

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 28th 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

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RODERICK JOHN FRAMPTON

Tribute to the late Mrs Mary Wong Wing-cheung

HIS EXCELLENCY THE PRESIDENT: —Before dealing with the business on the Order Paper, I think Members would wish me to pay tribute to our late colleague, Mrs Mary WONG.

She brought to this Council a wealth of experience gained from her close involvement in social welfare work and from her intimate knowledge of the social problems of Hong Kong. I think that in particular we will remember her cheerful and wise devotion to the work of the Council of Social Service and its agencies over many years. She combined to a rare extent charm of manner and firmness of purpose, and in her Hong Kong has lost a very fine lady and a community leader of high promise.

Her death has saddened us all and it leaves this Council the poorer. Our sympathy goes out to her husband and her family in their great loss.

MR WOO: —Sir, when the late Mrs Mary WONG was appointed an Unofficial Member of this Council last November, we were glad to welcome her as a valuable addition to that group of Your Excellency's unofficial advisers who are collectively known as UMELCO. Because of her long and extensive experience in social work, Mrs WONG soon proved her worth in the regular deliberations of the Unofficial Members of this Council which precede the Council sittings. Her contributions to these discussions were distinguished by a comprehensive knowledge of the hopes and aspirations of the man in the street, and because of her sincerity and honesty her views always carried weight among her colleagues.

In the full UMELCO meetings held twice monthly, she had actively participated in the exchanges which arose from consideration of complaints and representations from members of the public and of other public issues which had come to the attention of UMELCO. Her suggestions were always constructive and to the point.

In the few short months during which Mrs WONG was a UMELCO member, she participated in the work of a number of UMELCO groups. In addition to the standing groups, such as the Public Relations Group which meets twice each month, she was also a member of the *ad hoc* group on the retiring age for Government servants and of the group set up to study the green paper on social welfare. In the meetings of these groups, her personal contribution was always useful.

In her private and individual capacity, we found her friendly and helpful, and her enthusiasm and dedication in so many fields of social work was plain for all to see. Her attainments as a voluntary social

worker are so well known that it is unnecessary to repeat them here. Suffice it to say that, with her passing, Hong Kong has lost not only a prominent Councillor and an outstanding woman of character, but also one of its leading social workers.

My Unofficial colleagues and I wish to associate ourselves with the tribute expressed by Your Excellency, and to offer once again our condolences to her husband and her family.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER): —Sir, on behalf of my Official colleagues and myself I would like to associate myself with everything that you and the honourable P. C. Woo have said about the tragic and untimely death of Mrs Mary WONG. She brought in particular to the deliberations of Finance Committee a warmth of heart and an understanding of the problems of ordinary people, which I have personally found of great value.

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Import and Export Ordinance.	
Import and Export (Fees) Regulations 1973	52
Merchant Shipping Ordinance.	
Merchant Shipping (Control of Ports) (Amendment) Regulations 1973	53
Rating Ordinance 1973.	
Rating (Areas of Hong Kong) Order 1973	54
Rating Ordinance 1973.	
Rating (Miscellaneous Exemptions) Order 1973	55
Clean Air Ordinance.	
Declaration of Smoke Control Area (Tsuen Wan) Notification 1973	58
Stamp Ordinance.	
Stamp (Bank Authorization) Order 1973	59
Stamp Ordinance.	
Stamp (Bank Authorization) (Amendment) Order 1973	60

Papers

<i>Subject</i>	<i>LN No</i>
Road Traffic Ordinance.	
Road Traffic (Registration and Licensing of Vehicles) (Amendment) Regulations 1973	61
Royal Hong Kong Auxiliary Air Force Ordinance.	
Royal Hong Kong Auxiliary Air Force (Pensions) Regulations 1973	62
Royal Hong Kong Regiment Ordinance.	
Royal Hong Kong Regiment (Pensions) Regulations 1973	63
Wild Birds and Wild Mammals Protection Ordinance.	
Wild Birds and Wild Mammals Protection Ordinance (Amendment of Fourth Schedule) Order 1973	64
Sessional Paper 1972-73: —	
No 53—Report of the Finance Committee on the Draft Estimates of Revenue and Expenditure for 1973-74 (published on 28.3.73).	

Statement

**Report of the Finance Committee on the Draft Estimates of
Revenue and Expenditure for 1973-74**

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER): —Sir, on the 28th February 1973, the draft Estimates of Expenditure for 1973-74 were referred under Standing Order No 60(8) to the Finance Committee for examination. The Committee has completed its examination and its Report has been laid on the table today.

I should like to take this opportunity of expressing my appreciation to those Members of this Council who, as Members of Finance Committee, devote so much of their time and effort to the scrutiny of public expenditure. I refer not only to examination of the annual Estimates but also to the fortnightly meetings of the Finance Committee, held throughout the year, to consider requests for supplementary expenditure, and to the invaluable and detailed work done by the Establishment Sub-Committee and the Public Works Sub-Committee.

Government business

Motions

CRIMINAL PROCEDURE ORDINANCE

THE ATTORNEY GENERAL (MR ROBERTS) moved the following motion: —

It is hereby resolved, pursuant to section 9A of the Criminal Procedure Ordinance, that the Legal Aid in Criminal Cases (Amendment) Rules 1973, made by the Chief Justice on the 8th day of March 1973, be approved.

He said: —Sir, honourable Members may recall that, in reply to comments made about legal aid during the budget debate in this Council in 1970, I announced that the Government proposed to initiate a study of the way in which the legal aid scheme was operated and might be developed. Subsequently, a Working Party under my chairmanship was appointed to conduct this study.

After consultation with representatives of the Bar Association and the Law Society, a report was submitted to the Governor by this Working Party. The report recommended that legal aid be further extended in both civil and criminal cases and that the Legal Aid Department should be expanded to undertake some of the work which was previously handled by private practitioners. The proposals contained in the report have since been generally approved by the Governor in Council.

So far as legal aid in civil cases is concerned, a resolution was passed in this Council on the 30th of August last year. This raised the maximum disposable income and capital, beyond which a person may not obtain legal aid, from \$500 to \$700 a month in the case of income and from \$3,000 to \$4,000 in the case of capital.

The object of the Legal Aid in Criminal Cases (Amendment) Rules 1973, which are before Council this afternoon, is to provide legal aid for persons accused of the more serious offences which are tried in the District Court. By rule 3 of these rules, legal aid may be granted to a person charged before the District Court with any offence which is punishable by 14 years imprisonment or more. It has been estimated that this will mean that approximately half of the persons charged before the District Court with criminal offences will receive legal aid.

The legal profession in Hong Kong is already very busy, and this extension of legal aid will make a substantial extra demand on the time and energies of its members. The fees which will be payable to counsel and solicitors assigned under a legal aid certificate in criminal proceedings in the District Court are set out in rule 10. These fees are

[THE ATTORNEY GENERAL] **Criminal Procedure Ordinance**

lower than those which apply to legal aid defences in criminal matters in the Supreme Court and they cannot be said, by comparison with fees charged to private clients, to be generous. Nevertheless, I am confident that counsel and solicitors will, as they have always done in the past, do their utmost to ensure that the scheme continues to work well and that accused persons will receive competent and conscientious legal representation.

The provision of legal aid in the District Court will, on the basis proposed by these rules, cost up to \$1.5 million a year, if the present volume of criminal trials in that court continues. The Finance Committee of this Council has approved the provision of the necessary funds for the purpose.

The rules have been made by the Chief Justice under section 9A of the Criminal Procedure Ordinance, and require the approval of this Council before they come into operation. If Council approves them today, they will come into force on the 1st of April.

Question put and agreed to.

DUTIABLE COMMODITIES ORDINANCE

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

It is hereby resolved, in exercise of the powers conferred by section 4 of the Dutiable Commodities Ordinance, as follows—

(a) that, with effect from 4 p.m. on Wednesday the 28th February 1973, the Resolution of the Legislative Council published as Legal Notice No 123 in the *Gazette* on the 11th October 1973, be amended in Part I, in the columns opposite “Intoxicating liquors in this Part above the strength of 22° under proof, for every degree above such strength in addition to the duties specified above”, by deleting, “0.50”, “0.50” and “0.60” and substituting respectively therefor the following—

“0.96”, “0.96” and “1.08”;

(b) that, with effect from the 1st April 1973, that part of the Resolution of the Legislative Council published as Legal Notice No 123 in the *Gazette* on the 11th

October 1973, which imposed duty on table waters, be revoked;

- (c) that, with effect from the 1st April 1973, the Resolution of the Legislative Council published as Legal Notice No 81 in the *Gazette* on the 14th April 1972 be amended by deleting paragraph (c) under the heading "DUTIES ON HYDROCARBON OILS".

He said: —Sir, this motion is in three parts: the first concerns alcoholic liquors, the second table waters and the third hydrocarbon oils.

The first part was published in Schedule B to the Order made by the Governor under the Public Revenue Protection Ordinance. This motion seeks to give legislative effect to the tax reform concerning duty on imports of alcoholic liquors in bulk to increase the efficiency of administration, as proposed in my budget speech on 28th February 1973.

The second and third parts deal with my budget proposals to abolish duties on table waters and hydrocarbon oils. The reason for, and the financial implication of, such proposals have been explained at length to honourable Members in my budget speech. I do not intend, therefore, to repeat what I have said except to say that it is intended that the two proposed tax concessions should come into force on the 1st of April 1973.

Question put and agreed to.

PUBLIC HEALTH AND URBAN SERVICES ORDINANCE

MR ALEXANDER moved the following motion: —

It is hereby resolved that the Hawker (Amendment) By-laws 1973, made by the Urban Council on the 13th March 1973, be approved.

He said: —Sir, the purpose of the Hawker (Amendment) By-laws 1973, made by the Urban Council on the 13th of March, is to enable the Urban Council to continue to license hawkers to trade from the fixed pitches previously allocated to them before the current Hawker By-laws were made.

The opportunity has also been taken to make a number of minor amendments and to cancel by-law 23 as required in the present circumstances.

Question put and agreed to.

PUBLIC HEALTH AND URBAN SERVICES ORDINANCE

MR ALEXANDER moved the following motion: —

It is hereby resolved that the Public Swimming Pools (Amendment) By-laws 1973, made by the Urban Council on the 13th March 1973, be approved.

He said: —Sir, the purpose of the Public Swimming Pools (Amendment) By-laws 1973, also made by the Urban Council on the 13th of March, is to increase individual admission charges to Morrison Hill swimming pool. This heated and enclosed pool will naturally have greater operational and maintenance costs than the unheated complexes already run by the Urban Council.

The proposed increases, designed to help offset these increased costs, are not great: only 30 cents for adults, and 10 cents for children under the age of 14.

Question put and agreed to.

PUBLIC HEALTH AND URBAN SERVICES ORDINANCE

MR ALEXANDER moved the following motion: —

It is hereby resolved that the Wells and Water Storage (Amendment) By-laws 1973, made by the Urban Council on the 13th March 1973, be approved.

He said: —Sir, in the principal by-laws concerned, reference is made to the owner or occupier of a well, water storage tank or cistern. Obviously, this reference should be to the owner or occupier of premises in which a well, tank or cistern is situated. The Wells and Water Storage (Amendment) By-laws 1973, made by the Urban Council on the 13th of March, and now before honourable Members, effect the necessary change.

Question put and agreed to.

Mass Transit Fund**Resumption of debate on motion (14th March 1973)**

Question proposed.

DR CHUNG: —Your Excellency, there was much excitement when the honourable Financial Secretary announced in this Council on 7th June 1972 that a decision had been taken by Government to proceed with

the construction of a full mass transit railway subject to satisfactory arrangements being made for financing it and for letting contracts. About seven months later, the honourable Financial Secretary confirmed in this Council on 14th February this year that it was possible to raise the necessary capital on terms likely to be acceptable, and announced that Government had decided to proceed immediately with constructing the first four of the nine stages of the full system as well as to form by legislation an independent Mass Transit Railway Corporation. Today, another positive step is being taken to establish a Mass Transit Fund of \$500 million as the first equity contribution to the Corporation. This certainly shows the determination of Government to get on with this massive project. It is therefore hoped that the constructional work on the relevant parts of the railway will start, as planned, in 1974 and the initial stages will be open to passenger traffic by early 1977. There is an urgent need for this underground railway system in order to encourage people to shift their homes to nearby suburban areas so as to relieve the extreme congestion in the main urban areas and also hopefully to ease vehicular traffic on our roads.

The honourable Financial Secretary said on the 7th of June 1972 that, on the basis of mid-1970 prices, the minimum net capital requirement for the full system would be HK\$5,000 million excluding accumulated interest over the construction period. The consultants subsequently made a revision of their cost on the basis of mid-1972 prices and the net capital cost became \$6,600 million, which was based on an annual inflation rate during the last two years of about 15%. The honourable Financial Secretary made no attempt in his statement on the 14th of February 1972, nor did he two weeks ago when he introduced this motion to this Council, to give an up to date estimate on the likely total cost of the full system.

Since about 60% of the total cost will be spent on civil engineering and building work and, in view of the already heavy building construction and civil engineering work in Hong Kong foreseeable during the next decade, there will very likely be a significant rate of cost inflation for the mass transit system. It is therefore reasonable to assume that the inflation rate on the cost in the future years is about 10% per annum. If we accept this assumption, the total cost for the full system will probably be close to HK\$15,000 million, which will be spread over the next 12 years or so at an average rate of about HK\$1,000 to \$1,500 million each year. In order to appreciate the magnitude of the cost involved, honourable Members may be interested to know that it will cost about HK\$90,000 per foot length of the railway, and that with the same money we could build more than 20 cross-harbour road tunnels. This is indeed a vast sum of money by our standards and it is gratifying that the honourable Financial Secretary has confidence to raise the necessary funds for this huge capital requirement.

[DR CHUNG] **Mass Transit Fund—resumption of debate on motion (14.3.73)**

Although it appears that Government at present is only committed to build the first four of the nine stages of the full system, it is however obvious that the mass transit railway would not really be serving its purpose if the remaining stages are not eventually built. In fact I would like to see the extension of the mass transit system even further into the New Territories. It is therefore necessary to look at the project from the full system point of view and not only the first four stages. This mass transit railway, I believe, is the largest project in terms of capital cost that we have ever carried out in Hong Kong, and it is hoped that before Government makes its final decision on the award of contracts there will be an opportunity for a general debate in this Council as we did in 1965 for the cross-harbour road tunnel.

With these remarks, Sir, I support the motion.

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, I am grateful to my honourable Friend Dr CHUNG for his support of this motion. If I may respond to his last point first, I can assure him that the Government is working very much with the full mass transit railway system in mind, although we have so far committed ourselves firmly to constructing only the first four stages.

My honourable Friend has rightly observed that the estimated capital cost of the full system, net of interest on the accumulated debt, had risen from \$5,000 million at mid-1970 prices to \$6,600 million at mid-1972 prices—an increase of about 15 per cent in each of these two years. This reflects the somewhat unusual increases in cost levels which had occurred between mid-1970 and mid-1972 in the world's industrialized regions, from which a substantial proportion of the machinery, equipment, materials and services for the mass transit railway project will have to be obtained. But those were two somewhat unusual years, and I think my honourable Friend was being a little too pessimistic in predicting a sustained rate of cost escalation of 10 per cent per annum over the entire construction period for the full system. Indications which we have obtained from a number of sources, including a number of very large consortia, are that it would be reasonable to assume an average 5 per cent annual increase in costs from mid-1972 levels. On this basis, it is estimated that the total cost of the full system, excluding interest charges, would be in the region of \$10,000 million.

On the basis of this estimate, and of a series of assumptions regarding interest rates, repayment terms, operating costs and operating revenue, the Government has come to the conclusion that the project would be financially viable. It now remains to be seen whether a price

is likely to be obtained for the contract or contracts which will fit into our projected cash flow table. To this end, as honourable Members are aware, further consultations are currently being held with a number of consortia so that, in due course, a decision can be reached as to the most appropriate contractual arrangements to be adopted.

Question put and agreed to.

First reading of bills

CROWN LEASES BILL 1973

CROWN RENT AND PREMIUM (APPORTIONMENT) (AMENDMENT) 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

CROWN LEASES BILL 1973

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to make provision for the renewal of certain Crown leases."

He said:—Sir, about 5,000 Crown leases of lots and sections, mainly in New Kowloon though there are some in other parts of the New Territories, fall to be renewed on 1st July of this year.

Many of these properties consist of separate flats, shops and so on, which are owned in undivided shares in a single lot or section of a lot, having been sold as individual units. Indeed, the total number of owners involved is estimated to be as many as 50,000.

Past experience has shown that, where a renewable Crown lease is owned by several persons in undivided shares, it is difficult for all of them to agree, as the law requires, to exercise the option for renewal. Not infrequently, one or more of the co-owners is away from Hong Kong, or cannot be traced, so that the right to renew may be lost altogether.

Moreover, the various leases provide that the Director of Public Works must fix the new Crown rent as at the date of expiry of the leases, and doubt exists as to whether or not he may delegate this function, although it is clearly totally impracticable for him to fix all the rents personally in the huge number of cases which are due to be dealt with on the same date.

[THE ATTORNEY GENERAL] **Crown Leases Bill—second reading**

In addition, the present duty of the Director to fix all the rents with reference to the value of the ground at the date of renewal (that is to say, 1st of July 1973) will mean that lessees may have to pay rents which are much higher than the level of rents which has prevailed during the past few months in the property market.

For all these reasons, the Government considers it right to introduce legislation providing for the renewal by law of those renewable Crown leases which fall in on the 30th of June of this year. The opportunity has been taken to renew, in the bill, a number of Crown leases which have expired in the past two to three years, without the owners exercising their option to renew, and also to include provision for renewal by law of other leases which will fall due for renewal after June 1973.

I should like to emphasize the fact that, while the enactment of this legislation will ease some of the administrative burden which would otherwise fall on the Director and his staff, its main effect will be to confer very substantial benefits on lessees. Indeed, in many cases there will be safeguarded to them rights which, without the bill, would have lapsed, as has already happened in the case of those lots which are listed in the Schedule to the bill.

Clause 3 applies the provisions of the bill to every Crown lease for 21, 75 or 99 years, which has not expired at the commencement of the Ordinance and which contains a right of renewal.

By clause 4 a right of renewal contained in a Crown lease is deemed to have been exercised by all the persons who were entitled to exercise it immediately before the date of expiration of the lease. The clause also deems a new Crown lease to have been granted to them. Clause 5 achieves a similar effect in relation to these lots listed in the Schedule.

Clause 7 provides that the new Crown lease will be for the same period as that for which renewal was allowed by the earlier lease and that it will begin immediately on the expiry of the former lease. Under the new lease the owners will enjoy the same shares and interests as under the former one. By virtue of clause 8, the new Crown lease will be deemed to contain the same terms and conditions as were to be found under the earlier lease, except that the right of renewal will be omitted and the annual rent will, of course, be altered.

The new Crown rent will be such amount as may be fixed by the Director as the fair and reasonable rental value of the ground. This is the same phrase as that which is normally to be found in renewable Crown leases. It is intended that the Director, when he fixes the rental value, will follow the same principles as have determined

the assessment of fair and reasonable rental value in the past, subject of course to the provisions of this bill and to the very generous concessions announced by the Colonial Secretary on the 24th May last year and to which I shall refer again in a moment.

Clause 8(3) deals with leases which expire after the 30th June this year. In assessing their rental value, the Director will take into account *either* the value of the ground at the date of expiration of the renewable lease *or* the value on a date one year before the expiry, whichever is the more favourable to the lessee. This provision confers a very substantial benefit on lessees, who thus are afforded protection in the event of the property market being subject to severe fluctuations.

By clause 9(2), the Director, when fixing the rent of any lot, the lease of which expires between the enactment of this Ordinance and the 1st July of 1973, will take into account the value of the ground as at the 1st day of July 1972. Since the value of property has increased very considerably since the 1st of July 1972, and there is no sign that this upward trend will not continue, this clause represents again a very substantial concession to lessees.

By clause 9(4), the new rent of scheduled lots will be taken as the value of the ground at the date of the expiration of the renewable Crown lease. It should be observed that these lots have in law already reverted to the Crown, because the option to renew was not exercised by the owners at the correct time. Therefore yet another valuable benefit is being conferred on lessees by this bill.

Part III deals with miscellaneous matters. In particular, by clause 11, mortgages and public rights which existed before the expiry of a renewable Crown lease will continue to affect the land, as will other encumbrances, except those of course which were not expressed to continue after the expiry of the original renewable Crown lease.

Clause 12 empowers the Director to prepare a plan of a lot which is subject to a renewable Crown lease, establishing the location, position and dimensions of the lot. Clauses 13 and 17 deal with the inspection of such a plan and appeals to the courts by any person who has an interest in the lot or section and is dissatisfied with the plan. Clause 19 preserves the Crown rights in relation to any breach of covenant in a renewable Crown lease.

It is, I think, appropriate that I should remind honourable Members, lest they should be unduly influenced by a misplaced sympathy for lessees, that this bill represents only one in a long series of concessions to them. Indeed, it might well be argued that the Government has been too generous in its treatment of one small, and generally prosperous, sector of the community at the expense of the ordinary taxpayers in Hong Kong.

[THE ATTORNEY GENERAL] **Crown Leases Bill—second reading**

In this Council, in May last year, the Colonial Secretary announced a number of important modifications to Government policy on the assessment of Crown rents. Firstly, the general level of all renewal rents assessed in accordance with Crown leases was to be effectively reduced by 20%. Secondly, the increased renewal rents would be introduced by gradual stages over a period of 5 years from 1973. This is being effected by charging only 50% of the reduced rent in 1973 and thereafter increasing the percentage by annual stages of 10% until the full annual amount of the reduced rent is charged in 1978 and thereafter.

Thirdly, the existing Crown rent will continue to be paid on any lot which contains pre-war rent-controlled property, until that property ceases to be controlled under the Landlord and Tenant Ordinance. Fourthly, a lessee with under-developed property has been given an option to renew his lease, at a rent assessed on the basis of existing use and development.

These very significant reductions, combined with those which are contained in the bill before honourable Members should, I suggest, satisfy all but the most fervent partisan that the Government has been fair, indeed many might argue that it has been over-generous, in its treatment of Crown lessees.

*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

A number of Crown leases of land in New Kowloon and in the New Territories, to which the New Territories (Renewable Crown Leases) Ordinance does not apply, expire on 30th June 1973. These leases, which were granted for a term of 75 years contain a proviso for renewal for a further term of 24 years less the last 3 days, at such a rent as is fixed by the Director of Public Works as the fair and reasonable rental value of the ground at the date of renewal. There are also a number of Crown leases of land in Kowloon and Hong Kong Island which will fall to be renewed from time to time in future. Many of these leases are held by several persons in undivided shares and experience has shown that it will be difficult for all these persons to exercise their right of renewal.

2. The purpose of this Bill is to renew all renewable Crown leases granted for either a term of ninety-nine, seventy-five or twenty-one years when they fall to be renewed, at a rent to be fixed by the Director. The Bill will obviate the necessity for the persons entitled to the right of renewal to give notice exercising that right, and for the Crown to grant and issue new Crown leases on renewal.

3. The Bill also renews the Crown leases of certain lots set forth in the Schedule. These leases have already expired and notwithstanding that the right of renewal contained in each of these leases may not have been exercised, the Crown is willing to grant a renewal.

4. Clause 7 provides for every new Crown lease to be for the term specified in the proviso for renewal contained in the renewable Crown lease to which it relates and to commence immediately on the expiration of the renewable Crown lease. It will confer on the persons who were entitled to exercise the right of renewal the same shares and interests as they respectively held under the renewable Crown lease.

5. Clause 8 provides for a renewed Crown lease to contain a reservation of the new Crown rent and a covenant to pay such rent. It will include the same covenants, conditions etc. as are contained in the renewable Crown lease, except for the covenant to pay the Crown rent specified therein, the proviso for renewal at the expiration of the renewed term, and any covenant or proviso expressed not to continue after the renewal.

6. The assessment of the new Crown rents is dealt with in clause 9. The Director will, when fixing the rent, take into account the value of the ground—

- (a) on the date of expiration of the renewable lease, in the case of the scheduled lots;
- (b) on 1st July 1972, in the case of a renewable lease expiring after the commencement of this Ordinance and before 1st July 1973;
- (c) either on the date of expiration of the renewable lease, or a date a year before such expiry, whichever is more favourable to the lessee, in the case of a renewable lease expiring after 30th June 1973.

These provisions will confer substantial benefits on lessees, who will, in general, have their rents assessed by reference to dates very favourable to them.

Crown Leases Bill—second reading*[Explanatory Memorandum]*

7. Registration in the Land Office of a notice of the new Crown rent in respect of a lot or section is to be effected by the Director. By clause 10, such registration is conclusive evidence of the grant of a new Crown lease and of the new Crown rent payable in respect thereof.

8. Clause 11 provides that mortgages and public rights existing immediately before the expiration of the renewable Crown lease will continue to affect the land and the renewed Crown lease as will other encumbrances, except those created by an instrument and not expressed to continue after the expiration of the renewable Crown lease.

9. Clause 12 empowers the Director to have a lot or section surveyed and a plan prepared. Clauses 13 to 17 deal with the inspection of the plan prepared at the instance of the Director and appeals to the courts by a person who, having an interest in the lot or section, is dissatisfied with the plan.

10. Clause 19 protects Crown rights in respect of any breach of covenant contained in a renewable Crown lease.

**CROWN RENT AND PREMIUM (APPORTIONMENT)
(AMENDMENT) BILL 1973**

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to amend the Crown Rent and Premium (Apportionment) Ordinance."

He said:—As I explained to honourable Members when moving the last bill on the Order Paper, many of the Crown leases which are due for renewal this year are held in undivided shares. Unless the renewal rents can be suitably apportioned between the owners of these shares, they would all be jointly and severally liable to pay the full amount to the Crown. In practice the full amount would be demanded from one of the owners who, having paid it, would then have to look to his co-owners for contributions. Experience in the collection of renewal Crown rent and regrant premium instalments has shown that this is most unsatisfactory both from the point of view of both the Crown and from the point of view of the owners.

The Crown Rent and Premium (Apportionment) Ordinance was enacted to meet this kind of difficulty. At present it provides that the Registrar General, who is the Land Officer, may apportion rents

and premia on undivided shares in two ways. Firstly, in accordance with an apportionment agreement entered by the owners in writing and registered in the Land Office and, secondly, in default of such an agreement, on a shares basis. The latter method means that the share of the whole amount payable in respect of an individual unit bears the same proportion as the share in the land bears to the aggregate of all the shares of the land, that is to say, if the owner holds 1 / 18th of the shares he must pay 1 / 18th of the rent and premium due.

It has become apparent that it is not easy for owners to reach agreement about apportionment among themselves if the payments to be apportioned are substantial. Consequently, since the shares basis is clearly not appropriate in all such cases, it is now proposed to introduce apportionment on a valuation basis where the owners have not reached a basis of apportionment among themselves and where the annual amount payable is substantial, that is to say, when a renewal rent is being paid or a regrant premium is being paid by instalments.

The valuation basis will only apply to what are called existing buildings, which are defined in clause 2 as those buildings on a lot or section in which a relevant interest was created by an instrument registered in the Land Office before the 1st of August 1970. In most of the cases to which the valuation basis will apply it is likely to prove more satisfactory than a shares basis, since it is believed that it will be more acceptable to owners and at the same time will better safeguard the position of the Crown.

By clause 5, which adds a new section 14A to the principal Ordinance, the Land Officer will be empowered to apportion the Crown rent and the premium instalments, if any, in relation to a lot or section on which there is an existing building, in the proportion which the value of a relevant interest bears to the aggregate value of all the relevant interests. The Director of Public Works will determine the value of each relevant interest.

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 main purpose of this Bill is to enable the Land Officer to apportion on a valuation basis the Crown rent and the annual instalment of premium payable in respect of relevant interests in land on which an existing building stands.

**Crown Rent and Premium (Apportionment) (Amendment) Bill—
second reading**

[Explanatory Memorandum]

Hitherto apportionment has been on a shares basis, if the owners of relevant interests have not agreed on a basis of apportionment. If an existing building stands on the land, the Land Officer is precluded from apportioning by reason of a direction given by the Governor under section 4 of the principal Ordinance.

An "existing building", under this direction, means a building on a lot or section of land in which a relevant interest was created, or agreed to be created, by an instrument registered in the Land Office before the 1st August 1970, provided that no instrument containing a basis of apportionment of the Crown rent or the annual instalment of premium acceptable to the Land Office has been registered in the Land Office.

Clause 2 inserts into section 2 of the principal Ordinance a definition of "existing building". This has nearly the same meaning as that contained in the Governor's direction. However, if the Crown lease has not been renewed in accordance with a proviso for renewal contained therein, or in pursuance of a statutory provision, or has not been granted subject to the payment of a premium by instalments, the building will not be regarded as an existing building and after cancellation of the Governor's direction the Land Officer may apportion on a shares basis under section 13(1)(b) or 14(1)(b) of the principal Ordinance.

Clause 5 adds a section 14A to the principal Ordinance by which the Land Officer will in "existing building" cases be empowered to apportion the Crown rent and the annual instalment of premium if any, in respect of a relevant interest in the proportion which the value of the relevant interest bears to the value of the aggregate of the relevant interests. The value of a relevant interest will be determined by the Director of Public Works. In the same way as provided in section 14(2)(b) of the principal Ordinance, a sum of \$10 will be added to the apportioned sum, but where the apportionment is in respect of Crown rent on a regranted Crown lease, the sum of only \$2 will be added.

Clause 6 amends section 19 of the principal Ordinance to provide for objections to be made if the Land Officer decides to exercise his power under section 14A.

The Governor's direction will in consequence be cancelled.

APPROPRIATION BILL 1973**Resumption of debate on second reading (15th March 1973)**

Question again proposed.

MR CANNING: —Sir, unusually this year there were very few comments from my Unofficial colleagues on education.

The point made by Mrs SYMONS on the need to provide good secondary places is fully appreciated. The secondary expansion programme is at present under consideration by the reconstituted Board of Education and I can assure honourable Members that the Board is as much concerned about the quality as the quantity of education. On the future development of secondary education, Mr BROWNE made a very important point when he stressed the need to get the balance right between secondary schools offering academic courses and secondary schools offering technical and vocational courses. This is included in the terms of reference of the Board of Education and is receiving close attention. We have been fortunate in that with the help of the British Council we managed to arrange a visit to Hong Kong by Mr LAVENDER who is the Principal of Wandsworth Technical College. He was asked to advise on the future development of secondary technical schools. He has completed his visit and we now await his report. I propose to present his report to the Board of Education in order that they may have the benefit of Mr LAVENDER'S advice in their deliberations.

Mr BROWNE also asked about the training of teachers for mentally handicapped children. The Special Education Section of my department has been running one-year in-service training courses for teachers of slow-learning children since 1970. To date 27 teachers in special schools and special classes in ordinary schools have been trained in these courses. The Special Education Section also gives lectures in special education treatment to teachers in training in the colleges of education. At present I do not have sufficient resources to be able to offer full-time training but full-time training is our aim and courses will be established as soon as resources permit.

Referring to the point made by Mr WU on the provision of scholarships and study leave for technical teachers, I am pleased to say that this is already being done. During the period 1971-73, 13 technical teachers have been sent overseas for professional training and attachments. 6 more are expected to go in 1973-74. In addition, technical teacher training courses are available in the Morrison Hill Technical Institute, and 556 teachers have been trained or are undergoing training since September 1969 when the Institute's Technical Teacher Training Department was first established.

Sir, I support the motion before Council.

Appropriation Bill—resumption of debate on second reading (15.3.73)

DR CHOA: —Sir, at the opening of the current session of this Council last October, Your Excellency referred to the possibility of direct participation by the Medical and Health Department in work on family planning. I am glad to inform honourable Members today that Your Excellency in Council has decided that an active role in this field would now be appropriate. I know that this decision will be warmly welcomed by the Hong Kong Family Planning Association. It is proposed, as a first step, that in future the Department should provide the family planning clinic sessions in Government hospitals and clinics which the Association has hitherto run within the Government Maternal and Child Health Clinics. There is a close relationship between family health and maternal and child health, and it is therefore considered proper for family planning work to be integrated into the Maternal and Child Health Service. But to do the job properly without adversely affecting the quality of this Service's existing work, we shall need more additional specially trained staff. We shall be making plans for the phased takeover in consultation with the Association, and seeking necessary funds. This will enable the Association to undertake new tasks and its work will continue to be subvented by Government. I well realize, Sir, the urgency of spreading family planning work and counselling because the number of women entering the fertile age groups will be increasing in the next 10 to 15 years, and the matter is being given priority attention. As for the future my honourable Friend Mrs Ellen Li will be glad to know that accommodation for family planning work will be made in the new standard clinics, as at the new South Kwai Chung Clinic, which was opened by Her Royal Highness Princess Alexandra last October. This kind of planning is essential because of problems of providing additional clinic sessions in the already overcrowded existing clinics.

Sir, I am aware of the growing concern about the way in which we care for the elder members of our community. At the opening of the Seminar on Care for Old Age, held in September 1971, I announced that Hong Kong would soon have its first geriatric unit in a new hospital. This unit is underway. It will provide some 300 beds and is planned to become operational when the Princess Margaret Hospital at Lai Chi Kok opens in, I hope, late 1974. It is one of several special units which are being provided in this new Hospital, none of which has received separate reference in the budget estimates. It is nonetheless very much a reality. Our plan is to use these first 300 beds for acute cases of elderly patients. In addition, in our future provision of non-acute beds, we shall include a proportion for non-acute geriatric cases. We also have it in mind to make available a number of day beds in our new clinics to provide medical treatment or nursing care to

those elderly patients who do not need to be taken into institutional care. The aging population is indeed emerging in Hong Kong. We will follow closely the ways in which other developed countries are taking care of their elderly sick, and I assure my honourable Friends that we will be able to anticipate the situation and make plans accordingly.

My honourable Friend Mrs Ellen LI also mentioned mentally handicapped children. As she said, the Siu Lam Hospital has accommodation for only 200 severely retarded children—as originally planned all such cases in the Tung Wah Hospital and the Po Leung Kuk have been transferred to this hospital—but we are very conscious of the fact that there are many more for whom we must provide. At my request and through the kindness of the British Council, Dr K. S. HOLT of the Institute of Child Health, University of London, spent a month in Hong Kong recently to make an assessment on the care of physically and mentally handicapped children in Hong Kong. His report will be of much value to us. He shares the view expressed over ten years ago by Dr L. T. HILLIARD that the care of severely mentally handicapped children should be the responsibility of the Medical and Health Department, and he has given us much valuable advice on the plans we have made to take care of them in institutions where specially trained staff and appropriate medical and nursing care are provided. We are ourselves anxious to make further progress as soon as we can, and we are presently planning to provide another 300 beds with the co-operation of a Government-assisted hospital.

On the question of raising fees in Government hospitals, I would like to assure my honourable Friends Mrs Ellen LI and Dr S. Y. CHUNG that the most careful consideration will be given to all that they have said. Perhaps I may start by explaining to the Council that in Hong Kong we do have in effect a free medical service. Although patients are charged \$1 for visits to a Government clinic and \$2 for each day they stay in a Government hospital, these charges are readily waived or remitted for those who can satisfy our Medical Social Workers that they will otherwise suffer hardship. Charges for general out-patients clinics and 3rd class wards have not been revised since 1961, when the present rates were made. In those 12 years costs have risen significantly. There is general agreement that maintenance charges in the 1st and 2nd class accommodations in Government hospitals, and also charges for special treatment and investigations for patients in such accommodations, will have to be raised. These charges have certainly fallen very much behind. But cost increases affect also the costs in the general wards. This is clear from the very fact that the charges in some Government-assisted hospitals for similar accommodation have had to be raised to as much as \$8-\$10 a day. It is clearly not desirable to have charges at this level as it has resulted in poor rates of bed occupancy in some Government-assisted hospitals while Government hospitals are overcrowded.

[DR CHOA] **Appropriation Bill—resumption of debate on second reading
(15.3.73)**

A more generous subvention formula has therefore been used to assist all hospitals on a discretionary grant this year. In the case of beds for acute cases, the grant of two thirds of the cost per bed per annum subject to a ceiling is to be replaced by one of three quarters of the cost per bed per annum calculated for each individual hospital, and the cost ceilings have been raised substantially. For beds for non-acute cases, there will still be a fixed ceiling but the proportion of the cost borne from public funds has been changed from two thirds to three quarters. With these increased grants, some Government-assisted hospitals should be able to reduce their charges, thus narrowing the gap between Government and assisted hospitals. The increase in charges in Government hospitals is not, as my honourable Friend Dr S. Y. CHUNG put it, to force patients away from Government and into subsidized hospitals, but it will be valuable if it has the effect of helping to relieve the congestion in Government hospitals and also to bring into full use beds in Government-assisted hospitals which would otherwise be vacant. The proposal, Sir, will receive the attention of the Medical Development Advisory Committee which Your Excellency has appointed to replace the former Medical Advisory Board and the Medical Development Plan Standing Committee. The membership of this new Committee under the chairmanship of the honourable Sir Albert RODRIGUES was announced yesterday, and I have no doubt they will give it priority consideration.

Another matter for the consideration of this Committee will be further expansion of hospital services in the next decade. Now that the target of 4.25 beds per 1,000 population set for 1963-1972 has been achieved, it is expected that the Committee will recommend a new one in order to provide sufficient hospital beds for the benefit of all. This, I trust, answers the question raised by my honourable Friend Mrs SYMONS as to whether we have enough Government, subvented and private hospitals to assure the average white collar worker of hospitalization when he needs it. In order to avoid being financially ruined though physically cured, I would advise everyone, including the white collar worker, to choose a hospital which he can afford and not to go beyond his means.

Sir, I beg to support the motion.

MR JORDAN: —Sir, my honourable Friend the Financial Secretary will in his reply to this debate deal with the broad issues of the state and prospects of our economy, which we all recognize is fundamentally dependent on our export-oriented industry.

I would however like to make a few remarks on two particular points that have been made with regard to trade and industry.

Several honourable Members have commented on the decline in the rate of growth in value of our exports. I must say that I don't think we should put too much emphasis on the remarkable growth in the years 1968 and 1969. As Table 7 in the Economic Background Pamphlet shows, the growth of 26% achieved in 1968 and 25% in 1969 was exceptional. The average in the previous seven years was 13%, and the highest figure 17%, achieved in 1967. In the past three years the average has again been 13%, although of course the rate has declined over these three years.

There are two points I should like to make here. The first is that I don't think we could expect to sustain a compound rate of growth of 25%. Such a rate would create intolerable stresses in the economy. The second point is that because we are compounding, that is, we are calculating the percentage each year on the higher base figure achieved the previous year, emphasis on the percentage rate masks the actual increases, and in 1972 the reduced percentage increase masks the fact that for the first time in the past four years, the increase in the dollar value of our exports was higher than in the previous year. Between 1968 and 1972 the value of our domestic exports increased by over 80% and yet despite the much higher base we have now achieved we still managed a real increase again in 1972.

Whether we should be disturbed by the fact that our increase in our sales to our biggest market—the USA—was only 8% is also arguable. There is another point of view—that we are too dependent on this one market and that a slower rate of expansion there than in our development of other markets would tend to produce a better balance in the overall development of our trade.

But I don't want to give the impression that we are complacent about our trading prospects. Far from it. In 1973 the Commerce and Industry Department will continue its efforts to protect our access to our markets, while the Trade Development Council has an ambitious programme of trade promotion activities.

If I may turn now to industrial development, I must confess that I am apprehensive about what my honourable Friend Mr James WU suggested—“a degree of government planning, regulation and assistance”.

I am sure that my honourable Friend would concede that the Government has quite effectively assisted many aspects of industrial development where the need for such assistance was established. The Federation of Hong Kong Industries was set up as a result of Government

[MR JORDAN] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

initiative and still receives financial support from public funds. The Hong Kong Productivity Council and Centre was another effective response to a proven need. The present loans scheme for small industries represents a genuine attempt by the Government to respond helpfully to industry's needs. At one remove, both the Trade Development Council and the Export Credit Insurance Corporation come into this category too.

All this intervention has been responsive; it has not been imposed on industry by Government fiat. And I am sure we all agree that our policy of keeping Government interference with commercial and industrial decisions to the minimum has been an important factor of our success in the past twenty years.

On the other hand, another factor has been our adaptability and it may be that changing circumstances will in the future make it necessary for the Government to take a bigger hand in "planning, regulation and assistance" for industrial development.

I must say, however, that, like several of my predecessors, I am still doubtful about my honourable Friend's suggestion that the time may now be opportune for the "establishment of a high-powered Industrial Development Council to co-ordinate the functions of departments and institutions responsible for land, manpower development, technology and applied research facilities, finance and export promotion". The reason I am still doubtful is that I don't think that there are clear signs that the community in general or industry in particular wants the Government to abandon our traditional role and take on a more active one.

To co-ordinate all these functions, such a Council would have to have very wide-ranging authority: it could not operate as a purely advisory body. The functions listed by my honourable Friend are very wide-ranging indeed and are already the responsibility of a number of high-powered Committees and Councils—including this Council. I do not think it would be appropriate for the Government to attempt to impose the authority of a new Industrial Development Council on the many important sectors of our community that would be affected. In practical terms I am sure it could be done only in response to a widespread demand or at least if we were sure it would have widespread acceptance.

In the meantime, we do have a Trade and Industry Advisory Board, and I think that that Board has considerable potential as a more effective link between the Government and the industrial and commercial

sectors, and as a forum in which we could discuss and advise on a number of subjects which bear upon the development of our trade and industry.

You, Sir, have recently appointed the members of the Board for the new year starting on the 1st of April and I propose that at its April meeting the Board should discuss how it might assume a more effective role within its existing terms of reference.

Sir, I support the motion.

MR LI: —Sir, I rise to reply to the points on social welfare made by my honourable Friend Mr Roger LOBO.

I would concede at once, Sir, that Mr LOBO's points are well taken. We are determined that the social welfare services in Hong Kong should match up to the various needs of our community. Government is therefore moving forward in the social welfare field as quickly as is practicable. But there is a limit to how fast we can expand; and once we went beyond that limit the services as a whole would suffer. I believe the same is broadly true both of the Social Welfare Department and of the voluntary agencies.

As for the budget, my honourable Friend Mr LOBO is right, in my view, in wondering whether the estimate for social welfare expenditure is on the low side. The reason for this is that the Draft Estimates do not reflect a number of the proposals made in the draft White Paper "Social Welfare in Hong Kong: The Way Ahead". Once they have been approved, necessary provisions will be made. This is so of the proposals for community development, which include the establishment of the community and youth officer scheme and the provision of additional community centre facilities as well as children and youth services. Moreover, the 1973-74 cost of the disability and infirmity allowance scheme is assumed to be considerably less than the cost in a full year, because it is unusual for everyone eligible under a new scheme to apply at once, however extensive a publicity campaign is conducted. If the actual numbers of applicants prove to be higher than expected then it will be necessary to seek supplementary provision. It may well be, therefore, that expenditure on social welfare for the next financial year may finish up by being higher than is now estimated.

May I conclude, Sir, by saying that I very much share my honourable Friend Mr LOBO's hope that some way can be found of streamlining the present system of processing social welfare subventions. I am sure the time is ripe for a change. Indeed, possible changes in the system are being actively studied at present. As soon as the preliminary

[MR LI] **Appropriation Bill—resumption of debate on second reading
(15.3.73)**

examination of these changes has been completed, I shall put the proposals before the Social Welfare Advisory Committee for their consideration.

Sir, I have much pleasure in supporting the motion before Council.

MR LIGHTBODY: —Sir, my honourable Friend Mrs Ellen LI reminded us of the high rating which the people of Hong Kong accord to the provision of proper housing, and she went on to suggest that public housing tenants should be allowed to acquire a more permanent stake in their homes. In this context she also proposed longer repayment periods and a lower interest rate for loans made by the Building and Loan Agency.

In fact, over the past few months we have been studying this matter of selling public housing units, because we see very compelling arguments for some such scheme for the better type of accommodation such as is built by the present Housing Authority. The new Housing Authority will have to take a decision on how much housing to build for the lower middle-income group, and how much for families in the bottom income range; its decision on the former will no doubt be influenced by financial considerations, and if we can help to meet the needs of this group, and at the same time avoid locking up large capital sums, so much the better. There will be problems of course; but I see no reason why we should not be able to devise some such scheme which will meet both these objectives, at prices within the means of the families who need this sort of help. I would like to give an assurance that our studies in this field will be pushed ahead as rapidly as possible, and I hope that it will prove possible to introduce some such scheme fairly soon.

My honourable Friend went on to suggest a better provision of small rooms in public housing estates for young married couples. Certainly the plight of many such couples must command our sympathy, but we need to remember that the housing problems of the larger families are even greater, and that it is sound policy to aim first at helping to meet the problems of these larger families who, often for excessively high rents, have to live in grossly overcrowded and unhygienic conditions.

Several honourable Members referred to the present 35 square foot design standard for public housing estates. This of course, refers only to the main living area, and excludes the balcony and the toilet space. Furthermore, in practice the problem of matching families to

rooms of different sizes usually results in an allocation which is closer to 40 square feet than 35 square feet. Looking ahead, I have no doubt that the new Authority will wish to look closely at these standards, and at the financial and other implications of bettering them. A more generous space allocation would have a negligible effect on building costs, and should not require larger sites for estates.

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

MR ROBSON: —Sir, I found it very gratifying to hear several honourable Members express the view that I have been pressing for some time, which is that the future of this Colony is in the New Territories. I wish them to know that to this end detailed proposals have recently been put forward for the creation of a new department within the Public Works Department which, if approved, will concentrate on the rapid development of the New Territories, in particular on the new towns.

On the subject of new towns, my honourable Friend Mr SZETO Wai suggested that the approved town plan for Sha Tin be re-examined. A new draft plan is in fact being prepared on the basis of less intense residential developments and improved community facilities which will reduce the ultimate planned population from one million to half a million people. This is possible because the latest Colony population forecasts indicate a reduction in 1986 from 7 million to 5.3 million and because the Sha Tin plan is only one of many which must be reviewed collectively within the framework of the Colony Outline Plan as this postulates a balanced development both for the individual planning areas and the Colony as a whole. In the Sha Tin plan, it is intended that in the next ten years private enterprise should develop 290 acres for commercial and residential purposes and 170 acres for industrial purposes. This is more than provided by the present statutory plan and has been achieved by pushing back the green belts on the lines suggested by my honourable Friend.

Mr SZETO also referred to the allocation of \$30 million in the draft estimates for land resumption, survey and investigation of the mass transit railway. I must make it clear that this relates only to the investigation of the system and the acquisition of those properties about to be redeveloped so that the scheme would not be frustrated pending a decision on whether construction of the underground railway was to go ahead or not. Now that this decision has been taken, it will be necessary to acquire a very large number of private properties and to clear large areas of Crown land both for the running line and for works areas. The cost of all this has yet to be fully assessed but for the coming financial year alone it is proposed to seek supplementary provision of \$30 million for the acquisition of properties together with \$10 million for clearances, demolitions, *etc.*

[MR ROBSON] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

With regard to this year's provision of only \$40 million for urban renewal, I am afraid that this reflects slower progress on acquisition of land than was originally foreseen due almost wholly to the shortage and the difficulty of recruiting and retaining professional estate staff in the Crown Lands and Survey Office. Nevertheless, although only two thirds of the 63 professional posts are filled, I have endeavoured to keep all the New Territories estate surveyor posts manned and, by the employment of more Land Assistants for which a substantial number of new posts has been requested, it is hoped that their output can be expanded to keep pace with the increasing tempo of development which must take place in the New Territories.

My honourable Friend also referred to the hardship of the owners of properties affected by the urban improvement schemes. I can assure him that redevelopment is only frozen in respect of land which in due course will be required by Government to implement the schemes and, as I advised Council on the 17th of January this year, the choice is available for those property owners to either stay in occupation until the land is required by Government or at any time convenient to them to open negotiations with Government for the purchase of their properties.

A number of my Unofficial colleagues emphasized the need to place more land on the market as speedily as possible. As far as the urban areas are concerned, every endeavour has been made to search out any residential land that can be sold without resort to clearance but when my honourable Friend Mr James WU suggests the sale of land in Wan Chai and Kowloon Bay Reclamations, I wonder if he knows that neither of these areas is zoned for any form of residential development and his reference to Yau Tong must be to the undeveloped area of Sam Ka Tsuen which is zoned for industrial purposes and for open space. As regards the old Naval Yard, all that can be sold has been, the remainder will be required for a considerable period for the construction of the mass transit railway or its associated works. However, it is hoped to place one or two commercial sites on Wan Chai Reclamation in the Land Sales Programme for the second half of the coming year.

My honourable Friend Mr Oswald CHEUNG when expressing concern about the amount of non-industrial land which will be sold in the next financial year assessed this as being capable of accommodating only 10,000 persons. But the area quoted by him was only for the first six months of this year, and it is hoped that this can be doubled for the full year—which on my friend's calculations would accommodate 20,000 people. However, in respect of the *actual* population that this

land can accommodate, whilst, as my honourable Friend has said, Government now designs its housing estates on the basis of 1,000 persons per acre gross—that is including areas occupied by open spaces, schools and community facilities—under the present building legislation residential densities as high as 5,000 persons per acre can be achieved and densities of 1,500 persons per acre are usual on net site areas, that is, on the area of land itself.

My honourable Friend also ignored the land which will be made available by exchanges but, accepting his figures, these mean that an additional 20,000 people a year or 200,000 in ten years could be accommodated on new land made available for private development. This compares with my forecast that land made available for private development over the next ten years will provide accommodation for around 300,000 people. Redevelopment of old property in the urban areas will also provide accommodation for, say, an additional 250,000 people. Thus, over the next ten years private enterprise will have the opportunity of providing accommodation for no less than 550,000 people. In actual fact this should be more than sufficient because, of the forecast population of 5 million in 1983—that is, at the end of our 10-year housing forecast—3 million will be housed in Housing Authority accommodation leaving only 2 million for the private sector—which is approximately what the figure is at the present moment. Under the circumstances, there appears to be no cause for alarm, particularly when land to be provided for public housing is taken into account which, over the next ten years, amounts to a gross area of 1,300 acres, compared with the 966 acres at present occupied by Government housing estates.

But, having said that, nothing would please the District Commissioner New Territories and myself more than putting large tracts of virgin land on the market for comprehensive development by competent real estate developers within a broad framework to be laid down by Government. We have had a number of discussions on these lines and a number of ideas are being pursued.

Thus, while I agree with my honourable Friend Mr P. C. Woo that swamping the market with land may be very desirable to bring down land costs, I suggest this must be handled very carefully as it could cause a very rapid increase in building costs by over-committing the building industry. This could in turn give rise to a great increase in the cost of public housing and thus cause a burden on the poorer and the very large section of the community by reason of the new Housing Authority having to charge higher rents. Committing the building trade to carrying out work beyond its capacity would also cause a great increase in the cost of all public works including that of the mass transit system.

[MR ROBSON] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

My honourable Friend Mr P. C. WOO asked for a statement on when the staff of the Buildings Ordinance Office could be built up so that work can begin on the control of illegal alterations made to buildings subsequent to the issue of occupation permits. A request for additional staff to undertake control and enforcement of the regulations is at present being processed but even if this were approved immediately it would be unwise to expect the staff to be in post before the end of this year.

My honourable Friend Mr H. J. C. BROWNE raised the question of congestion in the Terminal Building at Kai Tak and the need to proceed with the final Phase III. The position is that the detailed planning and design of Phase III of the Terminal Building is controlled to a large extent by the system of baggage handling to be adopted. The baggage handling consultants appointed by the DCA have now presented their report giving three alternative systems from which it is hoped that final selection will be made within the next few months after which sketch plans for the building can be put in hand. I hope that upgrading to Category A in the Public Works Programme can take place around the middle of 1974, which would allow partial operation of the building by 1976 although all building works could not be expected to be completed until late 1977.

My honourable Friend also asked Government to take a fresh look at Lantau, with particular regard to its development for housing, industry and recreation. I am pleased to announce that a paper recommending that a study be made for developing not only Lantau but also the Sai Kung Peninsula, Ma Wan and Middle Island for recreation and tourism has been circulated to the Public Works Sub-Committee of this Council. In broad terms the study will consider the potential of the area for formal and informal recreational purposes with facilities such as hotels, marinas, golf courses and holiday camps to serve both Hong Kong residents and tourists. The market potential for residential development will also be examined. This study is being undertaken by consulting engineers cum planners on behalf of Government and based on their findings they are required to prepare a phased plan for development and a land sales programme with a cost/revenue comparison for each phase.

But this study will not be allowed to delay existing plans for Lantau namely housing for the present inhabitants and road improvements. Three small rural Government housing estates will be constructed at Chung Hau, Tai O and Mui Wo and the length of road from Silver Mine Bay to Tai O will be made safe for two-way traffic.

I agree with the honourable P. G. WILLIAMS' remarks concerning multi-purpose games halls and also agree that more are required. Four sites have already been reserved and sites for a further eight could be found. I should like to assure him that in the planning of new urban areas particular care is taken to reserve sites for recreational facilities of all types in accordance with agreed standards. It is often not possible to achieve these standards when replanning existing urban areas but significant improvements are made at considerable cost to Government as will be evident from the cost of resumptions quoted in the estimates for urban renewal, *etc.*, and of course the Public Works Programme.

As a steward of the Jockey Club, my honourable Friend will be well aware that the design and construction of any complex sports facility such as the Morrison Hill covered and heated swimming pool, which is a Jockey Club project, takes a considerable time so that Hong Kong, like Rome, cannot be built in a day. But I can assure my honourable Friend it will be built.

Sir, I support the motion.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER): —Sir, I am grateful to two honourable Members for drawing attention to the cost per student of post-secondary level education here. This is inevitably high by comparison with primary and secondary education; we are no exception to the world pattern. But if Hong Kong costs are among the highest in this region, this is largely because salaries are among the highest—we want the best—and because salaries account for approximately 75% of recurrent expenditure. Though it can be misleading to make cost comparisons with the United Kingdom, honourable Members may be interested to know that the latest UK figures which we have been able to obtain show that their average costs per student are higher than in Hong Kong, despite the endowments which many universities in the UK enjoy.

But the University and Polytechnic Grants Committee keeps a close watch on this matter. It considers we should, and is confident that we can, reduce the real cost per student. In its Report for the period July 1970 to June 1972 (recently tabled in this Council), the Committee indeed drew attention to some signs that this is already happening.

It also very recently advised the Universities of its view. There is nevertheless a limit below which costs cannot be reduced if standards are not to be eroded and the advantages of a conventional university or polytechnic obtained. Moreover it must be remembered that some

[THE COLONIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

of the faculties in both universities are comparatively new—and new faculties inevitably result in a higher cost per student.

I was pleased with the continuing interest shown by Members in the activities of our management consultants. We welcome their views on changes needed in our processes.

I agree entirely that some beneficial results are already evident, probably due to the way in which the consultants have forced us to examine our ways of getting things done. Some of their recommendations are already being tested out. Others they have not yet completed. I expect that I shall, when ready, be reporting publicly on this.

On a perhaps less exalted but still important level, Members will recall that in mid-1972 an expansion of the Organization and Methods Group in the Finance Branch of the Secretariat was approved by Finance Committee; the process of selection of suitable staff continues. I quite accept that, in an organization as large as our public service, economies can usually be found and performance can almost invariably be improved; and I take this opportunity of ensuring honourable Members that the Government is continually on the watch for this and always receptive to suggestions on ways of achieving it.

I am also sure that we can continue to rely on the Establishment Sub-Committee as our watchdogs against unnecessary staff increases.

One Member raised a related point—whether we are doing enough to increase the productivity of our civil service by apprenticeship training and career guidance, by in-service training, and by extensions of service beyond the statutory retirement age of 55.

When one considers the very rapid expansion of the service and the increasing sophistication of the tasks it has to perform, I would be rash indeed if I claimed that we could ever do enough in this field; we need, as we recruit new staff, to put them to work as soon as possible, and this must make a full training programme difficult however good it may look on paper. We are, however, doing a great deal, as a few representative figures will illustrate. There are some 200 young people undergoing formal apprenticeship training in three Government departments. Career guidance covering both the Public Service and the private sector is given by a number of departments and, for instance, the Labour Department alone arranged daily talks last year to some 16,000 students in 80 schools. The growth of in-service training in the Public Service is illustrated by the increase in the training vote—25% more has been recommended in the current year than in the last

year, when provision was itself 10% above that provided in the previous year.

The question of extensions of service beyond the statutory retirement age of 55 was discussed in this Council just over two months ago. However, as will be recalled, the debate was adjourned since this issue was, and still is, the subject of consultation with the Staff Side of the Senior Civil Service Council.

The Government shares the concern of honourable Members, and indeed of the community at large, over the crime situation in Hong Kong. It is, and must remain, primarily a Police responsibility to combat this; but we must ensure that they are given all possible help in discharging this responsibility. Part of the help must come from the community at large. So, on your instructions, Sir, a Committee has now been formed under the chairmanship of my honourable colleague the Secretary for Information and has been given the specific task of planning and running the "Fight Violent Crime" Campaign scheduled for the middle of this year. The precise timing and other details of the Campaign will be announced later. But it will coincide with an increased Police presence on the streets, and I can give an assurance that we shall mobilise all available resources, and take all necessary steps to ensure its success.

Reference has been made to serious staff shortages, particularly in the Police, Hawker Control Force and Buildings Ordinance Office.

I might say that these are not the only areas in which there are staff shortages. It is overall a problem of wastage and recruitment. Recommendations to improve personnel management covering, among other departments the Royal Hong Kong Police Force, have been made by our management consultants. They are giving special attention to the Police both as regards recruitment, retention and civilianization in various fields.

I fully agree that the situation in regard to the Hawker Control Force is unsatisfactory to say the least, and I hope that proposals concerning its future, which are already in hand, can be worked out to finality with the Urban Council and put to you, Sir, in Executive Council.

I was asked for an assurance that the Prisons Service will not be prevented on financial grounds from obtaining the men and facilities they need. I can give that assurance.

Finally, Sir, to come to the question of rents, I might say that for some time the Government has shared the apprehensions expressed by my honourable Friends during this debate. I said in December 1971, during the second reading of the Rent Increases (Domestic Premises)

[THE COLONIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

Control (Amendment) Bill, that an examination of the whole problem of rents across the whole field was being conducted and that, whilst this would take a considerable time, I had every confidence that the information necessary for a decision by you, Sir, in Council will be ready well before the expiry of the present legislation. I was unduly pessimistic. Work is nearly complete and I hope to be able to put proposals before the Executive Council very shortly.

My honourable Friend Mr P. C. Woo said that the key to a solution to the problem of rising rents is to speed up land sales. The provision of more land for private housing development would undoubtedly help but, as my honourable Friend the Director of Public Works has pointed out, there is a limit to what can be done in the short term. Many acres of land are of course being provided for our massive public housing programme and the faster we can get ahead with that programme the better, for the availability of an adequate supply of decent public housing will have a restraining influence on private rents.

Rent control at present applies to most pre-war domestic property and, under the Rent Increases (Domestic Premises) Control Ordinance, to most post-war domestic premises which were in existence up to 30th January 1970. The measures introduced in 1970 have by and large been effective in respect of the tenancies which are subject to control. But the measures were limited and no flat or house built since then has been subject to control. When I spoke in this Council on 1st December 1971 to move the second reading of the bill to extend the life of the 1970 rent control legislation, I said that this was being done because of the continuing shortage of domestic accommodation. Since then the rate of building has increased dramatically, but even more dramatic has been the rise in demand for all types of residential accommodation. This has happened for a number of reasons—increasing prosperity; the desire for more living room as incomes increase and customs change; the situation has been stimulated by activity on our Stock Exchanges; and the attraction of Hong Kong as a centre for business activity in the Far East has increased the demand for domestic premises.

However, since I last spoke on the subject of rents the supply situation with regard to domestic flats has nevertheless improved. In 1971 a total of 12,242 flats were completed. In 1972, the number rose to 20,589, an increase of 68% over the 1971 figure. The forecast for completions in 1973 is 30,000—which is also very encouraging. But, despite this improvement in supply, rents for newly completed property, which are not subject to the restraints of the Rent Increases Control

Ordinance, have moved upwards during the last two years and, generally speaking, the larger the flat the larger the percentage increase has been.

My honourable Friend Mr James WU pointed this out, and I must agree with him, that we in Hong Kong have some of the highest domestic rents in the world. On the other hand we should not forget in our public housing estates, in which over 40 percent of the population live, we also have some of the lowest!

Sir, I have said that the task of examining the whole field of domestic rents is nearing completion. The points made by my honourable Friends during this debate will be kept very much in mind when I make my recommendations to the Executive Council. The objective of my recommendation will be in general measures of restraint, and will, I hope, avoid the disadvantages of a stop-go policy of rent control and, which is very important, will not at the same time act as a disincentive to our property developers. In short what is required is a bridging operation over the period until the forces of supply and demand can operate naturally.

Sir, my honourable Friend Mr Wilfred WONG has also proposed rent control for business premises. I believe that it is neither practical nor in our best interest to protect certain spheres of commercial activity and not others; the best regulator in a responsive economy such as ours is once again the law of supply and demand. While this may be discomforting to one kind of shopkeeper or occupier who is displaced by another, it is not in my opinion in our long term interest to interfere in this basic relationship between landlord and this kind of tenant; to interpose control on one form of business activity in order to benefit another is, in my view, wrong.

My honourable Friend Mr ANN has drawn attention to the fact that the rents of some industrial factories have increased by as much as 40% during 1972. Sir, increases of this magnitude have been noted but only in cases where the former rent was below the general level. This is particularly the case in Tsuen Wan. The official figures quoted by my honourable Friend the Financial Secretary in his budget address are based on accurate statistical data which show that the Rating and Valuation Department's rental index for flatted factories rose by less than 3½% in 1972. On the evidence available there is no reason to interfere in the situation regarding industrial premises. Some three million square feet of factory accommodation was empty at the end of January and a further 5½ million square feet will be on the market for rent or sale during the remainder of this year.

Sir, I beg to support the motion.

Appropriation Bill—resumption of debate on second reading (15.3.73)

4.09 p.m.

HIS EXCELLENCY THE PRESIDENT: —Perhaps at this point Members might welcome a short break. Council will resume in fifteen minutes.

4.27 p.m.

HIS EXCELLENCY THE PRESIDENT: —Council will resume.

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, I am most grateful to honourable Members for the obvious care with which they have considered the Draft Estimates of Expenditure for 1973-74 and the revenue proposals in the budget speech, and for their kind remarks about their presentation. In winding up this second reading debate on the Appropriation Bill I must reply to a number of points made in several fields.

While I agreed in my budget speech that the final outturn in any year is not easy to forecast, I regret I cannot accept any blame for the conflicting reports of this year's surplus in several newspapers before budget day. They were pure speculation. The Accountant General and I find my honourable Friend Mr Wilson WANG's honest attempt to derive from these reports a certain fallibility in our accounting system a little disconcerting. My honourable Friend Mr SZETO accuses me of again deliberately under-estimating revenue. I can assure him that I did not do so. The fact of the matter is that forecasting some items of revenue is difficult, particularly when events move with such rapidity as they did in 1972 and for that matter during the early week of 1973.

As regards next year's budget, I would like to deal first with the various criticisms of the revenue estimates. I can fairly easily dispose of the particular instances in respect of which I am alleged yet again to be under-estimating. First of all, in referring to the figure of 3% by which total revenue in 1973-74 is expected to exceed the 1972-73 revised estimate, my honourable Friend Mr SZETO has implied that the effects of my tax proposals are included. This is not so. I estimated, rather, that these would raise revenue in 1973-74 to 7% over the revised estimate for this year. This may seem a low figure, but capital revenue is so difficult to forecast. In the same breath my honourable Friend berates me for reducing revenue from stamp duties in spite of doubling the duty on share transactions. Again, he has omitted from his arithmetic the effects of raising the duty. He should have added a further \$300 million to revenue from this source. And, in any case, I could see little wisdom in assuming that the stock market was going to maintain its then level of activity. We cannot afford to be over confident on share prices and turnover, as recent events

have indicated. Indeed, although revenue from stamp duty on contract notes is recurrent revenue it has an uncertainty about it similar to some items of capital revenue. I made these points in the budget speech though an overseas reader of an almost hysterical article on page 16 of the 12th March issue of a well known weekly economic review would have assumed quite the opposite.

I concede that I may be on the conservative side in respect of revenue from land sales. There are too many variables to enable us to predict with certainty how much land will be available for sale particularly in the second half of next year. And one cannot be certain that the present high prices will continue.

But I concede no ground on my honourable Friend Mr SZETO's accusation that I am unrealistic in predicting only a 4% increase in revenue from motor vehicle taxes and licences, when the number of vehicles is increasing by over 14% annually. There are good reasons for this discrepancy. For a start, revenue this year has been inflated by the crash programme the Commissioner for Transport arranged for reducing the backlog of driving tests. Then there is the complication of Commonwealth Preference Tax which does not apply to all vehicles. The more valid comparison is between the increase in the number of vehicles registered and the increase in income from vehicle *licences*. I estimated the latter at 7.4%. That this is lower than the 14-15% increase expected in the number of vehicles is because of a movement into small capacity vehicles over the last three years.

My honourable Friend Mr ANN, on the other hand, hints that I may have been optimistic in expecting as much as \$1,265 million next year from earnings and profits tax. I think we can. While the contribution of the manufacturing industry and of exports will remain an all-important determinant, other activities are also prospering. For instance, while the increase in the Gross Domestic Product is provisionally estimated at 17% in 1972, the building and construction component of Gross Domestic Fixed Capital Formation is provisionally estimated to increase by as much as 39%, and I may have been on the conservative side as regards the earnings of our emerging financial sector.

Before leaving the estimates of revenue, I must meet the request of my honourable Friend Dr CHUNG, for an explanation of my policy of depending more on direct rather than indirect taxation. Clearly the circumstances of the moment are important, but there are three general points. In the *first* place, direct taxation can be directed in a controlled way at particular income groups, leaving the less well off, if necessary, free from taxation altogether. Indirect taxes can be directed at particular income groups only by applying them to those goods and services which one assumes they alone are interested in. As the pattern of the community's activities and expenditure changes, assumptions on this basis become increasingly questionable. *Secondly*,

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

increases in direct taxes, to the extent that they are on profits, are not necessarily passed on to consumers; and the same tends to apply to salaries tax as long as the rates are not so oppressive that they generate a demand for more pay. Indirect taxes, because they invariably form a component part of selling prices, have a direct bearing on the cost of production and the cost of living. *Thirdly*, I do not believe that taxes should be painless, for it is most important that taxpayers concern themselves with how their money is spent. The public at large are conscious of direct taxes, but less so of indirect taxes. Not that I would wish to give the impression that indirect taxes do not have a role to play: it is a question of balance between the width of the tax base generally and an assessment of the economic effects of direct as opposed to indirect taxes at different standard rates of earnings and profits taxes.

While honourable Members seem generally agreed that we should budget for a surplus next year, there still seems to be some misunderstanding as to how it is achieved and the purpose of allowing the General Revenue Balance to build up at this time. Once the estimates of expenditure have been put together on the basis of a reasonable assessment of what is necessary to realize approved policies, the result may be either a deficit or a surplus compared with the estimates of revenue. In the case of a deficit, we have three choices open to us: *first*, to bear it; *secondly*, to widen the tax base or increase tax rates having regard to the limits on our taxability if we are to run no risk of damaging our growth rate; *thirdly*, to cut expenditure. In the case of a surplus, assuming that the estimates of expenditure represent a reasonable limit on the ability of departments to spend, again we have three courses open to us: *first*, to narrow the tax base, *secondly*, to reduce tax rates; *thirdly*, to allow the surplus to stand. Before tampering with the tax system, we must consider whether the difference between revenue and expenditure is in line with a *general* trend in increasing revenue. It would clearly be foolish to reduce tax rates when the surplus was expected to be generated by a high tax yield resulting from abnormal circumstances. So in order to avoid having to cut back expenditure or to raise taxes again later on, it is better to allow the surplus to stand. In general our aim must be to allow expenditure to grow in line with the trend in rising revenue and no faster.

We must also look at the way the commitment for future expenditure is developing: again, there would be little point in reducing tax rates if we knew we had substantially increased expenditure just around the corner. As I explained in the budget speech, I saw abundant evidence that our developing policies will prove very expensive in the future. And I certainly cannot accept my honourable Friend Mr

SZETO's contention that we are not maintaining the rate of growth of expenditure. He is disappointed that the Government is budgetting for an increase of 14% only, which is lower than the actual increase for the last three years. He forgets that if supplementary provision in 1973-74 is on a scale similar to this year, we will end up budgetting for an increase of 27% which, if achieved, would be the largest increase in the last twenty years. The reserves we are now accumulating will be available to help meet capital expenditure in future years. They will also help to ease the results of any unforeseen temporary fluctuations in revenue. I do not agree with my honourable Friend Mr Wilfred WONG that, in these circumstances, such reserves can be described as only "desirable". Nor do I share his yearning for deficit financing although, in certain very limited circumstances, I would not be dogmatically opposed to it.

While my honourable Friend the Director of Education, has dealt with my honourable Friend Mrs SYMONS' contention that we have failed hopelessly in the provision of educational facilities, I must take her up on her plea that there should be no cuts in expenditure on education should there be a recession in the economy. The fact of the matter is that expenditure on education does and will continue increasingly to dominate expenditure. It now absorbs 19% of total expenditure compared with 14% ten years ago: a startling increase despite my honourable Friend's denial. Where precisely the axe would fall must depend on the cause of the recession in revenue and the demands of other public services. But I certainly do sympathise with her plea that we recognize the importance of education, if only as a reward for speaking up so courageously against free primary education. I, too, think we moved contrary to our basic financial policies when we took this step. With our narrow and low tax system, I find elusive the arguments that those who can afford to contribute directly towards the inevitably very high cost of the education of their children should not do so.

The same arguments apply to an expensive medical service. My honourable Friend, the Director of Medical and Health Services, has argued succinctly in support of increased medical fees on practical grounds. I would add that there are strong arguments for raising such fees on financial grounds, provided always that there is an adequate system for relieving the burden on those who genuinely cannot afford to pay. Social development in the eyes of my honourable Friend Dr CHUNG appears to involve providing services free of charge. I just do not follow his line of reasoning. I can see no virtue in raising taxes from people simply to provide the same people with free facilities.

Before leaving budgetary matters I must, in view of the comments by my honourable Friends Mr Wilson WANG and Mr WILLIAMS, elaborate on a point I made in parenthesis in my budget speech. I warned against semi-independent bodies financed from hypothecated revenue.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

My honourable Friends agreed that such bodies reduce financial flexibility, but they had doubts about the speed of the decision making process in a centralized system. I would only repeat my own firm conviction that centralized planning and centralized financial control are greatly to be preferred to decentralization and fragmentation, provided they can be achieved without unacceptable loss of efficiency. The advantages, contrary to what my honourable Friend Mr WANG believes, lie in the opportunity to look at the development of Hong Kong as a whole, in the proper determination of priorities and in the uniform application of standards. And I believe that these advantages can be realized while giving departments even more flexibility within agreed limits in how they may achieve policy objectives. This can be done without reducing, for example, the essential vigilant watch of the Finance Committee of this Council. Inefficiency in centralized administration is most likely to result when the geographical area being governed is diffuse, a situation manifestly not applicable to Hong Kong.

I did not see the comment of the academic quoted by my honourable Friend Mr James WU as saying that the budget was essentially one for sound housekeeping, but lacking in elements of planning for developing. Good housekeeping I personally would interpret as being concerned with two essential objectives of the Government: first, the provision of a stable administration and, secondly, an economic environment in which all can prosper. I take it that we have satisfied these requirements.

In my view we have also provided for a third objective, which is the development of our services to the public and they have been provided for not simply with immediate needs in mind. This is not a new departure: it has been the Government's objective for many years. Any acceleration of development now possible is the result of sound policies in the past. And I would argue that the Government has *always* been concerned with the quality of life and not just in recent months as implied by my honourable Friend Mrs SYMONS.

For surely it is quite unrealistic, for example, to draw a distinction between the housing programmes of the fifties and, say, the new self-contained estate now planned for Sha Tin, arguing that only the latter has regard to the quality of life. The early housing estates certainly improved the quality of life for the homeless and displaced of the fifties, even if the standards adopted in the emergency circumstances of those days would not be considered consistent with the resources at our disposal today. Policies are modified in response not only to enhanced resources, but also as a result of a better understanding of people's needs and circumstances. However, the underlying concern

remains the same. And the essential continuity of policies remains, a point which it is important honourable Members should recognize.

I might just interpolate here one point, perhaps at the risk of being misunderstood: the acid test of our success in achieving the three objectives of government in Hong Kong is whether or not there is a better than average, and sustained, improvement in the material standard of living. For in our circumstances—geographical and political—it is just not possible to offer a wide spectrum of possibilities. Put another way: a fuller and better life for the people of Hong Kong (my honourable Friend Mr Wilfred WONG's "ideal society"), a fuller and better life for the people of Hong Kong is dependent, to an unusual extent, on the attainment of a higher material standard of living. This, in turn, depends on the growth rate of the economy and on the careful and imaginative use of those resources appropriated for the public services and public works programmes. I agree entirely with my honourable Friend that there is a sharp distinction to be drawn in consequence between what he has described as "business finance" and "national finance". The latter is concerned to sustain the three objectives of government, and is infinitely more complex than "business finance" which can be judged solely by profits earned; and "national finance", I might add, involves many more considerations than the simple development of the public services.

I turn now to the state of the economy. Honourable Members seemed to agree with me that it is fundamentally sound. They accept that a rise of some 17% in the GDP last year is a measure of this; and my honourable Friend Dr CHUNG, for instance, in referring to a per capita GDP of some \$5,600 in 1972, recognises that this has brought a significant measure of prosperity to all classes of the community.

But virtually all honourable Members who have spoken find flaws in this picture which they view with varying degrees of foreboding. They have referred to inflation generally, to land prices and rents, to the effect of changes in the exchange rate of the Hong Kong dollar on the competitiveness of our industrial exports and on the Hong Kong dollar value of our reserves held overseas and to the stock exchanges. I understand their concern but I would, nevertheless, submit that they do not seriously affect the fundamental health of our economy or require fundamental changes to our policies.

To begin with inflation. Here I admit that prices have risen. The consumer price index increased by 3½% in 1971 and 5% in 1972. Our export prices rose by between 6 and 7½% in each of these two years, although some of the increases may have reflected improvements in quality; while import prices, which play a large part in determining the cost of living, increased by 2% and 4½% respectively. In our

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

internal economy, construction costs and the cost of services have also increased. Despite charges to the contrary, I am not complacent about these rising costs and prices, but we must get things into perspective. The Hong Kong economy is above all others externally oriented and, whether we like it or not, we must necessarily be affected by developments in the economies of our trading partners. If they are suffering inflation, as most of them are—and many of them at rates faster than our own—this is bound to affect us, either in higher prices for our imports or in our exporters' ability to obtain higher prices for their own sales overseas. Furthermore, our economy is still growing rapidly by any reasonable standards; real incomes measured in terms of the GDP are continuing to increase and they probably rose by as much as 8% in 1972. Certainly, given our very heavy dependence on external trade and commerce, the rate of inflation would have been significantly greater had we heeded the promptings of some on the exchange rate for the Hong Kong dollar. But more of that later.

I can almost hear some honourable Members saying that I am missing the point. My honourable Friends Mr Wilfred WONG, Mr P. C. WOO, Mr James WU, Mr ANN and Dr CHUNG would argue that the real inflationary influences operating in our economy are the rising cost of land, rents and the state of the stock exchanges. They argue that rising prices in these areas will filter through our entire cost/price structure and make us uncompetitive in world markets.

Sir, I think there are large elements of exaggeration in this picture. Overall what has been happening is not as bad as is so often claimed. Furthermore, the corrective mechanisms built into our economy can be expected to operate in such a way as to dampen down any exceptional developments in due course. Indeed, I believe that this is already beginning to happen and that, as this year wears on, we shall see more and more of the exaggerated recent features of our economy ironed out by the forces of the market, for in the Hong Kong economy market forces *do* exercise a corrective influence, and will continue to do so, provided we are prepared to face up to some exaggerations in the short term and provided Government intervention is designed *either* to replace the market mechanism completely *or* to correct imperfections in the way it operates.

My honourable Friend the Director of Public Works has dealt fully with land from the supply side. So I will just say this: because of our small size relative to population and economic activity, and even more so because of the nature of our terrain, land is our scarcest resource. It behoves us, therefore, to use it in ways most beneficial to the community, including benefit to the economy. This means that productive enterprises of all sorts are competing for scarce land and

such competition must inevitably be reflected in the price of land to them and in their costs of production. But this ensures that those enterprises which bring the greatest benefit to the economy are the ones which survive and prosper. It also ensures that land is developed to its maximum potential.

Furthermore, land in our environment is not just virgin areas which can be handed over for use in their pristine state. Before land can be used sites must be prepared, roads and other communications built and utilities, including water and electricity, laid on. All this puts burdens on our construction industry, which in recent years has been fully stretched and facing an acute shortage of labour, especially skilled labour. And, of course, the utilisation of land for building and other works puts a further strain on this industry. All this has resulted, in the relatively short term, in rising costs and prices in this industry, especially a steep rise in wages, and in a limitation on the productive capacity of the industry. This limitation has been exacerbated by the running down of the industry in the years 1966-68 following the banking crisis and the 1967 disturbances and by the dispersal of a large part of its labour force to other employment during this period. In the boom years which have followed, the demand for accommodation for residential, industrial and commercial uses, as well as for community services, has without doubt significantly exceeded the supply at the prices previously ruling. Investment in building and the infrastructure is time consuming, lumpy and difficult to speed up. But the construction industry is now beginning to adapt itself to these demands. With the higher wages it is able to pay, it is attracting more labour and the rising cost of labour is also providing an incentive for greater mechanization and capital intensive operations. As a result, investment in buildings has increased steadily by, for instance, 37% in 1970, 33% in 1971 and 39% in 1972. Supply is clearly beginning to catch up with demand.

In other words, I would argue that the bottleneck in recent years has not been so much the availability of land as such, but rather the capacity of the construction industry to meet all the demands laid upon it, demands that is which have risen at an unprecedented pace due to the buoyancy and expansion of our economy. And the bottleneck of recent years is now gradually widening as the construction industry increases its capacity in response to the *continued* high level of demand.

Naturally this demand has had its effect on rents. In a free market economy the price mechanism operates to equate supply and demand and rents have had to rise to fulfil this function. And I repeat that they could not have risen unless a high and rising level of demand from those willing and able to pay had been there. I admit that individual tenants of domestic accommodation are, in the short term, vulnerable *vis-a-vis* landlords and my honourable Friend the Colonial Secretary

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

has just dealt with the Government's intentions as regards rent control legislation. I admit also that some landlords have deliberately played the market, as it were, to push up rents beyond the level that can be sustained in the longer term. Rents simply cannot go on rising for ever at the pace of recent years. Despite the fears of some of my honourable Friends the facts, when presented comprehensively and across the whole range of rented property, do not bear their fears out. Albeit with a time lag, supply *is* catching up with demand, as high rents encourage that redevelopment which is so essential given the limitation on the supply of new land. What I now have to say is based on the 1973 Property Review conducted by the Commissioner of Rating and Valuation, who is best placed to review the position in a comprehensive way. What this shows is that the rise in rents was definitely slower in 1972 than in 1971 and that the prospects for 1973 as a whole are for a further slowing down of the rate of growth. Thus in 1972 the rise in all domestic rents, as reflected by the domestic rental index, was about 91% compared with about 13½% in 1971. Excluding large flats the increase was only about 5½% for 1972 compared with some 10½% in 1971. Large flats admittedly increased more, by some 13½% in 1972 compared with 27½% in 1971, but this reflected the increased demand arising from prosperity (and let us not fear prosperity) and the increasing influx into Hong Kong of new commercial firms and finance houses to the benefit of our economy.

This slowing down of the percentage rate of increase in rents was due largely to the increased rate of completions of new residential units in 1972 compared with 1971 just mentioned by my honourable Friend the Colonial Secretary. In 1973 there should be a further increase of some 50% over 1972 which should exercise an additional dampening influence.

As regards non-residential premises, as my honourable Friend the Colonial Secretary has said, it is not the Government's intention to introduce controls on rents and thereby protect one profit-taker at the expense of another profit-taker. It is true that the small manufacturer in rented premises is vulnerable in the same sense as a tenant of a domestic flat, but to protect *him* against market forces would inhibit that continuous process of re-structuring of the economy on which economic growth depends. In any case in the industrial sector, there has been a slowing down in the rate of increase in the level of rents for flatted factories recently, the increase in 1972 being less than 3½%. I would estimate that, with the completions due this year, supply should come into balance with demand at not far short of present rentals.

In the commercial sector, shops and offices, the rate of increase in rents has been rather higher at 15% or more overall in 1972 and more

still for those in central locations. However, the amount of new accommodation in these categories expected to come onto the market in 1973 and 1974 is more than twice as much in each year as in 1972 and this should go some way towards easing the position.

My honourable Friends Mr Wilfred WONG and Mr P. C. WOO referred to the number of vacant flats and argued that there was a tendency to "hoard" by developers seeking a capital appreciation and by landlords seeking artificially to raise rents. As at 21st March last 3,888 flats were vacant of which 1,987 were completed in the last quarter of 1972. The figure of 3,888 compares with 7,012 at 31st January and 4,203 at 31st January 1972. So I doubt whether there really is a tendency to "hoard": nevertheless, there may well be a case for amending the recently enacted Rating Ordinance to provide for full rates to be applied to vacant domestic premises and for a reduction in the period of six months between the issue of an occupation permit and first assessment to rates; and the Government is now considering the introduction of an amending bill, subject to the advice of Your Excellency in Council.

A number of my honourable Friends, and especially Dr CHUNG, Mr ANN and Mr James WU, have referred to the state of our manufacturing industry and Mr ANN, in particular, has accused me of saying too little about the position of this vital sector of our economy. I think he is right: I did say too little and I apologize to him but I would point out, in mitigation, that the booklet on the Economic Background to the Budget, which we issued this year for the first time, did try to cover this area among others. I am sure my honourable Friends would not accuse me of being unaware of the tremendous importance to our economy and, indeed, to our social stability, of a healthy and expanding manufacturing sector; and I would remind them that all non-automotive oils are now to be tax free.

Although my honourable Friend the Director of Commerce and Industry has just made this point, I do not think it can be mentioned too often how closely and harmoniously the Government works with the representatives of industry in Hong Kong, not just through the advisory boards—the Trade and Industry Advisory Board, the Textile Advisory Board and other bodies—but also through our close involvement with, and subventions to, such organizations as the Trade Development Council, the Productivity Centre, the Export Credit Insurance Corporation and the Federation of Hong Kong Industries. The Commerce and Industry Department is also very involved in all aspects of industry. For instance, it administers the very complex system of textile export licensing free of charge as a vital part of the machinery of keeping our textile and clothing exports flowing to our major markets; and conducts a whole series of very complicated inter-governmental commercial

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

negotiations overseas to the benefit of our industrial exports as a whole.

Perhaps what most concerns some of my honourable Friends, particularly Mr ANN, Mr James WU and I think in this context also Mr Q. W. LEE, is the fear of Hong Kong pricing itself out of overseas markets as a result of rising costs, including labour and rents and by our policy on the exchange value of the Hong Kong dollar. And they point to the slower rate of increase in the volume of our exports in 1971 and 1972 than in the three previous years. But I do not think we can so easily conclude that we are, in fact, becoming uncompetitive; nor can we permanently price ourselves out of our markets. To begin with the facts of our position: 1971 and 1972 were years of much slower increases in world trade than were 1968, 1969 and 1970. They were, above all, years of monetary uncertainties and of relative depression in our major markets in North America and Western Europe in contrast to the late sixties when world trade was expanding at an unprecedented rate following the successful conclusion of the Kennedy Round of Tariff Negotiations in 1967. The fact that we have been able to expand the value of our exports by more than 10% in each of the two difficult years 1971 and 1972, that our Gross Domestic Product has increased by 10% in 1971 and 17% in 1972 and that we have maintained full employment and a booming economy is, in my view, a testimony to the strength of the Hong Kong economy over this period rather than the opposite.

In these circumstances, and given the overwhelming importance of external trade to our economy, the best policy for the exchange rate of the Hong Kong dollar is stability. And, by this, I mean stability in relation to the average of other currencies as a whole. In these terms we have more or less broken even over the last two years although we have, of course, appreciated in relation to both the pound sterling and the US dollar due to their devaluations or downward floats. I agree that the decisions we have made may have made things more difficult, in the short term, for our exporters in the United States and United Kingdom markets and elsewhere in relation to one or two of our competitors. But I do not think that, in Hong Kong's circumstances, the inflationary effect of any devaluation on our part has been properly understood. In a fully employed economy, and with the value of imports equal to the whole of our national income, any competitive advantage brought about by devaluation would be rapidly eroded by higher costs and prices, including wages, spreading throughout the entire economy. Our problem of inflation would then become significantly worse to no good purpose because any initial competitive advantage our exporters obtained would be quickly dissipated.

I agree that, if our internal costs, including wages and rents, were to rise unduly at the present exchange rate then our exports could become less competitive abroad. But, as my honourable Friend Mr ANN has suggested, this would be reflected in reduced export earnings and hence in a reduced ability to finance imports. This would deflate the economy, slow down the rise in our internal cost level, including rents, and thus restore the competitiveness of our exports in world markets. Their renewed expansion would then reflate the economy. This is the classical Hong Kong adjustment process and is very much more suited to our circumstances than the use of exchange rate adjustments (let alone price control legislation). What all this means, in effect, is that, in our circumstances, I do not believe devaluation to be an appropriate corrective instrument for any weakness which may appear in our balance of payments because it would be an inefficient and inflationary corrective.

I would not wish to suggest by this that there is any likelihood of any sharp readjustment being required in our economy in the foreseeable future. We are still maintaining what is by any standards a rapid rate of expansion and I believe that the economy is flexible enough to maintain this expansion. One encouraging feature is that investment in buildings, plant and equipment is now running at 25% of the Gross Domestic Product and this should be producing a stimulating effect on productivity in industry and assist in keeping down our costs.

Sir, one effect of the floating down of sterling has, of course, been a depreciation of the value of our reserves in terms of Hong Kong dollars and other currencies. Honourable Members will recall that I explained the situation at length in this Council on 13th December last in reply to a question from my honourable Friend Mr P. C. Woo. My honourable Friend Mr Q. W. LEE has suggested that we ask the British Government to guarantee all or at least a substantial part of our sterling assets in terms of the Hong Kong dollar or of gold. I wish it was as easy as that but I am afraid that this is not something the British Government is prepared to concede. The fact is that the only alternative reserve currency to sterling for any substantial block of assets such as we hold is the US dollar; and the British Government has indicated that any extension of the present guarantee arrangements must continue to be expressed in terms of the US dollar. I am afraid, therefore, that fluctuations in the value of our reserves is a price we have to pay for the instability in world currency markets, but we live also, remember, in a world of high interest rates. We are, of course, continuing to press the British Government for clarification of their future intentions; and, having regard to daily shifts in prices of various securities and relative currency values, we have now diversified our total official external reserves up to the limit of our 10% diversification facility.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

This has not been an entirely easy task, for many countries are unwilling to accept investments in their currencies in other than modest amounts on any reasonable terms.

One development which we have witnessed over the last year has been the rather unusual rate of expansion in our money supply. Hitherto this has more or less kept pace with the expansion of the Gross Domestic Product but in 1972, and especially in the last half of the year, it has been considerably larger. This has been due not so much to external factors but rather to a significant increase in bank loans and advances, largely in response to increased internal demands. To some extent this is not a bad development because it points to a high and growing degree of confidence in the Hong Kong economy. However, it clearly cannot go beyond certain limits dictated by prudent banking practices and liquidity considerations.

Sir, a number of honourable Members made critical references to the state of our stock exchanges. I do not know whether, if they were speaking today, they would say the same things or whether their criticisms might have become somewhat more muted as a result of the not entirely unexpected events of the past two weeks. In replying, however, I must repeat what I said in this Council on 17th January in reply to a question from my honourable Friend Mr James Wu: it is not for the Government to pass judgement on the level of prices in the stock market. But now, as then, we are watching the situation carefully. We are concerned to see that an orderly market is being maintained in two senses: *first*, in the sense of the orderliness of trading. Where there is frenetic activity the Government must accept an obligation to dampen down the volume of activity so that it can be assimilated within the market. *Secondly*, in the sense of the absence of questionable practices designed to distort or influence prices to the benefit of particular traders.

It was to curb frenetic and disorderly trading that we took measures earlier this year designed to dampen down and smooth out the volume of transactions and to restore an orderly market. As I have just said, Sir, we are watching the *present* situation carefully, but the market is handling the situation very calmly; and I hope this will not be lost on the Financial Editor of a well known British Sunday newspaper. (*Laughter.*)

The purpose of the Securities Advisory Council which, after the enactment of the proposed Securities Bill, will become the Securities Council with legal powers to be provided for in the bill, is to curb more fundamental abuses which have the effect, in one way or another, of rigging or distorting the market in particular securities. But again

the Securities Bill will not give the Securities Council powers to pass judgement on the general level of prices in the stock market, which is a matter for market forces to decide.

I am glad to be able to reassure my honourable Friend Mr Wilfred WONG that the complicated legal drafting involved in the preparation of the Securities Bill is now well in hand and yesterday the Commissioner for Securities handed me over a copy of the third draft. Hopefully, the bill should be before this Council in the early summer. The bill will cover all aspects of trading in securities (including the creation of a Federation of Stock Exchanges, the registration of dealers and investment advisers, trading in securities outside the stock exchanges, the prevention of false markets and the keeping and audition of accounts). When the bill is enacted the Securities Advisory Council will become the Securities Council. Under Mr Y. H. KAN's able chairmanship it is already rapidly becoming an effective body and the experience it is gaining during this interim period will be invaluable when the Council assumes its statutory functions.

Beyond this—and given the philosophy I have just restated—I do not believe that there is any more we should do to control stock market operations at the present time. In other words, I am afraid I cannot agree with my honourable Friend Mr Wilfred WONG that there is either a short term or longer term need to increase further the rate of stamp duty on share transactions announced in the budget speech and I doubt whether, on reflection, he would press it today. Certainly, I am sure he would agree with me that any intervention in the market must be based on a certainty that it is necessary and timely.

Sir, I announced in the budget speech that the Commissioner of Inland Revenue was being given extra staff to make enquiries into the activities of the habitual buyers and sellers of shares. The process of getting the necessary financial approval for this additional staff is well in hand but, in the meantime, the Commissioner is redeploying some of his existing staff in order to begin the issue of returns and enquiries immediately. The Commissioner will, of course, need to make extensive enquiries and I sense the feeling of this Council is that if the brokers, banks, nominee companies and so on refuse to furnish the required information, then the law should be amended to strengthen the hand of the Commissioner.

I turn now, Sir, to transport. I spelt out again in my budget speech the broad basis of our transport policy:

- (a) the development of the road system and of rail and water links;
- (b) the improvement of public transport facilities; and
- (c) the application of measures to make the best use of our road space and slow down the spread of congestion.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

This is not the occasion to elaborate further on these themes. In due course I hope that a debate can be arranged in this Council on the whole range of problems connected with a viable and acceptable transport policy for the 70s and 80s, at which point the Government will be ready to explain its policies in detail. And I might add, in this context, that, in order to provide the basic data and framework for the detailed development and monitoring of an overall transport policy, a well qualified firm of consultants has been engaged to update all the major transportation studies conducted in the sixties. The consultants are being assisted by a Steering Committee of officials from all interested Government departments under the chairmanship of a senior Secretariat officer.

There is also one other point I wish to make. I doubt whether many honourable Members will now dispute that, with new vehicle registrations rising at almost 15% a year and with nearly 200,000 vehicles now on our roads, measures must be taken to curb the increase in vehicles. And it is also a fact that, as the most dramatic increase in recent years has been in private cars, motor cycles and goods vehicles, these categories are the ones which most need to be restrained.

I do, however, recognize (and have said so many times) that a condition of making a real dent in this problem is the provision of adequate and efficient public transport services. Despite the opening of their new routes through the cross harbour tunnel, the existing franchised companies are not generally providing adequate services. I can state categorically here that it is the Government's intention to ensure that improved public transport services will be provided and, given that trains will not be running in the first stages of the Mass Transit Railway for some years, the task of doing so will fall on the buses. As I pointed out in reply to a question from my honourable Friend Mr SZETO on 14th February last, unless the Government receives firm and enforceable undertakings from the existing companies that their services will be substantially improved, the renewal of their franchises will be seriously in doubt.

My honourable Friend Mr SZETO asked whether the additional revenue expected from driving tests and licences could be used to speed up the construction of multi-storey car parks and automatic vehicle inspection centres. I am afraid not: why tie the investment in off-street car parks or vehicle inspection centres to specific revenues, particularly ones which bear no relationship at all to the projects concerned? I can only reiterate my agreement with my honourable Friend in this Council on 17th March that an important way to make the most efficient use of road space is to reduce on-street parking and replace it by off-street

facilities. I am confident that our present programme for building off-street car parks is correct bearing in mind that too many would only lead to choked roads. The proposal for an automatic vehicle inspection centre is now being considered. It is not for me to accord it a special priority by phyothecating taxation. I would add as a postscript that expenditure on roads and traffic management generally in the four years ending 1976-77 will *exceed* revenue at present rates by \$1,000 million.

Finally, my honourable Friend Mr Wilson WANG suggested the removal of the toll charge at the Lion Rock Tunnel. I am afraid not: the system of charging services two purposes. *First*, it imposes on the user of this special facility the cost of its provision. *Secondly*, charges act as a restraint on the use of the tunnel which, if freely available, would be choked with traffic diverted from the Tai Po Road.

Sir, before dealing with my own revenue proposals I should mention three proposals put forward by honourable Members. My honourable Friends, Mr Wilson WANG and Mr Q. W. LEE have asked me to consider abolishing the 20 cents fixed duty on cheques. When the Commissioner of Inland Revenue and I examined the Schedule to the Stamp Ordinance to see whether duty on some documents could be abolished we applied two criteria: was the duty irksome and/or difficult to enforce and was the revenue yield insignificant and/or declining? We could not see, in all conscience, that either criteria applied to duty on cheques. I can understand the banks' desire to abolish this duty because they do virtually all the work involved in its administration, but I don't think they find this particularly difficult or costly. Nor can the revenue yield be ignored. There is an expanding base of cheque users and revenue for 1973-74 is estimated at \$11 million. Finally, I do not consider there is an argument on economic policy grounds requiring abolition of this duty; but I undertake to review the position again during 1973.

My honourable Friend Mr Q. W. LEE made a further request for abolition of stamp duty on Bills of Exchange, Promissory Notes and Exchange Contract Cancellation Notes. This duty, being *ad valorem*, and involving a wider commercial sector than the banks in its administration, does involve much more control and inspection by the Stamp Office staff. However, expanding revenue at \$31 million for 1973-74 is not to be ignored or given up lightly. There are no signs at present that this duty is having any inhibiting effect on commerce or tourism. My honourable Friend referred to the inhibiting effect this duty might have in relation to my proposals for an International Currencies Market in Hong Kong. I am prepared to review the situation when the market is in fact established, but I shall need evidence that the duty *is* an inhibiting factor to depositors.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate
on second reading (15.3.73)**

My honourable Friend Mrs Ellen LI suggested raising the tax exemption limit for interest, at present 3½%, to perhaps 4% or 5%. Our policy is based on recommendations in the report of the 1954 Inland Revenue Ordinance Review Committee. The exemption rate has been geared to the rate paid by banks on savings accounts. This policy is based on two presumptions:

- (a) that savings accounts are used as the means whereby a person can accumulate small savings on a day to day basis with withdrawals possible immediately at will;
- (b) that, having regard to these immediate call conditions, the interest rate on savings accounts has a consistent relative position in the interest rate structure of the banks for varying types of loans.

A feature of the relationship between the exemption limit and the rate paid on savings accounts was that large depositors, because of the size of their deposits and because call conditions were usually a minimum of seven days, would get a higher rate of interest which, after withholding tax, was still in excess of that offered on savings accounts. The incentive in this system was to transfer Savings Bank accumulations to fixed deposits.

In October 1971 this relativity became disturbed in that banks lowered their interest rates on time and call deposits bringing the latter down to 3½% yet retaining the rate on savings accounts at 3½%. The result was that large sums were shifted into savings accounts because of the better call facilities; and the savings account became no longer just the small man's account. The direct effect of this has been a loss of interest tax from bank interest of approximately 20% or \$11 million in 1972-73 compared with 1971-72. I was not prepared to accept that the interest tax base should be narrowed in this manner and I must advise honourable Members that it was only the Exchange Banks' Association's decision to increase their interest rates on fixed deposits on seven day call and longer from 1st March, 1973, that forestalled a proposal that the exemption rate for interest tax be *lowered*. The 12-month deposit rate now offered by the banks is 4.78% after deduction of tax and within the range of 4-5% suggested by my honourable Friend. Personal Assessment, where it applies, enables a taxpayer to reclaim or reduce the amount of withholding tax suffered.

Turning now, Sir, to my proposals for reforming personal tax: I wish to remind honourable Members that I defined tax reform as being changes designed

- (a) *either* to make the burden of the system of taxes and levies more equitable;
- (b) *or* to simplify the administration of the laws under which these taxes and levies are raised;
- (c) *or* to increase the efficiency of their administration in the sense that high yields are derived from the same rates of charge.

I then went on to outline my proposals for the reform of the Salaries Tax/Personal Assessment structure, having regard to the need to achieve greater equity and simplification of administration.

Sir, I think I should apologise to honourable Members for not developing fully all the arguments in support of my proposals for simplification and adjustment, but my budget speech was already long enough and time did not permit me to do this. I hoped I had presented my proposals in a neat enough package with sufficient words on the ‘greeting card’ to warrant acceptance. But, obviously, this was not so.

Sir, may I begin now by stating a simple truth? Nobody is presently being overtaxed in Hong Kong under the Inland Revenue Ordinance. As my proposals

- (a) increase the basic personal and family allowances for everybody, except those single persons who are enjoying lower income relief,
- (b) preserve the low tax rate structure with a maximum of only 15% of gross income, and
- (c) are calculated to cost a net \$15.5 million in forgiven taxes,

there will, obviously, *still* be no over-taxation in Hong Kong for anyone.

Let me now restate what has been the basic philosophical approach to direct taxation on earnings and profits in Hong Kong in terms of three propositions: *first*, we have low effective rates of tax not exceeding 15% on gross income coupled with basic personal allowances having general application. *Secondly*, these allowances are sufficient in them selves to cover variations of individual circumstances making selective demands on a person. *Thirdly*, the low effective rates of tax and the basic allowances, working together, leave a sufficient margin of untaxed income for savings, thrift and for family benefit as best the individual himself decides.

Because of the growing inadequacy of the basic allowances over the years and a reluctance to forego too much revenue, the selective low income relief, working wife allowance and dependent parent allowance were introduced but, in my opinion, at an administrative cost and with inequitable results.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate
on second reading (15.3.73)**

The lower income relief increased the personal allowance for some, but not for all, and it applied most effectively in the area of the low income single person who really, under the low tax structure, had no claim to additional allowance. Increased personal allowances for all is a much more satisfactory approach to the problem of people on low incomes. This approach is consistent with our philosophical approach and my proposals here have in fact received no adverse comment but, in this Council, no commendation either!

I have proposed that the basic personal allowance should be increased for everybody by \$3,000 and I have proposed that the wife's allowance should be increased by a like amount. About 39% of married men paying tax on the schedular rates received benefit from the working wife's allowance introduced three years ago and I am sure the other 61% are now glad that I have equated the worth of the fulltime housewife to that of any other working wife. Put another way, I have proposed increases in the basic allowances (personal and wife) of 42.8%, *i.e.* \$3,000 for a single taxpayer and \$6,000 for a married taxpayer. I have also proposed an increase of \$1,000 in the allowance for the first child. So a married man with children is \$7,000 better off in terms of tax free allowances, although some married men may have had \$3,000 of this since the year of assessment 1970-71. The estimated cost of these increased allowances in terms of reduced tax for 1973-74 is estimated at \$21 million.

Honourable Members have not raised the question of the revised schedular rates and platforms of net chargeable income but, as these do have an impact on the whole of the increased allowances, I think it is important to repeat what I said in the budget speech: *first*, the grant of new personal allowances required a new schedule of rates and/or platforming if the single person was not to be over-relieved and was to reach the standard rate of 15% on gross income at approximately the same point as before. *Secondly*, with a low standard rate of 15% there is no hardship of incidence which really requires multiple platforming, and platforming should be as simple as possible to provide a steady progression of incidence of effective rates of tax up to the point at which the standard rate applies to gross income.

It is true that, because the platforms containing the odd fraction of 2½% have been dropped out, this restructuring does have the effect of partially reducing the full value of the increased allowances, but the new basic allowances and the rescheduling must be considered in conjunction with the relief I gave last year through the stretching of the schedule of progressive rates so as to postpone the point at which the standard rate on gross income applies.

The net worth of this year's and last year's proposals in terms of additional tax free allowance can range in effectiveness as follows:

For a single taxpayer—\$1,040 at an annual gross income of \$15,000 to a maximum of \$4,250 by the time \$60,000 is reached.

For a married taxpayer—\$4,240 at an annual gross income of \$24,000 to a maximum of \$7,250 by the time \$66,000 is reached.

For a married taxpayer with one child—\$5,040 at an annual gross income of \$24,000 to a maximum of \$8,250 by the time \$66,000 is reached.

This last range applies to all married taxpayers with children at equal levels of net chargeable income.

These increases are the basic increases which apply to the silent majority of taxpayers paying tax at the schedular rates and these are the increases against which I ask this Council and the public at large to judge the proposed cancellation of the dependent parent allowance and the relief for life insurance premia.

Let me say, Sir, straight away that I do not regard filial loyalty and support for one's parents as the sole prerogative of people living in Hong Kong. The fact that this allowance has been restricted to parents residing in Hong Kong on the rather hopeful grounds that it would at least be possible to check the income of such parents has been resented by those people who support parents in China and elsewhere.

When my predecessor proposed the dependent parent allowance in the 1970-71 budget speech, he said:

"I propose that allowances be introduced for the *widowed* mother of either the taxpayer or his wife or for the father of either who is dependent for reasons of *age or incapacity* . . . I think the case for this allowance is strong enough to take a degree of risk although I must warn that if our experience is bad we may have to reconsider the concession."

The proposal was finally enacted as an allowance if a taxpayer or his wife maintained or contributed to the maintenance of a parent and that parent was wholly or partially dependent on the taxpayer or his wife. The parent could have an income up to \$2,000 per annum before the allowance was lost.

The Commissioner of Inland Revenue's experience in administering this allowance has not been a happy one. It was anticipated that it might be an open invitation for the unscrupulous to chance a claim anticipating full well the administrative difficulties and cost of a fool-proof

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate on second reading (15.3.73)**

checking system. It became obvious at once that to check all claims would be impossible. Deliberate attempts to mislead the Revenue have included claims where—

- (a) parents were found not to be residents of Hong Kong;
- (b) parents' income was proved to be in excess of \$2,000 per annum;
- (c) parental relationship was not established;
- (d) claims were made for deceased parents;
- (e) incorrect statements were made that nobody else contributed or was entitled to claim;
- (f) over-statement and wrong estimation of actual contributions have frequently been made.

On challenge, some taxpayers withdrew claims in order that a brother or sister suffering tax at a higher rate might get the maximum allowance and relief, contrary to the proviso to section 42B(1)(g) of the Ordinance.

It is also suspected that taxpayers living with parents are claiming, as dependent parent contributions, what in reality are their contributions to the family housekeeping accounts for their own maintenance.

Administrative difficulties have included.

- (a) the correct interpretation of the word "parent";
- (b) verification of a parent's income especially where dividend and foreign income may be involved;
- (c) the use of alias names;
- (d) the neglect of claimants to check contributions of other brothers and sisters;
- (e) whether or not intermittent gifts amount to contributions for maintenance.

Almost invariably insufficient evidence is given on the return form to establish claims and correspondence becomes necessary.

From what has transpired so far, it is the Commissioner's opinion that the number of wrong claims is unacceptably high and, where it is impossible to judge the genuine from the false, I think it is better to reincorporate this allowance into a wider allowance for everybody, and to scrap the provision rather than try to amend it.

In 1971-72 the average claim granted amounted to \$2,240 for the single person and \$2,407 for the married person and it appears that the actual percentage of taxpayers claiming was less than 20%. These average claims are covered by the increased personal allowances, for 100% of taxpayers, except for the single person with a gross income of up to \$30,000 where there is only partial compensation but, as I said, the tax paid by single persons in this range is very low in absolute terms and will not cause hardship. For example, a single person on \$30,000 a year will be paying only \$1,500 in tax in 1973-74 at an effective rate of 5%.

As I expected, it is in the field of relief for life insurance premia and similar payments where protest has been most vocal, but I must ask honourable Members to consider carefully the facts of the situation. The 1971-72 salaries tax statistics show that about 39% of taxpayers are single with claims for insurance relief averaging about \$200 per annum; about 12% are married without children claiming, on average, about \$600; about 43% are married with children claiming, on average, about \$1,000; and about 6% are paying at the standard rate and are, therefore, ineligible for relief. About 20% of taxpayers are Government servants, the majority with contributions to the Widows and Orphans Pensions Fund ranging up to \$1,500 per annum, a voluntary maximum.

The inference to be drawn from these statistics is that life insurance premia and similar payments have very little application in Hong Kong as a form of relief to payers of salaries tax. Life insurance is not popular in Hong Kong because it is thought to be too long term and too subject to depreciation by inflation and currency uncertainties and I am afraid retention of the allowances is not going to change this attitude.

Looking further at the statistics: in the annual income range \$42,000 to \$96,000 the average sum qualifying for deduction in 1971-72 was \$1,542 with the highest average amounts in the annual income range \$72,000 to \$96,000 where it was \$2,275. These figures indicate that the tax saving incentive does not attract the majority of salaries taxpayers, but I concede that it is highly attractive to taxpayers on a good salary, mostly expatriates, who in fact will never become a burden on the Hong Kong social and welfare services. I do not think it is right that these taxpayers should continue to be subsidized as in the past.

The statistics clearly illustrate that the average taxpayer paying tax at the schedular rates is well covered by the increased personal allowances. I think it is also evident that the *majority* of those affected by cancellation of life insurance relief are not those claiming the dependent parent allowance and it is, therefore, reasonable to consider life insurance relief in terms of the increased allowances.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate
on second reading (15.3.73)**

Now, in view of the other changes I have proposed, for a married man with two children to pay more tax in 1973-74 than in 1972-73 solely on account of loss of life insurance relief: on a fixed annual income of \$42,000 he would need to pay premia in excess of \$4,400; on \$54,000 he would need to pay premia in excess of \$4,714; on \$72,000 he would need to pay premia in excess of \$4,500. And, if one takes into account the 1972-73 tax reductions as well, these premia figures become \$5,900, \$6,775 and \$8,250, respectively.

It is the exceptional case of the taxpayer heavily committed to life insurance, perhaps up to the maximum of his permitted deduction of one sixth of total income less his personal allowance, who will be paying more tax. This type of case bears special examination because it is the case referred to in the press and it is the case made out by the Life Assurance Association of Hong Kong.

In an address to the Insurance Institute at its annual dinner just after Budget Day—which I mistakenly accepted (laughter) —to which my honourable Friend Dr CHUNG referred, I said

"Hong Kong simply inherited this type of allowance without too much thought being given to local circumstances and conditions. It was simply a traditional type of allowance found in a British-type taxing system. A generous feature of this allowance, peculiar to Hong Kong, was that the allowance was in the form of a straight deduction from income to reduce assessable income and so the allowance has the effect of giving immediate benefit *at whatever particular schedular rate of tax was last effective on an individual taxpayer.*"

It is the saving in tax rather than the merits of the policy itself that clinches the decision when to take out an insurance policy (and certainly the decision to take out additional insurance); and the subsidy to taxpayers is heaviest in the exceptional case I have just mentioned and which is so enthusiastically instanced against me.

I would now like to put to honourable Members figures showing the effect of retaining life insurance relief with the reform package and hence the extent to which taxpayers generally would be subsidizing insurance policy holders. Take *first* a married man with two children with *maximum* life insurance relief:

On an annual income of \$42,000: the percentage by which his tax was reduced by life insurance relief in 1971-72 was 39%; in 1972-73

it was also 39%; and in 1973-74, if the relief continued, it would be 44%.

The percentage that the tax saving bears to the premium (that is to say the extent of the subsidy by taxpayers generally), was in 1971-72: 13%; in 1972-73: 12%; and would be 10% in 1973-74.

On an annual income of \$60,000: the percentage of tax saving in 1971-72 was 36%; in 1972-73 it was also 36%; and in 1973-74, if the relief continued, it would be 37.5%.

The percentage that the tax saving bears to the premium was in 1971-72: 23%; in 1972-73: 20%; and would be 18% in 1973-74.

On an annual income of \$84,000: the percentage of tax saving in 1971-72 was 30%; in 1972-73 it was 33%; and in 1973-74, if the relief continued, it would be 35%.

The percentage that the tax saving bears to the premium was in 1971-72: 29%; in 1972-73: 29%; and would be 28.6% in 1973-74.

Take *secondly*, a married man paying life insurance of \$3,000 (yet this is twice the average for his income group); he would, if the allowance continued in 1973-74, get

On an annual income of \$42,000 a 22% reduction of tax equalling 13% of his premium,

On \$60,000 a 12% reduction of tax equalling 20% of his premium;

On \$72,000 a 15% reduction of tax equalling 28% of his premium.

With basic allowances of \$20,000 for a married person and \$25,000 for a married person with two children (levels of income at which in Britain, for example, they would already be paying income on gross income at effective rates of 15% and 11%, respectively), I do not think it can possibly be suggested that this small sector of the community should continue to be subsidized to this extent or at all. Obviously, with our low tax structure we cannot continue to put at risk such a large percentage of salaries tax revenue simply to encourage life insurance. Alternative schemes and compromises to reduce this subsidy effect would have to be intricate in design and would not be warranted in view of the amount of tax and the cost of administration involved. When one looks at the facts of the situation one can see that, with my new proposals, there is an ample margin of untaxed income from which the taxpayer can make his life insurance contracts if he has the will to do so.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate
on second reading (15.3.73)**

I now refer to provident funds and retirement schemes. Relief under section 42B(i)(d) of the Ordinance does not apply to employees' contributions except where they are passed on to a life insurance company as part of the premium under a life insurance plan used to finance the scheme or the scheme can be approved as equivalent to a Widows and Orphans Pension Scheme. Occasionally an individual part of a scheme can be, but this is rare. The 1968 Inland Revenue Review Committee considered that relief in salaries tax for employees contributions to retirement schemes approved for the purpose of exempting lump sum benefits was not warranted. My proposal, therefore, is to put all employees in the same boat with regard to retirement schemes and widows and orphans schemes. As I have indicated there is ample compensation in the increased allowances and in the low tax structure itself for those who will lose their deductions.

I would like to stress that these proposals in no way affect the existing deductibility, for profits tax purposes, of employer's contributions to Retirement and Provident Fund Schemes for their workers. Encouragement of those schemes is unaffected and lump sum benefits paid in accordance with approved retirement schemes will continue to be free of charge to salaries tax in the hands of the employees.

I come now to another aspect of simplification of administration: there is no doubt that selective allowances put up the cost of administration and, where there is abuse, valuable effort gets diverted or increased to check it.

The introduction of the dependent parent allowance and the natural zeal of the Commissioner of Inland Revenue and his staff to prevent abuse has meant a substantial increase in the volume of correspondence. A request had to be made to increase the staff of the Salaries Tax Sub-Sections dealing with the work created by the selective allowances, but the larger part of the extra work was created by this particular allowance. This extra work offsets the savings of time and use of labour in these sub-sections resulting from the use of the computer for the issue and control of returns. And I am afraid there would be nothing to gain by shifting, as suggested by my honourable Friend Mr Wilson WANG, part of the administrative burden to the Social Welfare Department.

Nor can we take the question of the cost of administering life insurance relief lightly: the examination of claims with all the varying types of policy now in existence, and especially as many of the premiums are paid in respect of insurance and linked investment plans operated by foreign corporations on contracts entered into outside Hong Kong, is a time-consuming and, therefore, costly operation.

I consider that Salaries Tax and Personal Assessment generally have become too costly in their administration in terms of the use of high grade staff. Although the territorial source of income and the identification and qualification of certain types of income and expenses will still require the expert attention of Assessors and Senior Assessors, far too much of their time at the moment is being taken up in dealing with claims for relief, especially dependent parent claims and insurance and pension scheme contribution claims. In a low standard rate system of taxation, the cost involved in the examination of claims for complicated reliefs is too high a proportion of the yield of tax from individual taxpayers. Staff costs of the department's Salaries Tax and Personal Assessment Sub-Sections for 1972-73 are estimated at \$7 million to produce \$190 million revenue as against Profits Tax costs of \$6 million to produce \$700 million. Direct comparison is not fair and personal taxes will always cost more per dollar to assess and collect; but I think a cost of nearly 4% is too high compared with the departmental average of 1.5%. However, these costs cannot come down so long as we retain selective allowances which are inappropriate to our low tax system anyway.

Furthermore, the Inland Revenue Department is also under strain as regards experienced staff. The average length of service of local officers in the Assessor grade is presently two years and eight months. They are performing excellently, but professionally qualified Assessors and partially qualified Assistant Assessors are constantly being lost to commerce and private practice. The Commissioner is seeking staff in a highly competitive market and suitable local recruitment at the Assessor level is impossible at the moment. In the circumstances, the Commissioner has no alternative but to ask for simplification and rationalisation of the system where it is warranted; and I agree with him. He is looking to a saving in the region of 20% in the establishment of assessing officers in the sections dealing with Salaries Tax and Personal Assessment as a result of the present proposals. Honourable Members will appreciate the importance of this saving when I remind them that, although the Commissioner has nine Assessor vacancies and 29 Assistant Assessor vacancies, he is under pressure to deploy staff to seek out and to charge habitual buyers and sellers of shares.

To sum up: I have proposed the abolition of the dependent parent allowance because of its abuse and its inequity due to territorial limitation; and of life insurance relief because its subsidy effect makes it inappropriate in terms of the philosophy of the Hong Kong tax system. I have done this in the context of a major reform of the personal tax system. I consider this to be the correct moment to do this exercise because, with revenue buoyant, I can take a sympathetic approach to the question of basic allowances.

[THE FINANCIAL SECRETARY] **Appropriation Bill—resumption of debate
on second reading (15.3.73)**

But, if there is to be any question of these two selective allowances being reinstated, then I must withdraw the whole package and redesign it and I am afraid it would not be possible to do this in time for the year of assessment in 1973-74 as the Commissioner of Inland Revenue must adhere to a rigid timetable for the issue of returns and so on. Delay of one year would have to be at the expense of the vast majority of taxpayers.

However, in view of honourable Members' concern about the tax position of the family man, I have re-examined the whole package very carefully with a view to reassuring myself that I have been sympathetic enough. As a result, I wish to propose two amendments: I think the allowance for the second child could be raised by \$500 to \$2,500 and for the third child by \$500 to \$1,500, lifting the permissible total of child allowances to \$11,500. As it happens, married taxpayers with two and three children claim, on average, \$1,065 in insurance relief, but I must stress, forcibly, that I am largely concerned with the generality of married taxpayers with children. The cost of these amendments will be \$1.3 million in 1973-74 (making the total net cost of the reform package \$16.8 million) and for the married man with two children on an annual gross income of, say, \$42,000 his tax bill will be reduced by a further \$50 to \$1,150 and for the married man with three children on an annual gross income of, say, \$60,000 it will be reduced by a further \$200 to \$3,600. If the assessable incomes of these two taxpayers had been at these levels over the three years 1971-72, 1972-73 and 1973-74, the consecutive reductions of tax would have been as follows as a result of the proposals in last year's budget speech and this year's: the married man with two children on \$42,000 paid \$1,935 in 1971-72 and \$1,750 in 1972-73 and will pay only \$1,150 in 1973-74. The married man with three children on \$60,000 of gross income a year paid \$5,355 in 1971-72 and \$4,725 in 1972-73 and will pay only \$3,600 in 1973-74. I think these figures speak for themselves.

To conclude: I would ask honourable Members to remember that I reduced the yield from Salaries Tax and Personal Assessment this year by nearly 5% (or \$9.5 million) and I am proposing to reduce it next year by over 7% (or by \$16.8 million). I think we should make this sacrifice of revenue to bring the system back to the basic philosophy I have described for a low tax structured economy. Certainly, having done this, I hope to avoid the turbulent waters of personal tax reform for many years to come.

Sir, I beg to move.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 54(3).

DANGEROUS GOODS (AMENDMENT) BILL 1973

Resumption of debate on second reading (14th March 1973)

Question proposed.

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).

ENTERTAINMENTS TAX (AMENDMENT) BILL 1973

Resumption of debate on second reading (14th March 1973)

Question proposed.

MR WANG: —In view of what I said in my speech at the last meeting you will understand, Sir, that I can at most give only rather lukewarm support to this bill and this is because I don't want to appear a wet blanket on the rare occasion when our Financial Secretary seems to be in a mood to be generous.

Nevertheless, I still maintain that the proposed abolition is rather untimely when the effectiveness of censorship and the present wave of criminal violence are still pressing issues.

Sir, there are scarcely any films shown in our cinemas which are suitable for children and this has created a very difficult problem to many parents, particularly during week-ends and holidays when their children may quite naturally hope to be taken to the pictures. One would have thought that Government could be doing better service to the community by using that \$32 million revenue to provide good films for them instead of giving it away by abolishing this tax.

I can now only hope that, encouraged by Government's generosity and the resulting rise in attendance, cinema management will co-operate by exercising a heightened responsibility in the selection of pictures.

[MR WANG] **Entertainments Tax (Amendment) Bill—resumption of debate on second reading (14.3.73)**

If really worthwhile productions can be screened, it will be in the interests of the community. I hope Government will also play an effective part by strengthening the censor's powers and introducing new administrative controls to restrict admission to comply with the rulings of the censor.

Sir, it is with these sincere hopes that I have persuaded myself to give my support to this motion.

Question put and agreed to.

Bill read the second time.

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

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

Resumption of debate on second reading (14th March 1973)

Question proposed.

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).

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

Resumption of debate on second reading (14th March 1973)

Question proposed.

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).

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.

Adjourned accordingly at six o'clock.