

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 14th March 1973****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, 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  
SECRETARY FOR INFORMATION  
THE HONOURABLE DENIS CAMPBELL BRAY, JP  
DISTRICT COMMISSIONER, NEW TERRITORIES  
THE HONOURABLE PAUL TSUI KA-CHEUNG, CBE, JP  
COMMISSIONER OF LABOUR  
THE HONOURABLE IAN MACDONALD LIGHTBODY, JP  
SECRETARY FOR HOUSING  
THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE LI FOOK-KOW, JP  
DIRECTOR OF SOCIAL WELFARE  
THE HONOURABLE WOO PAK-CHUEN, OBE, JP  
THE HONOURABLE SZETO WAI, OBE, JP  
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP  
THE HONOURABLE MRS 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 ANN TSE-KAI, OBE, JP  
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP  
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP  
THE HONOURABLE PETER GORDON WILLIAMS, JP  
THE HONOURABLE JAMES WU MAN-HON, JP

**ABSENT**

THE HONOURABLE MRS MARY WONG WING-CHEUNG, MBE, JP

**IN ATTENDANCE**THE CLERK TO THE LEGISLATIVE COUNCIL  
MR RODERICK JOHN FRAMPTON

HIS EXCELLENCY THE PRESIDENT: —Before we start, I'm sure honourable Members will wish me to say how sorry we are that Mrs WONG cannot be with us today and join me in wishing her a speedy recovery.

### Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Stamp Duties Management Ordinance.	
Stamp Duties Management (Franking Machines) (Amendment) Regulations 1972 (Commencement) Notice 1973 .....	37
Road Traffic Ordinance.	
Road Traffic (Driving Licences) (Amendment) (No 2) Regulations 1973 .....	38
Dangerous Goods Ordinance.	
Dangerous Goods (Classification) (Amendment) Regulations 1973 .....	39
Dangerous Goods Ordinance.	
Dangerous Goods (General) (Amendment) Regulations 1973 .....	40
Census Ordinance.	
Census Order 1973 .....	41
Probation of Offenders Ordinance.	
Probation of Offenders (Amendment) Rules 1973 ... ..	42
Industrial and Reformatory Schools Ordinance.	
Reformatory School (Amendment) Rules 1973 .....	43
Colonial Air Navigation Orders 1961 to 19,68 (S.I. 1961/2316).	
Hong Kong Air Navigation (Registration Fees) (Amendment) Regulations 1973 .....	44
Supreme Court Ordinance.	
Adoption Ordinance.	
Adoption (Amendment) Rules 1973 .....	45
Copyright Ordinance 1973.	
Copyright Ordinance 1973 (Commencement) Notice 1973	46

<i>Subject</i>	<i>LN No</i>
Merchant Shipping (Safety Convention) Act 1949 As Extended to Hong Kong by the Merchant Shipping Safety Convention (Hong Kong) No 1 Order 1953.	
Authorization to the Director of Marine .....	47
Dangerous Goods Ordinance.	
Dangerous Goods (Shipping) (Amendment) Regulations 1973 .....	48
Legal Practitioners Ordinance.	
Barristers (Qualification) Rules 1973 .....	49
Interpretation and General Clauses Ordinance.	
Labour Tribunal Ordinance.	
Appointment of authorized officers .....	50
Juvenile Offenders Ordinance.	
Remand Home (Amendment), Rules 1973 .....	51
Sessional Papers 1972-73: —	
No 51—Accounts and Statements of the Grantham Scholarships Fund for the year ended 31st August 1972 (published on 14.3.73).	
No 52—Annual Report by the Commissioner for Resettlement for the year 1971-72 (published on 14.3.73).	

### Oral answers to questions

#### Rainstorm disasters 1972

1. MRS SYMONS asked: —

When will the report of the inquiry into the June 1972 rainstorm disasters be published and Government's decisions on the report announced?

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER): — Sir, the Commission's Interim Report has just been published, together with a Chinese translation. The Commission's Final Report should, subject to your decision in Council, be published by the end of this month,

[THE COLONIAL SECRETARY]      **Oral answers**

or very early in April, again with a translation. A statement about action taken, being taken, or proposed, will be made at the time of publication.

### **Rice prices**

2.    MR WONG asked: —

Has Government any plans to stabilize the price of rice which has risen sharply during recent weeks?

MR JORDAN: —Sir, in the course of replying to my honourable Friend's question as to whether the Government has any plans to stabilize rice prices, I think it might be helpful and of general interest if I provided some background to the present situation and explained the Government's role in this field.

As honourable Members will be aware, the Rice Control Scheme is administered by the Commerce and Industry Department. Its basic purpose is to provide for the maintenance of a buffer stock, as a guard against abrupt fluctuations in supply and in price, by ensuring that at least two months' supply is always held in Hong Kong.

This is the present position. To meet a consumption rate of about 1,000 tons per day, stocks currently exceed 70,000 tons and are about the same as at this time last year. At the same time, supplies released on to the local market since 1st January have been some 15 per cent higher than for the same period last year.

Provided adequate supplies are available and are offered for sale, normal market forces will usually determine what the consumer actually has to pay. However, shortly after Chinese New Year, rising prices and reported shortages on overseas markets, and fears regarding the adequacy of local supplies, caused some speculative stockpiling by wholesalers, retailers and consumers. And some elements in the trade were not slow to exploit the situation.

I thought therefore that it had become necessary for the Department to intervene. I called a meeting of importers and representatives of the wholesalers and made it clear that, on the information I had, the then level of prices seemed to me excessive and that I expected to see an early reduction in wholesale prices. This had the desired effect and brought about almost immediately a reduction in wholesale prices.

On 26th February the wholesale price of 100 per cent whole Thai rice was \$126 per picul. Today it is \$104. But it inevitably takes time for such reductions to work their way through to the retail price.

Meanwhile, as I have already indicated, there is no shortage of rice in Hong Kong, nor grounds for consumer fears on that account. On the other hand, the price of rice from supplying countries has increased, and I think it unlikely we shall see again the very low price levels of last year. We cannot stabilize prices in the face of rising world prices for rice, but what the Control Scheme can do is to damp down the impact of higher prices and to ensure the adequacy of local supplies at times of international short-term supply difficulties.

## Government business

### Motions

#### RATING ORDINANCE 1973

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the following motion—

It is hereby resolved, pursuant to section 18(2) of the Rating Ordinance 1973—

- (a) that, in the case of a tenement for which only an unfiltered supply of fresh water is available from a Government water-main, general rates and Urban Council rates shall each be the following percentage of the rateable value of every such tenement:
  - (i) general rates ..... 8 per cent;
  - (ii) Urban Council rates ..... 6 per cent; and
- (b) that, in the case of a tenement for which no supply of fresh water is available from a Government water-main, general rates and Urban Council rates shall each be the following percentage of the rateable value of every such tenement:
  - (i) general rates ..... 7 per cent
  - (ii) Urban Council rates ..... 6 per cent.

He said: —Sir, provision is made, under section 18 of the Rating Ordinance 1973, for a reduction of 1 per cent in the rate payable in respect of a tenement for which only an unfiltered supply of fresh water is available from a Government water-main; and a reduction of

[THE FINANCIAL SECRETARY]     **Rating Ordinance**

2 per cent in respect of a tenement for which no supply of fresh water is available from a Government water-main. In moving the motion in this Council on 14th February last, setting the Urban Council rate payable after 1st April 1973 at 6 per cent, I pointed out by way of clarification that the reduction in the total of the Urban Council and the General rates together in respect of water supply would be at the expense of the General—that is to say, the *Government*—rate, the Urban Council rate, once determined by this Council, remaining constant in all three cases. The motion now before this Council confirms that position and formally sets out the Urban Council and the General rates payable in these cases.

*Question put and agreed to.*

**Mass Transit Fund**

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the following motion: —

It is hereby resolved:

- (i) that there is hereby established a fund styled the Mass Transit Fund;
- (ii) that there shall be credited to the Fund such appropriations from the general revenue or other funds of the Colony as may be approved by this Council;
- (iii) that the Fund shall be administered by the Financial Secretary;
- (iv) that the Financial Secretary, with the prior approval of the Governor, may from time to time expend from the Fund monies for the purposes of or in connection with the mass transit system at present under consideration.

He said: —Sir, honourable Members will recall that, when presenting the 1973-74 Budget to this Council a fortnight ago, I gave notice of my intention to invite the Finance Committee to appropriate \$500 million under a new special expenditure subhead entitled "Mass Transit Railway Corporation: Equity Contribution" in Head 51 Miscellaneous Services, this sum to be credited to a special fund established by resolution

of this Council. An item seeking the creation of the new special expenditure subhead, together with supplementary provision of \$500 million, has been included in the agenda for the meeting of the Finance Committee to be held later this afternoon. The motion before honourable Members is to provide for the establishment of a Mass Transit Fund to which the \$500 million, if voted by Finance Committee, would be credited.

Sir, the motion is couched in fairly general terms. This is deliberately so because, at this stage, consideration has yet to be given to a number of details regarding the use of the Fund and the treatment of interest, dividends and other accruals to the Fund. However, as I said in this Council two weeks ago, it is intended that the Fund would appear as a liability in the Colony's Statement of Assets and Liabilities, and that withdrawals would be made from the Fund for equity investment in the Mass Transit Railway Corporation which is to be set up by Ordinance in due course. Until the Fund is exhausted and has disappeared from the Statement of Assets and Liabilities, it is intended that interest on the matching balance would accrue to General Revenue, as would later any cash dividends from the equity investment in the Mass Transit Railway Corporation.

*Motion made.* That the debate on the motion be adjourned—THE FINANCIAL SECRETARY (MR HADDON-CAVE).

*Question put and agreed to.*

### **Single purpose desalting plant:**

### **Asian Development Bank Loan**

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the following motion: —

It is hereby resolved, in accordance with Colonial Regulation 239, that the estimated loan expenditure to be incurred during the years ending 31st March 1973 and 31st March 1974 by reason of the Asian Development Bank loan for the single purpose desalting plant project, as set out in the Schedule hereto, be approved for inclusion as Appendix XIX to the Estimates of Revenue and Expenditure for the year ending 31st March 1974.

## SCHEDULE

## APPENDIX XIX

## ASIAN DEVELOPMENT BANK LOAN

*Estimate of Loan Expenditure and Reimbursements for the**Single Purpose Desalting Plant Project*

PROJECT	Approved Loan Amount	Expenditure Ranking for Reimbursement from Asian Development Bank			Reimbursement from Asian Development Bank.		
		Actual Payments to 31.3.72	Revised Estimated Payments 1972-73	Estimated Payments 1973-74	Actual Receipts to 31.3.72	Revised Estimated Receipts 1972-73	Estimated Receipts 1973-74
40 M.G.D. Single Purpose Desalting Plant—Hong Kong P.W.D. Contract No. 302 of 1972	\$ 109,327,500 (US\$21,500,000)	\$ —	\$ 3,512,500 (¥ 180,127,200)	\$ 65,941,000 (¥ 3,381,588,000)	\$ —	\$ —	\$ 50,696,800 (¥ 2,599,835,900)

- Notes:
- (1) The loan from the Asian Development Bank is expressed in terms of U.S. dollars, while payments to the contractor and reimbursements from the Asian Development Bank will be in Japanese Yen.
  - (2) The exchange rates used for the purposes of these estimates are US\$1=HK\$5.085 and ¥ 1,000=HK\$19.50. Due to the possibility of subsequent changes occurring in the parity of the Yen the amounts in Hong Kong dollars shown in the Estimated Payments and Estimated Receipts columns above may require to be adjusted at a later stage.
  - (3) Expenditure incurred against contract and ranking for reimbursement from the Asian Development Bank will be charged in the first instance to an advance account. Reimbursement from the Asian Development Bank is expected to be effected quarterly in arrears.



He said: —Sir, the motion concerns the loan received from the Asian Development Bank towards the construction of a 40 million gallons per day sea-water desalting plant. Provision for the raising of this loan was included in the Loans (Asian Development Bank) Ordinance 1972.

Colonial Regulation 239 requires the estimated loan expenditure during the year to be appended to the general Estimates of the Colony, and to receive the approval of the Legislature. Insufficient details were available in time for an appropriate Appendix to be incorporated in the draft Estimates for 1973-74, which I presented to this Council a fortnight ago. The draft resolution before honourable Members now seeks approval for that estimated loan expenditure during 1973-74. It also seeks the Council's approval of loan expenditure which is now expected to be incurred before 31st March 1973.

*Question put and agreed to.*

#### **First reading of bills**

**DANGEROUS GOODS (AMENDMENT) BILL 1973**

**LABOUR TRIBUNAL (AMENDMENT) BILL 1973**

**FIXED PENALTY (TRAFFIC CONTRAVENTIONS) (AMENDMENT)  
BILL 1973**

**ENTERTAINMENTS TAX (AMENDMENT) BILL 1973**

**PUBLIC HEALTH AND URBAN SERVICES (AMENDMENT) (NO 2)  
BILL 1973**

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

#### **Second reading of bills**

**DANGEROUS GOODS (AMENDMENT) BILL 1973**

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of: —"A bill to amend the Dangerous Goods Ordinance."

He said: —Sir, this bill amends the principal Ordinance in two respects. The first amendment follows recommendations made by the Dangerous Goods Standing Committee, which is under the chairmanship of an Assistant Director of Marine and contains both official and unofficial members.

[THE ATTORNEY GENERAL] **Dangerous Goods (Amendment) Bill—second reading**

The Director of Fire Services considers that the carriage of liquified petroleum gases, in vehicles which are not properly equipped for the purpose, is dangerous and indeed there have been several fires caused by the use of unsuitable vehicles to transport inflammable liquids.

Furthermore, those in charge of vehicles carrying such substances are sometimes guilty of dangerous practices, such as decanting inflammable liquid in the street and leaving the vehicle parked overnight in a residential area.

Section 6 of the Dangerous Goods Ordinance requires that a licence to convey dangerous goods need not be obtained, if the goods are in the course of transit as cargo in any vessel, aircraft or vehicle. It has, therefore, been argued that any dangerous goods being transported within the Colony can be regarded as in the course of transit and thus exempt from the requirement that a licence to convey them shall be obtained.

Clause 2 therefore inserts into section 2 of the Ordinance a new definition of "transit". This will make it clear that dangerous goods in the ordinary course of conveyance within Hong Kong are not to be regarded as goods in transit and that therefore a licence to convey them will be required. Such a licence will only be issued if suitable transport is available and proper precautions are observed.

Clause 3 confers on members of the Preventive Service the same powers as are conferred by section 12 of the Dangerous Goods Ordinance on police officers and officers of the Fire Services and Mines Department.

That section gives to police officers and others powers to enter and search any premises, vessel, vehicle or aircraft in which dangerous goods are suspected of being manufactured, stored or used. These officers are also authorized to seize anything in relation to which an offence under the Dangerous Goods Ordinance is suspected of having been committed.

As Preventive Service officers carry out many searches of premises, vessels, aircraft and vehicles for the purposes of other Ordinance, particularly the Dangerous Drugs Ordinance, it would be convenient if they were in a position to exercise also the powers conferred by section 12 of the Dangerous Goods Ordinance.

The amendment proposed will also enable Preventive Service officers to assist the police by taking over from them part of the task of controlling the illegal import and use of fireworks and other dangerous goods.

*Motion made.* That the debate on the second reading of the bill be adjourned—THE ATTORNEY GENERAL (MR ROBERTS).

*Question put and agreed to.*

*Explanatory Memorandum*

The Bill amends the principal Ordinance in two respects.

Clause 2 inserts a new definition of "transit" in relation to cargo. This is intended to make it clear that the phrase "in the course of transit as cargo" (which appears in proviso (a) to section 6) does not include goods in the ordinary course of conveyance within Hong Kong.

Clause 3, which amends section 12 of the Ordinance, confers on certain members of the Preventive Service the same powers as are conferred by that section on police officers and officers of the Fire Services and Mines Departments.

**LABOUR TRIBUNAL (AMENDMENT) BILL 1973**

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to amend the Labour Tribunal Ordinance 1972 and the Oaths and Declarations Ordinance 1972."

He said:—Sir, this bill corrects an oversight in the Labour Tribunal Ordinance.

Section 4 of that Ordinance prohibits the Presiding Officer of the Labour Tribunal from discharging his judicial functions until he has fulfilled the requirements of section 2 of the Promissory Oaths Ordinance.

The latter Ordinance provided for the taking of the Oath of Allegiance and the Judicial Oath by various judicial officers. However, it was repealed and replaced by the Oaths and Declarations Ordinance 1972, and it is therefore necessary to amend the Labour Tribunal Ordinance by substituting in it, for references to the repealed Promissory Oaths Ordinance, references to the Oaths and Declarations Ordinance 1972.

The Labour Tribunal began to operate on the 1st of March this year, but the Presiding Officer will not be able to try any disputes until he has taken the necessary Oath of Allegiance and Judicial Oath, which he cannot do until these amendments are effected.

In these circumstances, I hope that honourable Members will agree that all stages of this bill may be properly taken today, so that the

[THE ATTORNEY GENERAL] **Labour Tribunal (Amendment) Bill—second reading**

Presiding Officer may be able to exercise his judicial functions as soon as possible.

*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*

This Bill amends section 4 of the principal Ordinance by deleting the reference to the Promissory Oaths Ordinance (Cap. 90) (which has been repealed) and substituting a reference to the Oaths and Declarations Ordinance 1972 (No. 20 of 1972).

The opportunity is also taken to amend the Third Schedule to the Oaths and Declarations Ordinance 1972 so as to include the Presiding Officer, Labour Tribunal in the list of judicial officers required to comply with section 17 of that Ordinance.

**FIXED PENALTY (TRAFFIC CONTRAVENTIONS)  
(AMENDMENT) BILL 1973**

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the second reading of:—"A bill to amend the Fixed Penalty (Traffic Contraventions) Ordinance."

He said:—Sir, under section 14 of the Fixed Penalty (Traffic Contraventions) Ordinance, when a traffic contravention is committed, the person liable for the fixed penalty is the registered owner of the motor vehicle, except when the vehicle is owned by the Crown, in which case the driver is liable. Vehicles can, however, be used on the road by motor vehicle dealers or repairers under trade licences issued by the Commissioner for Transport under the Road Traffic (Registration and Licensing Vehicles) Regulations. Since such vehicles, being unregistered, have no registered owner, they are immune from the fixed penalty scheme. This bill seeks to rectify the situation by widening the definition of "registered owner" of a motor vehicle in section 2 of the Ordinance to include a person to whom a trade licence is issued, thus bringing him within the scope of the fixed penalty legislation.

*Motion made. That the debate on the second reading of the bill be adjourned—*THE FINANCIAL SECRETARY (MR HADDON-CAVE).

*Question put and agreed to.*

*Explanatory Memorandum*

The Bill widens the definition of "registered owner" of a motor vehicle so as to include a person to whom a trade licence or permit is issued under the Road Traffic (Registration and Licensing of Vehicles) Regulations.

**ENTERTAINMENTS TAX (AMENDMENT) BILL 1973**

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the second reading of: —"A bill to amend the Entertainments Tax Ordinance."

He said: —Sir, when moving the second reading of the Appropriation Bill a fortnight ago, I proposed the abolition of the duty on payments for admission to cinemas, with effect from 1st April 1973. I explained the reasons for this proposal and the implications for the revenue at that time. I only propose to confirm now that the Chairman of the Executive Committee of the Hong Kong, Kowloon and New Territories Theatres Association has informed the Commissioner of Inland Revenue that the members of his Association will pass on the relief in full to cinema-goers.

*Motion made.* That the debate on the second reading of the bill be adjourned—THE FINANCIAL SECRETARY (MR HADDON-CAVE).

*Question put and agreed to.*

*Explanatory Memorandum*

The purpose of this Bill is to give effect to the proposal contained in the 1973 Budget that entertainment tax on cinema tickets be abolished.

Clause 2 amends the definition of "entertainment" so as to restrict the application of the principal Ordinance to race meetings at which totalizator or *pari-mutuel* betting is conducted.

**PUBLIC HEALTH AND URBAN SERVICES  
(AMENDMENT) (NO 2) BILL 1973**

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

He said: —Sir, honourable Members are no doubt aware that there are provisions in the Public Health and Urban Services Ordinance to bring hawking under proper control, and restore order by confining

[MR ALEXANDER] **Public Health and Urban Services (Amendment) (No 2) Bill—second reading**

hawking only to those streets where it is least objectionable. However, this aim will unfortunately take a longish time to achieve, since hawking has been carried on in some streets for many years and the policy will have to be implemented in phases from district to district after detailed planning and inter-departmental consultation. It is therefore essential for the legislation to be sufficiently flexible to permit the Authority to continue to license hawkers to trade from their present pitches until the streets in which they are trading can be gazetted as hawker permitted areas.

Clause 2 of the bill now before honourable Members therefore seeks to amend section 83B of the principal Ordinance so that the position may be regularized to enable the Authority to issue licences generally under regulations made under section 83A.

Clauses 3 and 4 of the bill will reinstate in the Ordinance provisions for the removal and detention of hawker equipment or commodities at owners' risk, pending disposal.

*Motion made. That the debate on the second reading of the bill be adjourned—MR ALEXANDER.*

*Question put and agreed to.*

*Explanatory Memorandum*

Clause 2 amends section 83B of the principal Ordinance enabling the Authority to issue licences to hawkers generally under regulations made under section 83A.

Clauses 3 and 4 amend sections 86 and 86B of the Ordinance enabling a public officer authorized by the Authority or a police officer to deposit, at a Government depot or police station, any seized hawker equipment or commodity, pending its disposal.

**APPROPRIATION BILL 1973**

**Resumption of debate on second reading (28th February 1973)**

*Question proposed.*

MR WOO: —Sir, my Unofficial colleagues will raise a number of points in depth covering various aspects of this year's budget. I shall touch upon the control of excessive rent increases; steps to overcome

shortage of staff in certain key areas; the organization for handling transport and traffic; certain aspects of the taxation proposals; abolition of estate duty; and further measures to cool down the Stock Exchange.

Before doing so, however, I know that I have the support of all my Unofficial colleagues in congratulating the Financial Secretary on his masterful speech and upon the presentation of a memorable budget. It has the hallmark of success, reflecting the great forward strides made by the Hong Kong economy. And it reflects too our high hopes and aspirations for the future. It has been described as a popular budget in the sense that it reduces more taxes than those which have been increased. It has been said that everybody is satisfied with this budget but I think there may be some exceptions. In particular, persons in the lower and middle income range who are not in subsidized housing and have to spend an increasing proportion of their income on spiralling rents will be far from satisfied. The Financial Secretary's prediction—advanced with little conviction—that the level of rents may be stabilized towards the end of this year is of little comfort. The shortage of accommodation is no doubt the immediate cause of this spiral, but it is in turn dictated by the shortage of land. Therefore I think that the key to a solution of this particular problem is to speed up land sales. This should be given the utmost priority. Not only are rents for the middle and lower income groups a cause for concern, but spiralling land prices will also in the long run affect the cost of production of goods for export on which the whole health of the Hong Kong economy depends. Hence I would urge Government to reflect carefully on the need to prevent further excessive rent increases. One must, of course, be careful in interfering with the Hong Kong recipe for success, which our largely unregulated economy has produced. Nevertheless, I would advocate a measure of control to stop increases of excessive and unjustified proportions.

The underlying facts provided by the Financial Secretary in his review of our economic position are astonishing and show us to be in a position of great strength. I wonder what other country can combine a seventeen per cent increase in gross domestic product with an increase of a mere five per cent in the consumer price index? The Financial Secretary has estimated a real growth rate of seven per cent in incomes and this has been spread over the whole social strata. Hence he may decry any suggestion of inflation. Nevertheless there does seem to be a danger that prices might shortly start to increase as rapidly, or more rapidly than, production if no steps are taken to prevent excessive profiteering in key areas, of which rent is the most important.

Speaking again on behalf of the Unofficials, we would like to associate ourselves with the tribute paid by the Financial Secretary to

[Mr Woo]     **Appropriation Bill—resumption of debate on second reading  
(28.2.73)**

his own staff in producing, the massive book containing the annual estimates. We also welcome the new series of booklets prepared by the Census and Statistics Department and the booklet entitled “Economic Background to the Budget”.

I would also like to congratulate all those concerned with the production of this year's Annual Report. It is by any standard a magnificent publication and I am quite sure that nowhere else in the world could it be produced for the remarkable price of \$13.00.

I notice that the combined staff of all Government departments has for the first time risen over 100,000. The crossing of this barrier must have coincided more or less with cessation of my own period of office as Chairman of the Establishment Sub-committee of this Council which examines requests for additional staff. I do not mean to infer by that remark that the rate of increase has for that reason increased! From my own knowledge of the workings of the committee I am satisfied that by and large these staff are needed and, indeed, I am conscious of the fact that there are some areas in which grossly inadequate staff are provided to undertake tasks which remain to be faced. There are several areas in which a very special effort is needed to recruit new grades of people to undertake undone or inadequately done tasks. The first and most important of these is, of course, the Police Force, and here I would urge a massive new effort to bring the Force up to strength; this will almost certainly entail a further upward revision of basic salaries. Second, hawker control by the Urban Services Department has come almost to a halt due to the gradual disintegration of the Hawker Control Force without it having been superseded by any alternative organization. I would ask that a statement be made on the present position and future plans. Third, the Buildings Ordinance Office has a vast task ahead to gain control of illegal alterations made to buildings subsequent to the issue of the Occupation Permit. This was highlighted recently in the case of a building where dangerous iron cages had been erected on the outside of the building. But we are all aware that there are very large numbers of illegal alterations inside buildings throughout the Colony, not all of which are dangerous but many of which constitute nuisances of varying degrees to tenants and occupiers. I would welcome a statement on when work on this task can be begun. The fourth area in which more staff is needed is in the general sphere of traffic and transport control.

So far as the improvement of our increasingly chaotic traffic and transport problems are concerned, it is not only a question of more staff but also of vastly improving the present organization within



Government for dealing with these matters. The present arrangements are entirely inadequate to cope with the growing and increasingly grave problems of traffic and transport congestion which, if not tackled in a highly energetic manner in the very near future, will result in Hong Kong strangling itself through sheer inability both of vehicles and of pedestrians to move on the roads and the pavements. The Transport Department is quite inadequate as a control instrument due both to lack of adequate top class managerial staff and also due to lack of powers. It can do no more than endeavour to co-ordinate without powers the efforts of the traffic police, the Highways Office and others. It can devise but has no authority to enforce measures of control which will be effective. It is subject to the overlordship of the Economic Branch of the Secretariat which however is itself not in a position to deal with these problems speedily and comprehensively in the midst of its other many pressing economic preoccupations. So I feel strongly, Sir, that what is needed is a completely new set-up in a form of a high-powered Transport Authority with its own head having the status accorded, for example, to the Secretary for Housing. He would in fact be an officer appointed at the highest level in Government not merely to co-ordinate but to initiate, direct and enforce the massive effort which has to be made in this sphere of Government activity.

On the subject of taxation, I welcome the proposal stemming from the question raised in this Council by one of my Unofficial colleagues to introduce an allowance for children who remain dependent on their parents due to infirmity and inability to work. I am glad that this allowance will be granted irrespective of age. But I do not agree with the abolition of the dependent parents allowance and would like to hear more of the reasoning behind the Financial Secretary's statement that this allowance is difficult to administer and liable to abuse. Unless these reasons are particularly strong I would urge that the allowance should continue, particularly as it is in accordance with Chinese tradition that children should look after their parents in their old age. Here I must declare an interest, since I may myself one of these days come to depend upon my children!

The yield from estate duty has now been reduced to a mere 0.5 per cent of total revenue. I do question whether the cost of administering this tax is worth the effort entailed. Arguments for the total abolition of the duty have been advanced by me previously in this Council and I would like to ask once again that a review should be carried out as to whether it is necessary to continue it. Its abolition would give further encouragement to the investment of capital in the Colony and if there should be any serious shortfall arising from its abolition it would be comparatively easy to devise an alternative source of revenue. For example, we could raise once again the stamp duty on contract notes for share transactions. The increase already announced

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under that head has had virtually no effect on stock exchange transactions and I am inclined to think that a further increase should be included among the short-term cooling measures hinted at in the Financial Secretary's speech. Leaving aside the revenue angle, I consider that further cooling measures are highly desirable, and would urge Government to announce its intentions soon.

Here I would urge that this is all the more desirable because of the intention to open up a Hong Kong dollar market, which I support as being of great benefit to the Colony, provided that monetary transactions and the operations of finance companies are controlled along the lines proposed by the Financial Secretary.

When the Unofficial Members met the press editors to seek the benefit of their views on this year's budget, a complaint was made to us that the consultants employed by Government to advise on the reorganization of Government's administration and administrative procedures had declined to meet members of the press to give an account of the work which is being done in this sphere. I would like to say, first of all, that the Unofficial Members of this Council are strongly in support of the employment of these consultants to advise on the steps which should be taken to bring up to date the antiquated set up, particularly in the Colonial Secretariat, which was devised in earlier times and which is no longer able to keep up with the severe strains made upon it by Government activity. Above all, there has to be a devolution of responsibilities away from the Colonial Secretary and the Financial Secretary and the creation of "ministries" headed by high-powered officers with ultimate responsibility. I know that many of the recommendations made by the consultants are already under study and I am also aware that their adoption presents many problems which cannot be resolved overnight. I therefore ask all those who would wish to have information on developments in this sphere to have patience; but I would also urge that Government should make a statement as soon as possible regarding the consultants' recommendations and the extent to which it has been possible to adopt them. If this can be done by a press meeting in which the consultants themselves will participate, so much the better.

On the expenditure side we see that the estimates commence to translate into reality Your Excellency's far-sighted and ambitious programmes for the expansion of social services during the rest of this decade. There may, however, be some misunderstanding among members of the public as to why the proportionate expenditure, for example, on education, medical services and housing remains largely unchanged. The Financial Secretary has explained that, in the case of housing,

Housing Authority rents are absorbed into expenditure on new capital projects without being reflected in total Colony capital expenditure. I hope that some means can be devised of reflecting the true position in the analysis of expenditure or at any rate adding an explanatory note so as to prevent false conclusions being drawn. I think too that it should be stressed that the amount of money to be provided for the social services continues to increase at the rate that is necessary to translate the various programmes and places into terms of staff, equipment and funds for other approved purposes. In some cases reason why funds for approved policies have not yet been provided in the estimates is simply that they are not yet required. But I would be glad of an assurance that, provided of course our economic prosperity continues, funds will be forthcoming as and when required in order to achieve the plans already publicized in the medical, education, housing and social welfare fields.

With these observations, Sir, I have pleasure in supporting, and indeed commending, the budget now before this Council.

MR SZETO: —Sir, after listening to my senior colleague's eulogistic appraisal of the budget, I am afraid that honourable Members may find my speech a little bit sour. But I assure my honourable Friend the Financial Secretary that I harbour no malice!

In his second attempt at budgeting, my honourable Friend the Financial Secretary has produced one which has been acclaimed a "happy budget", a "budget for the poor" and a "budget for everybody"—a budget that makes possible cheaper cinema seats and stabilizes the prices of soft drinks; a budget that pleases all housewives because it brings about cheaper power bills and discourages husbands' liquor consumption.

My honourable Friend called it a budget of balanced fiscal policies. But I would call it a simple "give and take" budget because on the one hand it raises personal allowances while, on the other, it removes lower income reliefs. It encourages wives to work but robs a man of the incentive to prepare for the ultimate.

It is a "poor man's budget" because it heralds increased social welfare boosting its provision to 2.4 per cent of the total expenditure, which my honourable Friend considered an improvement over the 2.3 per cent for this year.

It is no doubt a bumper budget, because it forecasts another \$300 million surplus in the wake of a whacking one of \$900 million for the current year. It promises improved public housing in quantity and provides incentive to buy one's own flat. It forecasts limited land

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available for sale yet, at the same time, predicts stabilized rents in private housing.

Sir, in the past two years, I have been critical of both my honourable Friend's budget and that of his predecessor. But since this is the Year of the Ox, as suggested by my honourable Friend, which is astrologically and traditionally a beloved domestic animal symbolizing prosperity and abundance, I am certain that most of my Unofficial colleagues are magnanimous and charitable. As for myself, Sir, I would like to assure my honourable Friend that I carry no offensive weapon and therefore have no verbal knife to sharpen. It is with sincerity and humility that I offer my comments on his second budget, if comment I must. At the threshold of an auspicious year and with my honourable Friend's predicted 17 per cent growth in our Gross Domestic Product in 1973, I have the feeling that the \$286 million net surplus he has budgetted for 1973-74 will likely be multiplied to a much higher figure, just as his budgetted theoretical deficit of \$129 million for the outgoing year will likely now turn into \$900 million, notwithstanding it being the Year of the Rat.

On similar occasion last year, Sir, I criticized my honourable Friend's deliberate under-estimate of revenue for 1972-73 at 7½ per cent increase over that of 1971-72 for 2 reasons: first, despite his optimism of our economic outlook and, second, the average increase for the 5 preceding years had been no less than 14 per cent. In the event the revised estimate of the current year's total revenue exceeds its original estimate by \$884 million, or 24 per cent. However, my honourable Friend has now explained that when he budgetted for a \$47 million surplus for 1972-73, the theoretical deficit should have been \$129 million because of certain excluded known commitments, though he did not seriously consider that this would be a likely outcome. This is no surprise because the 1972-73 budget adhered closely to the pattern of previous years, that is, under-estimating—revenue a practice which my honourable Friend admitted on previous occasion—had been practised 10 times out of the past 11 years. While confessing to this, he assured us that he had not under-estimated this year's revenue by more than a small margin. It now transpires this small margin represents 24 per cent.

The bulk of this year's surplus comes in two heads: stamp duties (\$330 million) and land sales (\$345 million) and together they make up 75 per cent of this year's predicted surplus of \$900 million, which is 19 times the original budgetted surplus of \$47 million. In my honourable Friend's own words, this is the largest surplus in absolute terms ever experienced. For this achievement, my honourable Friend

has scored full marks in his first budget, and this success is appropriately reflected in the design and colours of the supporting documents for the 1973-74 Budget: "青出於藍而勝於藍"—"As green is evolved from blue, it emerges as a more distinguished colour than blue", according to an old Chinese saying which describes a successful tutelage.

My honourable Friend was overtaken by, but otherwise grateful to the great volume of activity of the stock market which brought in the windfall stamp duty of \$330 million, or 172 per cent increase over his original estimate. The actual increase in 1971-72 over the original estimate was \$75 million, or 58 per cent. Admittedly trading in the last few months has been extremely abnormal, but his decision to reduce this revenue by 7.3 per cent on the 1971-72 figure is difficult to understand despite the optimism he held then on our economic prospects.

The biggest revenue area in which my honourable Friend stumbles is in land sales. As much as \$345 million are off the mark (210 per cent) and compares badly with his previous year's \$70 million, which is 74 per cent. Last year, my honourable Friend explained the 1971-72's inaccuracy by the availability for sale of more sites than originally expected; for this year's windfall, he attributed to high prices. In fact, he expected no increase in revenue from this source over the revised income in 1971-72 because fewer lots would become available for sale.

The other area contributing to the \$884 million revenue increase is transport, for which my honourable Friend has pleaded guilty of underestimation. In Commonwealth preference tax and first registration tax, the combined increase is \$5 million over the original estimate and \$7 million (16 per cent) over the actual revenue in 1971-72, but my honourable Friend only budgetted a 4½ per cent increase. Similarly, for vehicles and drivers licences and fees there is an increase of \$10.5 million and \$14 million which is 19 per cent increase over the 1971-72 figure. It is inexplicable that my honourable Friend has only allowed a 4½ per cent and 5 per cent increase respectively on these taxes while not infrequently emphasizing our 15 per cent vehicle growth.

This year's revenue from taxi concession has been under-estimated by \$8.8 million. The original provision of \$30 million from 350 taxi licences allowing for \$85,000 premium each must be considered conservative since speculation put the premium at \$110,000 months before the licences were put out to tender.

Other areas of major under-estimation are premia on modification of existing land leases \$18 million (180 per cent), premia on re-grants of expired leases \$25 million (100 per cent), company registration \$22 million (16.2 per cent) and Airport services \$13 million (12.6 per cent).

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The only major revenue over-estimated was water charges with a shortfall of \$14 million, probably due to reduced consumption because of increased charges.

So much for this year's revenue. May I now turn to our expenditure for the year. There is an over-spending of \$209 million for which I must congratulate my honourable Friend for having broken away from the decade-old rule of over-estimating expenditure. However, my honourable Friend's claim that this would be the third consecutive year that actual expenditure was likely to exceed the original estimate is not quite accurate, because for 1971-72 the \$67 million over-spending was mainly due to an intentional omission in the original estimate for defence contribution which, in the event, amounted to \$78 million, and if this amount were included in the original estimate, it would have resulted in an under-spending of \$4 million. The overspending in 1970-71 was on two counts: First, as a result of implementing the new salary structure for teachers and, second, an increase in constructional costs in roadwork and waterworks projects.

This year's sizeable over-spending was attributed by my honourable Friend partly to the implementation of the recommendations of the 1971 Salaries Commission and partly to the introduction of revised rates for public assistance. Since the latter involved an insignificant sum, the \$209 million over-spending is mainly for the benefit of the Civil Service.

Sir, I would now comment on the budget for 1973-74.

Although the total estimated revenue exceeds the 1972-73 revised estimate by only 3 per cent it actually represents almost a 30 per cent increase over the 1971-72 actual revenue. For the 4 years ending 1971-72, the increases in actual revenue over the previous year were 9.6 per cent, 19.2 per cent, 23.8 per cent and 15.3 per cent respectively. In fact in all the years since 1948-49 the lowest increase in revenue over the previous year was 3.2 per cent, which occurred in 1953-54, followed by 4.5 per cent in 1967-68, the year of the disturbances. Even in 1965-66, the year of economic recession, the increase was 7.5 per cent. The new budget shows a scale-down of \$60 million in stamp duties despite doubling the duty on share transactions while revenue from land sales and re-grant premia is slashed by 50 per cent (\$301 million).

Another area which appears again unrealistic is motor vehicles taxes and licences, a mere 4 per cent increase is budgetted as against our 15 per cent vehicle growth. On the other hand, my honourable Friend has shown an unexpected optimism in taxi concession as it is

doubtful that the 1,000 new licences would bring in \$85 million premia in the present climate of the trade.

It is my view, Sir, therefore that unless there is a considerable climb down in the stock market or some urgent measures to arrest or even repress the soaring land prices, the growth of revenue should attain a higher rate than 3 per cent. My honourable Friend has given the statistics of land available for sale during 1973-74, which indicate that although the area of urban land for industrial and non-industrial uses that will be available for sales amount to only 70 per cent of the acreage that was sold this year, four times more of the non-industrial and 3½ times more of the industrial land in the New Territories will be available in 1973-74 when market forces will fully play their parts. No doubt my honourable Friend is fully aware that there is a pressing need for residential land and this need has directed the developers' search to the rural areas and Sha Tin has become a focus with its prospect of improved transportation in the very near future. But private development within the Sha Tin new town layout has been frozen for years and little comfort can be derived from my honourable Friend's disclosure that ultimately hundreds of acres of land will be available in this locality. The new town has been planned and re-planned and construction heralded for well over a decade, during which the planned ultimate population has been revised downward considerably. Perhaps present circumstances warrant a re-examination of the approved town plan with a view to expanding its capacity as a dormitory town by pushing back the green belts.

The Draft Estimates provide for an increase in expenditure of \$542 million over this year's revised estimate, or 14 per cent. It should not be compared with the current year's original estimate (21 per cent) as my honourable Friend did because of the heavy increase required for Civil Service salary adjustments. I am puzzled by his statement that the 14 per cent increase rate was intended to maintain the trend of substantial annual increase since 1969-70, as my own calculations show that for 1972-73 the increase over 1971-72 was 26 per cent; that for 1971-72 over 1970-71 was 18.3 per cent and for 1970-71 over 1969-70 the increase was 20.7 per cent. In fact, low increase rates occurred in the 4 years ending 1969-70 with the exception of 1967-68, which suffered a decrease because of the disturbances. My honourable Friend's cautious approach to revenue and expenditure estimates is an indication that he is still not completely free from the bondage of the diehard philosophy of the Finance Branch.

Much of the total increase in estimated expenditure for 1973-74 over the revised estimated expenditure of 1972-73 are for civil service emoluments (\$142 million) and public works projects (\$244 million), the latter covering all our important economic and community service

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including big money-spenders like the Airport, waterworks, housing and highways.

The rapidly rising cost of our Civil Service has rightly worried both my honourable Friend and his predecessor in the past. Next year's personal emoluments exceed this year's by \$145 million or 11.5 per cent, while there was a \$237 million increase for last year. The proposed 109,495 strong public service establishment for 1973-74, consisting of 97,042 permanent and 12,453 supernumerary posts, exceeds the 1972-73 total by over 11,000 or 11.2 per cent. This is a big increase compared with the 4.3 per cent for 1972-73 over 1971-72. Our previous Financial Secretary was also much concerned with the situation in 1966 and suggested to the Establishment Sub-Committee a guideline of 3 per cent annual increase. Whilst recent years' accelerated tempo of development justified a reasonable expansion, but unwarranted increase must be rejected. It is hoped that the Establishment Sub-Committee of this Council will keep a vigilant watch on any symptoms of Parkinson's Disease and check the ambition of any Government department aspiring the role of an octopus. In all my years on the Finance Committee, I have grown accustomed to the unending requests for supernumerary posts, but was never once called upon to deal with redundancy, a term which appears to be non-existent in the terminology of our public service, nor had there been any proposal for axing the dead wood. In this respect, Sir, the report and recommendations of the efficiency consultants commissioned to look into the working of the administration is keenly awaited.

It is pleasing to note that there is an apparent increase of \$284 million in next year's expenditure on Public Works Non-Recurrent projects. However, against this must be set this year's considerable underspending of \$106 million on waterworks projects. The net increase is therefore \$178 million, or 23 per cent over this year's revised estimate; and if the effect of higher construction prices is taken into account, the increase is less than 10 per cent.

The Draft Estimates provide an increase of \$37 million for Public Works Non-Recurrent Headquarters. The total estimate for this head of \$83.5 million provides mainly for the mass transit railway and urban renewal. Whilst I am pleased to see the emphasis on the former, which has been given a total of \$30 million for land resumption, survey and investigation, I must voice my disappointment at the rather inadequate provision (\$40 million) for the latter. The estimated cost of resumption compensation for improving the old parts of Yau Ma Tei, Wan Chai and Western District and for creating the Urban Renewal Pilot Scheme amounts to no less than \$207 million, and as



expenditure on this count may only reach the 40 % mark by March 1974, it will be many more years before the environments of these areas are improved. It will be appreciated, Sir, that the Urban Renewal Pilot Scheme was proposed by the Slum Clearance Working Party over 7 years ago in 1965. As for Yau Ma Tei, Wan Chai and the Urban Renewal District in Western, private redevelopment of affected land in these areas has been frozen for a number of years causing hardship to many owners.

So much for our fiscal policies. May I now comment very briefly on my honourable Friend's proposed tax reforms and his pursuit of non-fiscal objectives. My comments are necessarily brief because I know several of my Unofficial colleagues have strong views on these proposals.

Sir, earlier on I described my honourable Friend's second budget as a "give and take" budget. He himself having described it as system-balancing although he proposed to give away \$137 million and hoped to recoup \$338 million. His proposed boost to personal allowances is generally welcomed by the public, but the abolition of life insurance allowance has stirred up the hornets' nest. In the context of Hong Kong where social security provisions are badly lacking, it is a retrograde step to withdraw this relief which has been made available since 1947. Even in countries with comprehensive social security arrangements, tax relief for life insurance is available. I regret that my honourable Friend could not see any reason why this particular form of thrift or personal expenditure should attract relief. Since Government provides only a limited range of social welfare, it is in my view anti-social to disclaim this particular form of thrift. I cannot see the wisdom of reclaiming the \$3 million which is a drop in the bucket of over \$300 million which he hoped to recoup by the present exercise. It is all the more unpalatable when held up against his proposal to abolish the \$32 million cinema entertainment tax the effect of which is to encourage the enjoyment of sex and violence under our existing climate of entertainment.

Sir, I must not conclude without commenting on my honourable Friend's proposal to increase the fees for driving tests and driving licences, which he considered as a vanguard measure to achieve certain policy objectives in the field of transport, although he did not think that this is the occasion to debate on his cherished over-all transport policy for the 70s and 80s.

Whilst I do not share my honourable Friend's optimism that road congestion could be solved by merely increasing 3 to 4-fold the cost of becoming a motorist, I support his proposal as a practical means to avert the tide of aspirant motorists who are flooding the Transport Department. The resulting revenue increase of \$38 million in 1973-74

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will be a handsome amount which I hope he would consent to its use to speed up the construction of multi-storey car-parks and automatic vehicle inspection centres, both of which are indispensable infrastructures of any overall transport policy.

Sir, this is perhaps the only budget debate since 1967 at which the issue of the Mass Transit is not debated with vigour. As Government has already made known its intentions regarding the scheme's construction, its feasibility and viability have become foregone conclusions. Most people in Hong Kong including myself are grateful to our Financial Secretary for his genuine and deep interest in the scheme as an indispensable facility to help solve our road congestion. His bold and unprecedented action to allocate \$500 million from our current surplus towards the equity contribution of the future Mass Transit Railway Corporation has been widely applauded.

Sir, it is not so much the money that counts in this instance, which we all know is important; it is the show of determination to resolve our perennial transport problems. Above all, it is a demonstration of confidence in our future which is of the greatest importance. Thank you, Sir.

MR WONG: —During the past years in this Council, I have drawn the attention of the Council to the bulging surpluses for Hong Kong throughout the years. With your indulgence, they are as follows:

1961 – 62	\$ 77,200,000	surplus
1962 – 63	\$139,800,000	”
1963 – 64	\$ 98,000,000	”
1964 – 65	\$ 77,800,000	”
1965 – 66	-\$137,400,000	deficit
1966 – 67	\$ 11,700,000	surplus
1967 – 68	\$135,500,000	”
1968 – 69	\$208,000,000	”
1969 – 70	\$448,000,000	”
1970 – 71	\$619,000,000	”
1971 – 72	\$640,000,000	”

With the exception of one year, 1965-66, the year after the bank run, every year had a surplus. 1972-73 will have a record surplus.

Although the Financial Secretary presented a budget of \$720,000,000 surplus as against his original estimate of \$47,000,000, it

is attributable, according to my way of counting, to \$400,000,000 extra revenue from land sales and \$388,000,000 extra internal revenue. Otherwise, I congratulate him on the accuracy of the budget as nearly all the other items of the revised estimates bear close relations with the approved estimates. The large increase in educational expenditure and Public Works Recurrent expenditures are just balanced by a shortfall in the Public Works Non-Recurrent Waterworks expenditure.

When social and community services are behind requirements in Hong Kong, I continue to urge a greater rate of fulfillment and have pointed out the difference between business finance and national finance. The purpose of a business is to make a profit. The purpose of a Government is to sustain an ideal society. When a firm makes a profit, it can distribute the profit or hold certain reserves against a rainy day. This does not seem to be the rule in present day national finance. No nation in the world has any general reserves except exchange reserves with the possible exceptions of Kuwait, Libya, and Saudi Arabia.

Statesmen world-wide have long adopted the policy of mortgaging the present for the future because they wish to ensure the benefit which is due to the people and thus carry out its social responsibility to the present generation.

As to the question of why should the future generation be called on to pay for a debt incurred by the present generation, the answer is that why shouldn't the future generation be called upon to participate in payment for the services which will also benefit them. The schools, hospitals, housing estates, reservoirs, roads, welfare institutions would certainly benefit also the future generation.

Even leaving out the part to be played by the future generation, we may question whether we can afford an enlarged social and community service programme now. The answer is undoubtedly yes. Firstly, we have a favourable balance of trade, that is exports plus invisible exports minus imports. Secondly, we have a stable Government. And thirdly, we have a buoyant and rising economy in terms of continuous growth in the GDP. The economy of Hong Kong appears to be at its peak. The Gross Domestic Product for 1972 is \$23,000 millions, or \$5,750 per capita, and the public debt is still \$16.50 per capita. Bank deposits at the end of 1972 were \$24,613 millions while loans and advances were \$17,726 millions. Therefore, the ultimate criterion is not the amount of reserves but the taxability of the economy. General reserves are desirable but not necessary.

When we have a large reserve, we have investment problems. These problems include depreciation of currency and inflation of money. Modern economy has indicated a switch from investment of

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reserves in monetary currencies to investment in community properties, social community and economic services, as well as human resources. Even though social and community service projects, like housing and Mass Transit System, are self-liquidating, I would urge the Financial Secretary not to rule out deficit financing in the years to come.

A word on economic policy. Hong Kong is probably the world's most successful *laissez faire* economy in the 20th century, if not the last bastion of it. Francois QUESNAY, 18th century physiocrat and economist, who first wrote on *laissez faire*, would be delighted with Hong Kong. That the French philosophy of "let go" be applied to the natural forces of demand and supply has been the maxim of Hong Kong Government and it even leads some to conclude "He who governs least governs best."

However, the fact is the Hong Kong Government has intervened considerably in the economic life of Hong Kong in the food industry, the rice control system, the Vegetable Marketing and Fish Marketing Organizations, in rent, the pre-war building rent control, the rent control and security of tenure of buildings below a rateable value of \$15,000 per annum, in trade, Government negotiations and Government sponsored trade development internationally.

As in the case of foodstuffs in years gone by, so in the case of money supply, there are indications that uncontrolled economic activities are tending to work toward the detriment of the community. No-one begrudges money holders from making additional money provided it does not misrepresent values and disturb the economic life and stability of living. But when the stock market's average price over earnings ratio is over 60 to 1, and when land speculation is exerting an all round inflationary influence over the whole economy, some positive action needs to be taken.

In expectation of large capital appreciation, investors, large and small, have gone wild in a frenzy of speculation (out of all proportion with real asset value) so that an atmosphere of wholesale gambling is permeating Hong Kong with the result that workers', clerks', domestic servants' and, for that matter, managers' minds are diverted from their productive activities in industry and business.

When stock prices are way out of proportion to value and fantastically easy money is made, it makes a mockery of salaried and professional earnings. When certain amahs are making more in a few months than a whole year's earnings of technologists and teachers, it is demoralizing to the professionals and will have far reaching effects

on the productivity of Hong Kong. When money has lost its meaning as a standard of value, economic chaos will prevail.

What is the real reason for this phenomenon? It is a combination of financial techniques such as takeover and asset-splitting combined with an overabundance of money.

In other countries, a capital gains tax might be a solution; but in Hong Kong, where our major resource is entrepreneurship, such a tax will dampen entrepreneurship. Furthermore, a capital gains tax on the individual would be difficult to implement and, therefore, has to be ruled out for the time being.

Credit control through a Central Bank would be another obvious remedy. However, Hong Kong has no Central Bank.

A stricter control of stock market operations is imperative and therefore the enactment and passing of the Securities Bill is now a matter of urgency.

It has been suggested that an increase of stamp duty on the transfer of shares would act as a short-term cooling measure for the stock market. As my honourable Friend the Financial Secretary has predicted, a 100 per cent increase on the rates has practically no effect. Therefore, consideration must now be given to further raise the rate as the present situation looks dangerous.

The only other way left open is for the Government to exercise its influence on the bankers, to lead to a gradual but firm restriction of credit by:

- (a) increasing the interest rate;
- (b) reducing the margin for loans on stocks and land;

and Government should consider the invocation of the business profits tax.

Section 14 of the Inland Revenue Ordinance (Chapter 112) on profits tax reads "Subject to the provisions of this Ordinance, profits tax shall be charged for each year of assessment at the standard rate on every person carrying on a trade, profession or business in the Colony in respect of his assessable profits arising in or derived from the Colony for that year from such trade, profession or business (excluding profits arising from the sale of capital assets) as ascertained in accordance with this Part."

When a person makes a few investments in a year, he or she is not in business, but when he or she regularly and habitually buys and sells shares, the person is clearly making a profit arising out of such a business.

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Furthermore, according to Adam Smith the first canon of taxation is equality, and equality means equality of sacrifice. Why should a salaried teacher or technologist pay tax and another person, a share operator, be exempt from profits tax?

On the question of land, it is not unhealthy to have a gradual rise in land prices, but when land prices quadruple in a few years time they are fanning inflation and undermining the fabric of Hong Kong's economy by distorting the cost structure.

Many land transactions are pure speculation without any intention of development, and there is a tendency among certain groups to "buy up" all the land they can lay their hands on. The difference between the land developer and land speculator is that one intends to build, the other merely buys, holds, and resells. Under the circumstances, it is proposed that a high transfer tax be levied on land transactions to dampen the land market.

By the end of this year, and even before then, most industries and business firms will be facing unusual demands from workers and clerical staff in general for increases because they say money has lost much of its value and is not worth the same. Take one instance: vegetables and rice, our basic staples, alone cost approximately 30 per cent and 20 per cent respectively more than a year ago.

The inflation whipped up by the sensational rise in land prices and share prices will have serious consequences in bringing up the cost of production as labour costs invariably follow land prices and eventually will tend to price Hong Kong products out of the world market.

The vicious cycle has already begun. The higher the share and land prices, the more outside money will come. The more outside money, the higher share and land prices.

Therefore, the cooling down of the economy and the dampering of money supply can no longer be delayed.

The eventual benefit will be that money will flow back into proper industrial and business channels where they will fetch less immediate returns but such returns would bear a logical relation with the natural growth of the economy.

The inflationary effect on the cost of living, wages and prices will have to be dampened, making it easier for manufacturers and businessmen to carry on their normal industry and business.

Further, on economic policy, a few more words on land and rent. In view of the inter-relations between the four factors of production—land, labour, capital and entrepreneurship—no one single factor is dominant and can be isolated from its overall part in the social economy. Economics was once called "political economy", because it cannot be divorced completely from politics, and also once called "social economy", because economic policy will necessarily have social implications.

Value depends on utility and scarcity. Land in Hong Kong is both useful and scarce. According to economic laws, the value should rise sharply. Still this does not imply that the sky is the limit. Suppose rent rises 50 per cent to 100 per cent every year, what would its effect be on society or industry?

The social consequences of spiralling rents is the disturbances which they create in the cost of living and which in turn tend to un-stabilize society as a whole. The effect on industry is that it weakens its competitive power in a world market because increasing rents will force up prices.

It is precisely for this reason that legislation for rent control for pre-war premises, and security of tenure and rent control of premises below a rateable value of \$15,000 per year is still in effect.

However, there are loop-holes in the present administration of the Rent Increases Ordinance because some leases are being stamped with invalidation clauses due to the effusion of time, and such clauses are stamped by the Secretariat for Home Affairs. This, together with three year leases, are subjected to increases of one hundred to three hundred percent! A number of families have been thrown into the street or have had to double up in cubicles!

My honourable friend the Financial Secretary's prediction that the level of rents for domestic premises in 1973 should stabilize is somewhat optimistic because, in spite of the fact that 30,000 flats are to be completed in 1973, there is a considerable increase in the number of new families and there is a tendency to "hoard" flats as indicated by the fact that there are over 4,200 vacant flats at the end of 1972, in which year 20,000 flats were completed. I understand that, as of today, there are no less than 7,000 flats vacant.

The problem of land and rent can be divided into the long range and short range.

The long range solution includes a new land policy as follows:

- (a) an opening up of the New Territories based on the maximum use of land even by diverting agricultural land on the assumption

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that mainland China will be the main supplier of our agricultural products;

(b) a crash programme for Government housing.

A short range plan to stop spiralling rents in domestic premises could—

- (i) extend the security of tenure and rent control to include those of three-year leases;
- (ii) consider extending rateable value flats from \$15,000 per year to a higher ceiling of, say, \$25,000 per year;
- (iii) implement a limited increase per annum rather than by allowing the Rent Advisory Committee of the Rating and Valuation Department to allow rent increases of 15 per cent or more per annum;
- (iv) consider rent control for business premises but not exceeding 10 per cent increase per annum, as small shops and small firms are being forced out of business by landlords.

Such a move would be bound to result in the usual outcry that any move to control rent will stunt building development. The answer to that is:

- (a) new buildings which have not been completed would not be subject to rent control;
- (b) to allow a ten percent increase in rental every year is more than generous and amply allows for inflation.

With these remarks, Sir, I have much pleasure in supporting the bill.

4.04 p.m.

HIS EXCELLENCY THE PRESIDENT: —At this point perhaps honourable Members would like a short break. Council will resume in 15 minutes.

4.19 p.m.

HIS EXCELLENCY THE PRESIDENT: —Council will resume.

MRS LI: —Your Excellency, the Financial Secretary's budget has been described by an economist as a "clever" budget and by the press as a "poor man's budget". I would therefore like to record my own reactions for what they are worth.



No doubt it is a "popular" budget and I agree that it may be termed a poor man's budget in relation to public housing, free primary education, public assistance, free legal aid, medical services and the recently approved allowances for disability and infirmity. However, there seems to be a forgotten group who will be penalized from the proposals in the Financial Secretary's speech in relation to public housing, tax relief and medical service. I will elaborate on these points further when I comment on these headings.

*Tax Reforms:* on the whole the tax reforms proposed by the Financial Secretary to abolish minor taxes have received general approval, although some grave doubts have been expressed as to the desirability of abolishing stamp duty on contract notes for share brokers on jobbing functions at this point of time. I will leave it to my Unofficial colleagues who are financial experts to comment more fully on this point.

Perhaps the most widespread and strongest reaction from the community was provoked by the proposal to abolish tax relief for dependent parents and life insurance. The tax system as proposed does give the general public the unfavourable impression that Government favours more spending for pleasure on drinks and movies but discourages provision through insurance for protection of families and support of dependent parents.

Personally, I think it is unwise in principle to abolish tax relief on insurance at this juncture. This "particular form of thrift", as our Financial Secretary termed it, is still one of the very few practical forms of protection for a young family to provide against emergencies such as unemployment, sudden illness and untimely death. Even with our present inflated sense of value, a few thousand dollars or a few tens of thousand of dollars from the insurance still go a long way in Hong Kong towards one's hospital bills and funeral expenses, keeping the children in schools and universities, keeping a family going until its affairs are straightened out by the courts, and/or setting up a small business.

In lieu of a practicable social security system, I would have thought that our Government would and should encourage the working public to save for a rainy day for themselves and their families, rather than to let them become a public charge on society, unless we are suggesting that these conscientious and responsible young husbands should attempt to find their future protection in the share markets. Government provides insurance for the families of civil servants by making contributions to the Widows and Orphans Fund compulsory; I do not see the logic of taking away the incentive from the public.

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One other form of savings open to the man in the street is saving through banks. I feel that Government should give it a second thought about raising to a higher level of tax-free interest rate for savings accounts from the present 3 per cent to say 4 per cent or 5 per cent, as a gesture to encourage a healthy saving habit for small investors and to draw them away from the dangerous game of the gold fish bowls which they might one day get drowned.

The Financial Secretary's proposal to do away with the tax relief for dependent parents brings disappointment to a large proportion of the Chinese community and provokes a great deal of criticism. In the first place, it is Chinese tradition for the sons to look after their parents and, secondly, the increased personal allowances benefit only those who do not support their parents and do not take out insurance. Most of the Chinese wage earners between the age of 35 to 55 must by necessity support their parents who are either widowed, retired or refugees from China, although we would prefer not to call them that. Until the time when the present generation of parents die off and the next generation have made enough money in the share markets during these last few years to be entirely financially independent of support from their children in 20 years' time, I urge Government to reinstate this important allowance in our tax system, for the sake of principle if nothing else.

*Housing:* as I have expressed many times in this Council before, and I repeat it here today, housing is the most important item of security in the minds of all the Chinese people. In spite of the intensive expansion of public housing schemes proposed by Government to provide better living conditions for two thirds of the population, there still exists a lack of a sense of identity and the sense of belonging among such tenants in Hong Kong. Why? I am no psychologist but I can sense that all these millions who live in Government estates by paying a small rent might feel like just so many tourists living in Government-owned hotels. Unless there is a scheme whereby they can own part of Hong Kong, unless they can participate in the activities and share in the economic prosperity of Hong Kong, it is difficult to expect them to develop any sense of identity or belonging because only possession can give one a sense of satisfaction and pride. Chinese has a special terminology for permanent and temporary residency, “定居” and “寄居”, but each has a direct inference to house ownership.

In our haste and anxiety to provide more housing for the vast majority, we seem also to forget the many thousands of young adults who get married each year and need housing desperately. Most of our estate units are designed for large families from 5 to 12 members, so

these young married couples have to sacrifice their privacy by squeezing themselves into the already crowded family unit or pay an impossible rent for a cubicle in another crowded tenement.

Perhaps it is about time for us to re-consider our housing policy to provide small units for young married couples and a house-ownership scheme on a large scale. The present housing loan scheme has been working pretty well for several years, but recently the price of available flats has gone sky-high to beyond the means of most wage earners, and the term of instalment payments is not long enough to be economical. If the rate of interest could be calculated at 6 or 6½ per cent and the length of payment dates stretched to 20 or 25 years, it will go a long way to beat the rent crisis.

*Medical services:* it is most gratifying to note that the target of 4.25 hospital beds per 1,000 population will be soon exceeded. This figure compares favourably with most countries in the general medical services. We can almost proudly say that we are having a nearly free medical service except for the nominal charge of \$1.00 registration for out-patients and the \$2.00 minimal charge for hospitalization. I hope that, in time to come, we will be able to do away with these because these services cater for the very low income group; most of them probably qualify for fee remission and public assistance anyway.

The Financial Secretary's mention of a future proposal to raise fees in Government hospitals will meet with some objection in principle from the public. It may be reasonable and less objectionable, or even desirable, if the fees are to be raised for private rooms, special foods, or other specialized charges only.

While we shall have enough hospital beds for general medical cases, the number of beds for special groups, such as mentally handicapped children and the elderly infirm patients, are grossly inadequate. The new Siu Nam Hospital for only 200 severely retarded children still falls short of the need for such facilities and services.

Medi-care for the elderly is usually an expensive undertaking for most Governments. It has not been too much of a problem for Hong Kong until now, because Chinese tradition demands that we look after our own elderly relatives. But, in our present day society, it has become physically and financially impossible to do so because of the shortage of domestic help, shortage of housing and the fact that every adult member of the family needs to work. As there is no mention in the budget of any provision of hospital beds for geriatric care, perhaps my honourable Friend the Director of Medical and Health Services can enlighten us on this subject.

Last October in your speech, Sir, you mentioned that Government would play a more active role in direct participation of providing family

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planning services within the Government's medical and health framework. I see no provision of expenditure for this service in the next year's budget. I think there is a need for a clear cut policy on population control and family planning services, and I would welcome any information on the progress made in this direction.

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

MR WANG: —Sir, in observing the differences between budgets presented by politicians and those presented by Government servants, it has often occurred to me that the former are inclined to underestimate expenditure and overestimate revenue; while the latter tend to take the opposite line. Now I am sure how right I was.

Everyone knows very well that my honourable Friend did not seriously consider that his theoretical estimate of a deficit of \$129 million would be a likely outcome, but only a week before the last meeting a prediction of \$300 million hit the headlines of one newspaper and, on the eve of it, an even higher headline forecast \$400 million, and in the morning it shot up to \$600 million. At the meeting my honourable Friend was able to let us know that although the revised estimate indicated an expected surplus of \$722 million, he was able to "predict" that it might be even as much as \$900 million.

Sir, I mention this not with the intention of grumbling about our bulging public purse but to ask why so many predictions had to rely on pure guesswork and were so wildly off the mark, even at so late a stage. Can it perhaps have been due to a weakness in our accountancy or book-keeping systems and methods used? Any improvement in providing more up-to-date information on our financial position would surely assist all those who are in a position to decide or to suggest or even to criticize on matters involving finance in the administration.

My heartiest congratulation goes to the Financial Secretary and all concerned who have given the volume of Draft Estimates its "new look" for easier reading.

The change in the presentation of the estimate of special expenditure is indeed a great improvement and of budgetary significance in that it clearly shows not only the total financial commitment of each individual project but also its estimated cost over the year. In a way, it also helps to indicate the time likely to be taken to complete the project. An improvement such as this, designed to achieve a more accurate estimate, is certainly most welcome.

On the question of decentralized budgetting and payment system: in connection with his explanation on the method of budgetting for the Housing Department and the reimbursement of the cost of the staff of the Urban Services Department, my honourable Friend also interpolated a word of warning against the proliferation of semi-independent bodies, financed from hypothecated revenue. I must say that if it is the "hypothecating" of the revenue which worries him, I share his view. But this can certainly be remedied by experience.

I must say, also, it is difficult to accept the whole statement without question. I am not convinced that it is conclusive to say that the small size of Hong Kong and its concentrations of people are conducive to a centralized budgetary and payments system without impeding improvement. On the contrary, to me it would seem more likely that there are advantages in decentralizing control in certain special fields of services for more efficient administration and progressive development. To say the least, their achievements and costing would be more easily assessable.

As I see it, there are now more chickens than the mother hen in Lower Albert Road can cover with her wings, strong and wise and well intended as she is. Some have already grown up and may well be allowed to stand on their own feet, not only for their own benefit but also to allow others to have better care.

The bottleneck in the Secretariat, caused by the tremendous amount of "traffic", will go from bad to worse if the principle of delegation is not applied to a greater extent. A centralized budgetary and payments system makes for flexibility but it can also make long term planning difficult in certain specialized fields of development and can confuse the department actually on the job. I am sure we have moved one step in the right direction by giving financial independence to the Urban Council and the same might be said to apply to the newly constituted Housing Department.

This department has an onerous task to perform. Apart from the management of the existing housing estates for over 1½ million people, it is entrusted with the implementation of a new development programme to provide for the housing of an additional 1.8 million people.

My honourable Friend estimated that the capital cost would be \$8,500 million at today's prices, but it is still a puzzle to us all what the actual cost to taxpayers will be after deducting the rents received. The immediate advantage of this department's having a separate budget is that it will more readily provide an answer to this question in a more intelligible form.

I sincerely believe that the department will receive more sympathetic support from taxpayers in general and its tenants in particular if everyone

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has a better knowledge of the actual cost of building and maintaining each individual estate. For instance, few have ever realized that rents from resettlement estates hardly cover recurrent expenditure. None would consider that this state of affairs is satisfactory in the light of the hardship many are suffering in having to live in most appalling conditions and to pay exorbitant rents for private housing. There is an urgent need to provide housing within the means of all at the fastest possible rate. The building cost alone will drain off a substantial portion of our resources. It is not difficult to see that, if our resources are further drained by the recurrent deficit, it will seriously impede the speed of our expansion programme and be against the interests of those who are awaiting relief.

My honourable Friend has brought to our attention the moving averages during the last 15 years, and gave us a series of numbers quoting the rate of growth and costs of the Civil Service. He ended with the single comment that these figures speak for themselves. I presume he is concerned with the relatively high rate of increase in costs, on which my honourable colleague, Mr SZETO Wai, has just commented.

I too share his concern. The Financial Secretary explained that the cost of Personal Emoluments would exceed 50 per cent of the total recurrent expenditure, but one must remember that a quarter of this expenditure concerns subvention to voluntary bodies. Hence the true ratio of the cost of the Civil Service to recurrent expenditure in which they are actually involved would be, in fact, well over 65 per cent.

While we worry about rapidly rising costs, we are, ironically enough, even more worried about the fact that the staff of many departments is under strength, and we have often been told that this is the reason why they have not been able to carry out their duties effectively. Yet, more ironically, our Civil Service do not seem to be satisfied with their pay either.

Surely, the situation calls for a close examination of the productivity of our civil service. I believe the following issues may have some bearing on this subject:

- (a) Have we done enough in providing apprenticeship training and career guidance for undergraduates and senior school students, particularly during their long summer vacation, so that the new recruits can have a better knowledge of what their new jobs demand of them?

- (b) Are there sufficient refresher courses and in-service training and other opportunities offered to improve the standards and qualifications of the existing members of our civil service?

The dead wood, I believe, in any administration consists of those who cannot become qualified for promotion by improving themselves, and therefore have to rely solely on salary adjustment for the raising of their financial status.

- (c) Should urgent action not be taken to retain experienced personnel by revision of the retirement regulations to extend the retiring age to 60 with the option of retiring at 55, instead of 55 and 50 respectively?

A good horse can only run a good race if a good jockey is in the saddle. The staff of any administration can only display maximum productivity under the capable leadership by men of long-standing experience.

Some words on administrative and fiscal policies. In his comment on an estimated surplus of \$286 million for this coming year, my honourable Friend had this to say "I do not think that in the present circumstances we should budget for any smaller surplus. Quite the contrary; I think we should cream off a rather more substantial surplus than this on fiscal and monetary grounds". I agree with him if this is not intended to be achieved by cutting down on services that are badly needed.

For while "thrift" is a desirable virtue, by itself it is not sound economy.

In fact, no one can deny that we are lagging too far behind in our provision of social and community services, and we must not lose sight of the fact that such services, together with other developments, will enhance the prosperity of Hong Kong and hence ensure a healthy growth of the public purse, in turn, which will enable the administration to implement further development.

In view of the vulnerable position of the money we hold in reserve and the losses we have suffered in all these years, can we not be convinced that no investment is safer and more profitable than investment on our own soil?

My honourable Friend's proposals on tax relief have on the whole been welcomed. But I would like, if I may, to put forward one or two suggestions for his consideration:

- (a) On exclusion of allowances for dependent parents: there is a fear that it may discourage that worthy virtue of supporting parents on one hand, though it is admitted that this allowance is subject to abuse, very difficult to check when each individual

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son, for instance, may claim that the parent or parents concerned are dependent on him.

If it is solely for the purpose of eliminating the risk of abuse and the cost of administering this allowance, perhaps the following suggestion may help.

That a parent who has to depend on his son for support might be able to go to a Social Welfare Officer to apply for a certificate to establish his need, and could then use it to apply for tax allowance for his son or for public assistance as the case may be.

- (b) On the exclusion of life insurance as an allowance: I think it is obvious enough to say that none of us want to discourage thrift and individual saving. But how we may differ is a matter of opinion, whether this exclusion will lead to this effect. As for me I am more inclined to agree with my honourable Friend that this is only one of many forms of thrift, and there would appear to be no good reason why this particular form of saving should be singled out for relief. At the moment only a small percentage of the middle income group, and an even lower figure of those of lower income groups, take out life insurance. I obviously will be in favour of an increase in the general allowance to benefit the vast majority of those in need.

Here, in this context, I suggest that there is a wealth of surplus money, even in the middle income group. Government may be well advised to consider some scheme of utilizing this wealth to enhance our development projects and at the same time encourage individual saving. Some schemes may take the form of social security, pensions or gratuities, medical and health benefits or just simple savings bonds. I would be very much in favour of tax relief for a person participating in any such Government-sponsored scheme.

- (c) On abolition of entertainment tax: I would be in favour of abolishing any tax on healthy forms of entertainment and recreation. However, no one can deny that the kinds of film now being shown in the cinemas are, more often than not, hardly worthy of encouragement of this kind. It has often been said that film censorship in other countries is more liberal than ours but one must not overlook the fact that the films there are very carefully classified to safeguard the audience and the theatre managers co-operate in restricting



admission accordingly. Sir, I am of the opinion that the abolition of the entertainment tax should be limited to the showing of films classified as suitable for children, and I may also support extension to other categories of film if the cinemas concerned are prepared to restrict their audiences in careful compliance with the ruling of the censors.

- (d) Stamp duty on cheques: following the abolition of stamp duty on receipts, I hope that my honourable Friend will consider whether stamp duty on cheques can now be abolished. My honourable colleague Mr Q. W. LEE has indicated his support of this plea, and undoubtedly he is better able than I am to present a case for it. I wish here just to emphasize the fact that the present trend is for even very low wage-earners to open current accounts at the bank and not to keep their savings under the bed or in their pocket. For security reasons more and more employers are finding it more convenient to pay their wages by direct bank service. Very often, cheques are used to make payments for small amounts—a practice, I am sure, the Treasury also welcomes, and so does the Commissioner of Police.
- (e) On the toll for the Lion Rock Tunnel: the question has also often been asked whether the 50 cents toll can now be abolished; it is time-wasting, irksome and the revenue is estimated only at \$3 million per year without taking into consideration the expenditure involved in its collection. When one considers the high cost of numerous bridges and flyovers that are free from toll tax, the retention of this tunnel toll does appear somewhat unjust. There appears to be no fiscal or policy objective for such a collection. After all, we don't want to discourage people from living in rural areas.

Sir, I will end here with a confession. Believe me, I feel as guilty as my honourable Friend did when he mispredicted this year's surplus! I also falsely predicted to my honourable colleagues that my speech today would be very short. (*Laughter*).

MR BROWNE: —Sir, I am in broad agreement with the general direction and philosophy of our financial policy, as outlined by the honourable Financial Secretary. And, because of the extremely heavy and increasing expenditure to which we are committed in education, social welfare, medical and so on, I accept the need for budgeting for a surplus and for “creaming off”, as the Financial Secretary so blandly puts it. I welcome the simplification of tax procedure, and also the steps proposed to create an Asian Dollar market in Hong Kong.

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I must also record my appreciation for the very full information provided in this year's budget papers; and for the interesting and useful calculations about Hong Kong's Gross Domestic Product, about which I look forward to more from my honourable Friend Dr CHUNG.

Some of my colleagues have spoken against the abolition of the deduction of life insurance premia. I agree with them and hope that these allowances will be retained to assist savings in the middle-income group.

The honourable Financial Secretary has not said much about the reason for exempting from Stamp Duty the jobbing transactions by sharebrokers. These transactions are surely part of the business of sharebrokers in Hong Kong and, whether the broker makes a purchase on his own account or on behalf of a client, I feel he should pay Stamp Duty at the same rate—and I think Adam SMITH would agree with that! (*Laughter*).

Expenditure next year is a new record at \$4,400 million, and I would like to hear what is being done to tighten up the cost control systems in Government generally, and inside individual departments. Government now has over 100,000 on the staff and in any organization of this size there is bound to be some waste and room for economy. Are Government satisfied with the present cost control arrangements, and are they satisfied with the progress being made in streamlining procedures and improving the cost effectiveness and performance of the Public Service?

There is clearly a continuous requirement for O. and M., but the Organization and Methods Group inside the Finance Branch is obviously much too small to do more than scratch the surface of the problem, and I hope the Group will soon be strengthened. There seems to me to be a need, in addition to O. and M., for an expert and suitably high-powered team to provide advice and help with management services. And here I would very much like to endorse very strongly the remarks made by the honourable P. C. Woo in support of the employment of consultants by Government to advise them on their systems and structure. I think we can already see some beneficial results and I hope for better things to come.

Turning to education, I am all for the proposed expenditure for more secondary education and the expansion of facilities for technical education in the years ahead. This will go some way to fill out the gaps in our educational pyramid; but more needs to be done to get the balance right between the secondary schools, technical schools, the

Polytechnic and the Universities. Post-secondary education is expensive and I am particularly concerned at the high costs of the two Universities. I believe the cost per student in our Universities is among the highest in Asia. I know that the Universities have been making efforts to contain costs, but feel that a sustained effort should be made to stretch the grant from Government so that it covers more ground. And by maximizing the use of their facilities and resources, more opportunities and places for higher education can be made available to young people in Hong Kong at a lower cost per student. I hope the Universities will be encouraged in this by Government and by the Universities and Polytechnic Grants Committee so that they produce the right type, number and quality of graduates which Hong Kong requires, at a cost that the community can afford.

As regards special education for mentally handicapped children, I hope the honourable Director of Education will tell us what steps are being taken to institute, first, in-service courses for teacher training and, second, special courses in the Teacher Training Colleges.

I have three final points.

*Family planning:* I support everything that my honourable Friend Mrs Ellen LI has said today and at previous sittings of this Council about the need for Government to formulate a population policy and to take a more active role in family planning.

*The Airport:* the number of passengers moving through Kai Tak increases every year, and I understand that we are going to run into very serious congestion in the Terminal Building in 1974 and 1975. I hope, therefore, that Phase 3 of the Terminal Building Development Plan can be upgraded to Category "A" fairly soon.

Finally *Lantau:* would Government consider taking a new look at the future of Lantau Island to see if it can and should be developed to provide for housing, industry and recreation? If we are going to open up Lantau, as I think we should, the key to it is improved communications; this means a proper road system; a vehicular ferry service and, in due course—and by that I mean about 1977, and not into the 80s—a tunnel or bridge over Ma Wan Island to link Lantau with the Castle Peak Road. I do suggest that this is worth serious study as a means of relieving congestion in Kowloon and the New Territories.

With those uncontroversial remarks, Sir, I support the motion. (*Laughter*).

DR CHUNG: —Your Excellency, in reviewing the economic progress of Hong Kong my honourable Friend the Financial Secretary laid in

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this Council two weeks ago a number of Government publications. Among these new publications is a booklet giving estimates of Hong Kong's Gross Domestic Product for the six years 1966-71. This is a great step forward and I wish to compliment Government and in particular the honourable Financial Secretary for the compilation and publication of these national statistics which the Unofficial Members, especially Mr Wilfred WONG and myself, have been asking for during the last five or six years. Furthermore, it is encouraging to hear that the Gross Domestic Product series will be revised and updated annually. I believe many people like myself would find the economic background booklet very informative and useful and wish that Government will endeavour to also publish it annually. By next year industrial production statistics will probably be available and I hope that these statistics will be included in the booklet.

There are a few interesting facts revealed in these statistical publications. First, it is now officially confirmed that Hong Kong's affluence is among the highest in Asia and is second only to Japan. Last year, the per capital GDP reached HK\$5,600, or US\$1,000.

Secondly, the manufacturing industry contributed in 1972 the largest portion amounting to HK\$6,319 million, or over 32 per cent in the net domestic product and offered the greatest proportion of employment (almost half) of the total working population. On the other hand, whilst the finance, insurance and real estates sector contributed 14 per cent towards the GDP, it only provided a mere 2½ per cent—and I repeat 2½ per cent—employment in the total working population. These statistics show without any doubt the paramount importance of the manufacturing sector in our economic structure. The export of our manufactured goods is still, and will continue to be, for a long time to come the main pillar in our economy without which the whole Hong Kong economy will, I regret to say, be in jeopardy. It is therefor in the overall interest for the Government to ensure that the manufacturing sector continues to succeed in the world markets.

Last October I drew the attention of honourable Members on the declining growth rate of the exports of our manufactured products from 25 per cent in 1969 to 11 per cent in 1971, and possibly also 11 per cent in 1972—a reduction of 50 per cent in two years. Now from one of the publications, the decline of growth rate on the real value of domestic exports is even more severe. The growth rate dropped from 16 per cent in 1968 to only 4 per cent, and I repeat 4 per cent, in both 1971 and 1972, a reduction of 75 per cent. When I say real value of exports, Sir, I mean the export price of goods and services after taking account of price inflation. Since about 85 per cent of our industrial

production is for export, the value of domestic exports is a reasonably good indicator of our total industrial output, whose 4 per cent annual growth rate in real value is low by any standards.

The outlook for 1973 for the manufacturing sector is also not really bright. The honourable Financial Secretary two weeks ago predicted, and I must say I concur with his view, that the value of domestic exports would continue to show a low rate of expansion. As I said earlier, we live on domestic exports and I am therefore concerned about the continuing decline in the growth of our export performance. Knowing what my honourable colleague Mr T. K. ANN is going to say tomorrow afternoon, I wish to associate myself with his comments on the export-oriented industries.

Sir, like last year, I would like to congratulate my honourable Friend the Financial Secretary for the excellent speech he has again made in presenting his 1973-74 Budget. However, there are a few points raised in his speech requiring comment. First, in view of my remarks made on 28th February in this Council it is obvious for me to share the anxiety of some of my honourable colleagues on the question of rapidly rising rents for private domestic accommodation. Without any doubt, the cause for such high rents is due to shortage of land for the development of residential accommodation, and therefore the basic solution for this problem is to make more land available. I recognize that our land in the urban area is limited but there is still plenty of land available (though not readily usable) in nearby suburban areas such as Sha Tin, Kwai Chung, Sai Kung and Yau Tong. If Government had the foresight some years ago to prepare land lots and to provide adequate road communication and other basic infrastructure for these areas, our current rent spiral could probably have been avoided. I therefore urge Government to urgently look into this proposal with a view to carrying out a programme to develop the nearby suburban areas into residential townships. The key points in this proposal are, first, nearby urban areas, secondly, efficient road communication between these suburban districts and the main urban area; and, thirdly, provision of adequate infra-structure and community services within each suburban residential township.

My second point, Sir, is about the honourable Financial Secretary's remark to raise fees in Government hospitals nearer to those to be charged in subvented hospitals in order to make maximum use of subsidized beds. I presume that the reason for this proposed increase in Government hospital fees is to force patients to shift from Government to subsidized hospitals. Let us consider why people at present are reluctant to use subsidized hospitals. There may be, in my view, two possible reasons. First, people have greater confidence in the Government hospitals—and I must congratulate Government in this

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respect—than in subsidized ones. If this is the case, to increase fees in Government hospitals nearer to those to be charged in subvented ones will not, in my view, achieve the objective of shifting patients from Government to subsidized hospitals. The second possible reason is that many poor people could not even afford to enter subsidized hospitals and, if this is the true reason, then I think Government is taking a retrograde step in its social development. I do not object to the increase of fees in the first and second class wards but I do feel strongly, like many people do, that fees in the third class ward in Government hospitals would not, and should not, be raised. In fact, I would like to see that the present charge for the third class be removed so that we in Hong Kong will be able to claim the provision of free but good medical services to those less fortunate sections of our community. It is wrong in the modern concept of social development for Government to reduce taxation on the one hand and increase charges on medical services to the poor people on the other. It has been said, rightly or wrongly, that Hong Kong is a rich man's paradise and a poor man's hell. The proposed increase in charges for third class wards in Government hospitals may create a worse image of Hong Kong.

My third point concerns direct versus indirect taxation. Like last year, my honourable Friend the Financial Secretary again drew our attention this year to his deliberate policy of growing dependence on direct taxation. This is a policy I find rather controversial, and would like the honourable Financial Secretary to explain clearly to the public the reasons for him to adopt this policy of growing dependence on direct as against indirect taxation. Furthermore, the honourable Financial Secretary was rather inconsistent in his speech when at one stage he emphasized his policy of deliberately growing dependence on direct taxation while at another point of time in his speech he was worrying about the growing dependence of direct taxation as reflected by the shift of the ratio of direct to indirect taxation from 34: 66 in 1962-63 to 46: 54 in the year 1973-74. After all, what is the target ratio between direct and indirect taxation in the Government policy and how is this target ratio in the Government policy derived?

Finally, Sir, I wish to speak on the proposed abolition of dependent parents relief and deductions for life insurance premiums. As regards the dependent parents relief, I support the views expressed by my honourable senior colleagues that the allowance for dependent parents should be retained.

Coming to the proposed abolition of life insurance relief, the honourable Financial Secretary explained more clearly the various reasons

underlying this proposal in a speech at the annual dinner of the Insurance Institute on the 2nd of March. His basic reasons are:

- (a) that life insurance is a form of saving;
- (b) that saving and providing for one's family is a matter of personal choice;
- (c) that schemes linking life assurance and investment have posed considerable problems for the Commissioner of Inland Revenue; and
- (d) that considerable paper work was involved in that claims for relief were required to be supported by proof of payment.

With due respect, I think the honourable Financial Secretary has overlooked one very important aspect of life insurance. The prime objective of insuring one's own life is primarily not saving—and I repeat, *not saving*—for old age but to safeguard against premature death or untimely disability. In a society like Hong Kong where social security is minimal, there is no or negligible financial assistance to widows, orphans and dependents when a family suddenly loses its bread-earner. Government has, in the first instance, failed to provide any meaningful social security for these unfortunate people and now even tries to penalize those responsible families which wish to insure themselves against financial and social disaster in case of calamity.

Let us take an example of a young man in his early thirties having a wife and a couple of young children. He is a salary earner and receiving a good and regular income. There is no national social security that he can contribute to. The provident fund provided by his employer is in fact a saving scheme and during the early stage of his career he has no significant benefit and the fund has no significant benefit to his family in case of his premature death. The only means of protection—and I repeat, the only means of protection—that this young head of family could get in Hong Kong today is to take out a life insurance policy, and it is not true to say that he has other choices. In this respect, I say that Government is doing the public a disservice if such tax relief is abolished because considerable paper work is involved, or difficulty encountered, by the Commissioner of Inland Revenue in handling schemes linking life insurance and investment. I therefore join my honourable colleagues in urging Government to reconsider this proposed abolition of life insurance premium as a tax allowance.

With these comments, Sir, I have pleasure in supporting 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.*

### Committee stage of bills

Council went into Committee.

#### LABOUR TRIBUNAL (AMENDMENT) BILL 1973

Clauses 1 to 3 were agreed to.

#### HOUSING BILL 1973

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

Clauses 1 and 2 were agreed to.

Clause 3.

MR LIGHTBODY: —Sir, I move that clause 3 be amended as set forth in the paper before honourable Members.

The amendment proposed for subclause (3) will provide for the Chairman and Vice-Chairman to be appointed by the Governor, and the reasons for this change were explained when I spoke in this Chamber during the second reading of this bill.

The amendment proposed for subclause (4) changes the term of appointment for Members of the Housing Authority from three to two years. On reflection, it does seem that three years is an excessively long period of appointment to such a body and the shorter period proposed will, I hope, prove more acceptable to all concerned.

#### *Proposed Amendments*

##### *Clause*

3 That clause 3 be amended—

(a) by deleting subclause (3) and substituting the following—

"(3) The Governor shall appoint two members of the Authority to be the Chairman and Vice-Chairman respectively of the Authority. ";

(b) in subclause (4), by deleting "three" and substituting the following—

“two”.



The amendments were agreed to.

Clause 3, as amended, was agreed to.

Clause 4.

MR LIGHTBODY: —Sir, I move that clause 4 be amended as set forth in the paper before honourable Members.

This clause requires the Authority to submit each year to the Governor a programme of its proposed activities and estimates of its income and expenditure for the following financial year. As drafted, the clause fails to make it clear that these items are to be submitted to the Governor for his approval, and the amendment proposed puts the matter beyond any doubt.

*Proposed Amendment*

*Clause*

4 That clause 4(3) be amended by inserting after “Governor”, in the second place where it occurs, the following—

"for his approval".

The amendment was agreed to.

Clause 4, as amended, was agreed to.

Clauses 5 to 39 and the Schedule were agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL (MR ROBERTS) reported that the

Labour Tribunal (Amendment) Bill 1973

had passed through Committee without amendment and that the

Housing Bill 1973

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 and next sitting**

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. tomorrow afternoon, when debate on the second reading of the Appropriation Bill 1973 will be resumed.

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