct to these standards is expensive but oil companies these days are extremely sensitive to environmental considerations and it is of course also in their interests to ensure that as little crude oil or vapour as possible escapes from the refinery.

Secondly, of course, it is of the greatest importance that the management of the refinery once it is built, is at all times pollution conscious so that the highest standards are maintained, both by the refinery operator and the tanker captains.

I was interested, and a little puzzled, to hear my honourable Friend's remarks about odour from the refinery for the report of the group visiting Singapore and Australia was certainly not conclusive in listing this as a major consideration after visiting five refineries.

What is more difficult to guard against is an accidental spillage of oil at the wharf when tankers are off-loading crude oil or the product carriers are loading the products. This can happen however carefully

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designed and operated the refinery is, and it is essential therefore to have the latest and most effective large-scale ready-use equipment constantly available to contain such a spillage.

From what I have said, I think it will be apparent that pollution, provided certain things are done, does not prohibit the construction of an oil refinery.

Coming now to the question of a site, an analysis of potential sites was undertaken by the Shell Company and this concluded that northeast Lamma was the only suitable one for a modern refinery. The overriding considerations are, as my honourable Friend has pointed out, the depth of water for supertankers to berth alongside and land capable of economic development. A refinery of the size contemplated by the Company—and perhaps it is not clear that this refinery would be bigger than anything in the United Kingdom—a refinery of this size on Tsing Yi Island where the water is deep enough alongside, would require extensive dredging of the approach channel plus very expensive site formation works. It is true that land on Tsing Yi was sold in 1965 for a refinery, but the Company concerned has not found it possible yet to develop to modern standards on the site.

The economic and political factors in favour of an oil refinery are difficult to evaluate in full at this stage, though I do not think my honourable Friend has given sufficient emphasis to them. Although admittedly not labour intensive—and I am afraid I can't give any figures at this stage—in operation though more certain in the construction stage, an oil refinery would represent a very large capital investment and a corresponding demonstration of confidence in Hong Kong by a major international company. It could also bring benefits to Hong Kong both in the form of direct revenue, if it is decided to make a levy on aspects of the refinery operation, and indirect spin-off benefits such as the repair of tankers serving the refinery. There is also the question of the reserve supply of fuel which would become available. Here I would point out that it is common practice in other countries to maintain substantial strategic stocks of oil fuels for this is vital to the operation of the whole of our economy, even such things as electricity, of course water, telephones, not to speak of transport. Stocks maintained in other countries are in most cases far larger than we now possess. There is a need for Hong Kong to safeguard against any interruption in normal supplies and, with respect to my honourable Friend, an oil refinery would be of very real assistance in enabling us to keep such stocks.

Now whether these benefits are sufficient to justify the alienation of a large area of land on Lamma Island, or on another site, is a

matter which must be resolved; this has not yet been done. I do hope, however, that what I have been able to say at this stage has demonstrated the care and indeed the anxiety with which the issue is being considered.

Question put and agreed to.

Next sitting

HIS EXCELLENCY THE PRESIDENT: —Accordingly I now adjourn the Council until 2.30 p.m. on Wednesday 5th July.

Adjourned accordingly at twenty-two minutes past four o'clock.