

## OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 18th December 1974

The Council met at half past two o'clock

### PRESENT

HIS EXCELLENCY THE ACTING GOVERNOR (*PRESIDENT*)  
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP  
THE HONOURABLE THE ATTORNEY GENERAL  
MR JOHN WILLIAM DIXON HOBLEY, QC, JP  
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS  
MR DENIS CAMPBELL BRAY, JP  
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP  
SECRETARY FOR THE ENVIRONMENT  
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP  
SECRETARY FOR HOUSING  
THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE LI FOOK-KOW, JP  
SECRETARY FOR SOCIAL SERVICES  
THE HONOURABLE DAVID AKERS-JONES, JP  
SECRETARY FOR THE NEW TERRITORIES  
THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP  
SECRETARY FOR SECURITY  
THE HONOURABLE DAVID WYLIE MCDONALD, JP  
DIRECTOR OF PUBLIC WORKS  
THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, JP  
DIRECTOR OF EDUCATION  
THE HONOURABLE IAN ROBERT PRICE, TD, JP  
COMMISSIONER FOR LABOUR  
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP  
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP  
THE HONOURABLE LEE QUO-WEI, OBE, JP  
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP  
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP  
THE HONOURABLE PETER GORDON WILLIAMS, JP  
THE HONOURABLE JAMES WU MAN-HON, OBE, JP  
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP  
THE HONOURABLE LI FOOK-WO, OBE, JP  
THE HONOURABLE JOHN HENRY BREMRIDGE, JP  
DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP  
THE HONOURABLE MRS KWAN KO SIU-WAH, MBE, JP  
THE HONOURABLE LO TAK-SHING, JP  
THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

**ABSENT**

THE HONOURABLE THE FINANCIAL SECRETARY

MR CHARLES PHILIP HADDON-CAVE, CMG, JP

THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL

MR KENNETH HARRY WHEELER

**Papers**

The following papers were laid pursuant to Standing Order 14(2):

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Sessional Papers 1974-75:

No 18—Annual Report and Accounts of the Hong Kong Trade Development Council for the year ended 31st March 1974 (published on 18.12.74).

No 19—Annual Report of the Hong Kong Productivity Council for the year ended 31st March 1974 (published on 18.12.74).

No 20—Statement of Accounts of the Police Welfare Fund for the year ended 31st March 1974 (published on 18.12.74).

No 21—Statement of Account of the Aberdeen Trade School Executive Committee for the year ended 31st March 1974 (published on 18.12.74).

No 22—Annual Report of the Hong Kong Housing Authority for the year ended 31st March 1974 (published on 18.12.74).

No 23—Report of the Brewin Trust Fund Committee on the Administration of the Fund for the year ended 30th June 1974 (published on 18.12.74).

No 24—Accounts of the Lotteries Fund for 1973-74 (published on 18.12.74).

**Oral answers to questions**

**Closure of Des Voeux Road Central**

1. MR LO asked: —

Will the Government describe the advantages to Hong Kong of closing Des Voeux Road Central to private vehicular traffic?

SECRETARY FOR THE ENVIRONMENT: —Sir, various measures were taken, earlier this year, in Central District to arrange stopping places and routes for public light buses and buses. These measures have made a significant contribution to relieving traffic congestion in this area. The scheme proposed for Des Voeux Road, referred to by my honourable

Friend, represents a further rationalization of traffic in this extremely congested area.

The proposals for Des Voeux Road Central constitute a 3-stage scheme. Briefly, under the first stage, as from the 5th January Des Voeux Road Central between Jackson Street and Jubilee Street will become an urban clearway during the peak hours at 7 *a.m.* to 10 *a.m.* and 4 *p.m.* to 7 *p.m.*, when only franchised buses and trams may stop to pick up or set down passengers and when goods vehicles will be banned from stopping to pick up or set down goods. The second stage begins on 16th February 1975 when all private cars (but not taxis) will be banned from entering the same sections of Des Voeux Road Central between 7 *a.m.* and 7 *p.m.* from Mondays to Saturdays. (Special permits may, however, be granted in respect of the few private cars which normally park on private property along this section of road, which are only accessible from Des Voeux Road). The third stage begins in early April 1975, when there will be an extension of both the urban clearway and the ban on private cars, westwards to the junction of Des Voeux Road Central with Morrison Street.

Sir, my honourable Friend has asked me to describe the advantages to Hong Kong of the scheme which I have just outlined. Des Voeux Road is a vital artery in Hong Kong's central business district. It is already clogged with too many vehicles and the result is unacceptable congestion which slows down everyone and encourages accidents. The only practical solution is to reduce the volume of vehicles by precluding, at congestion-prone times, the least important traffic and particularly the private car, thereby freeing from congestion public transport on which 90% of our population has to rely.

The need for this scheme is, perhaps, already apparent but it will be essential once the construction of the mass transit railway commences. It is hoped therefore that by introducing the scheme now and monitoring its effectiveness it will be possible to make any necessary minor adjustments in time to ensure that, once the capacity of the road is reduced during the mass transit railway construction period, the essential traffic which must use Des Voeux Road Central can do so.

Since there are alternative routes in Connaught Road Central and Queen's Road available for private cars, a ban on their entering this section of Des Voeux Road from 7 *a.m.* to 7 *p.m.* on weekdays should not cause undue hardship.

### Oral answers

MR LO: —Sir, has the Government considered the security angle where members of the public have to deposit valuables and cash by private vehicles into the banks, many of which decorate Des Voeux Road Central?

SECRETARY FOR THE ENVIRONMENT: —Sir, I would suggest that this comes under the heading of "essential vehicles" which require to have access to properties on Des Voeux Road, but in actual fact my own personal experience is that these vehicles stop on Queen's Road Central, which is illegal, to deposit money into the Hongkong and Shanghai Bank.

MR CHEUNG: —Sir, when my Friend uses the word "rationalization", does he mean bringing it into line with some pre-conceived ideas of people who have antipathy towards private cars?

SECRETARY FOR THE ENVIRONMENT: —No, Sir. (*Laughter*)

MR LO: —Will my Friend confirm that so far as this banning is concerned, he has taken into account the fact that there are banks other than the Hongkong and Shanghai Bank along Des Voeux Road Central?

SECRETARY FOR THE ENVIRONMENT: —Yes, Sir. (*Laughter*)

MR CHEONG-LEEN: —Sir, does the second stage include Government cars?

SECRETARY FOR THE ENVIRONMENT: —Most certainly, Sir.

### Small debts court

2. MR WANG asked: —

What progress has been made in setting up a small debts court?

THE ATTORNEY GENERAL: —Sir, a draft bill is under consideration between my office and the Judiciary. Some differences of view have emerged during the discussions, but I think I can say that progress is satisfactory.

MR WANG: —Sir, I hope that the short answer means that we will have a small debts court in a short time. May I ask if Government is aware of the urgency of this matter and is prepared to speed up the settling of the differences of views? For example, difficulties have been experienced by management committees of estates in collecting payments from various tenants to maintain the good condition of the buildings.

THE ATTORNEY GENERAL: —Sir, I am myself a very strong supporter of the proposal that there should be a small debts court. I think that the Government, as a whole, is well aware of the urgency which is felt about its establishment. Without, I hope, being too optimistic I forecast that the bill will be introduced during this session.

### **Taxi drivers selecting passengers**

3. MR BREMRIDGE asked: —

Will the Commissioner of Police take firm action against taxi drivers who select passengers by preferred destinations?

SECRETARY FOR THE ENVIRONMENT: —Sir, the law on this subject is contained in Part IV of the Road Traffic (Taxis, Public Omnibuses, Public Light Buses and Public Cars) Regulations. Regulation 27 sets out the obligation of a taxi driver by stating:

"The driver shall not, without reasonable excuse, refuse or neglect to drive, the taxi to any place indicated by the hirer."

So far this year, the police have received 59 complaints relating to taxi drivers either refusing a fare or refusing to go where the passenger directed. The police have prosecuted 26 of these cases; 12 are currently under investigation and no further action has been possible with respect to the remaining 21, mainly because complainants were either unable or unwilling to give evidence in court.

The majority of complaints which are made relate to taxis at the airport and, with this in mind, a simplified reporting procedure which merely requires the completion of a pro forma is now in operation at Kai Tak. Perhaps I should add, Sir, that, taxi drivers can usually recognize tourists and assume that it is unlikely they will lay a complaint and that, even if they do, they are unlikely to be still in Hong Kong when they are required to give evidence at any subsequent court hearing. It is apparent from the complaints made that there is little

[SECRETARY FOR THE ENVIRONMENT] **Oral answers**

understanding (particularly by visitors to Hong Kong) of the difference between taxi and public hired car operations. In respect of public hired cars both the destination and fees are subject to mutual agreement between driver and passenger which means public hired car drivers are completely free to select customers who are willing to pay what is demanded.

But while this is not the case with taxi drivers there is, sometimes, a good reason for a taxi driver refusing to go to a specified destination, if, for example, the prospective passenger looks like a villain and wishes to go to an isolated spot where robberies of taxi drivers have occurred in the past.

Bearing all this in mind, I think it is clear that the Commissioner of Police is taking firm action against taxi drivers who unreasonably select passengers by preferred destinations. I must stress, however, the obvious point that the police can only act after a complaint has been lodged.

MR BREMRIDGE: —Sir, my villainous problem for once is not concerned with the airport. Will my embattled honourable and normally self-mobile Friend please investigate the position himself any evening at about six o'clock in central?

SECRETARY FOR THE ENVIRONMENT: —Yes, Sir. (*Laughter*)

**Communication between junior and senior Government staff**

4. MR WU asked: —

Sir, will Government inform this Council what means exist to enable a junior officer to bring grievances or suggestions to the attention of senior officers?

SECRETARY FOR HOME AFFAIRS: —Sir, the means whereby a junior officer may bring grievances to the attention of senior officers are prescribed in Colonial Regulations and Civil Service Regulations. Briefly, any officer may address his head of department through his immediate senior officer; if he does not get satisfaction, he may, in ascending order, address the Colonial Secretary, the Governor, the Secretary of State for Foreign and Commonwealth Affairs, and the Queen.



Of course junior officers, indeed all officers, are encouraged to put forward to their senior officers any ideas or suggestions they may have for the improvement of the efficiency of services to the public.

Considerable efforts are also being devoted by the Civil Service Branch and heads of departments to the development and improvement of formal and informal staff relations, which will afford increasing opportunities for junior and senior staff to develop mutual understanding and communication.

MR WU: —Sir, in the event of the senior officer being unsympathetic, and the officer appeals to the higher ups, what is there to prevent him from reprisals by his immediate senior officer?

SECRETARY FOR HOME AFFAIRS: —I think what my honourable Friend is suggesting is absolutely outrageous—that is that a senior officer should take reprisals in some way. The sanction against this is ordinary disciplinary procedure against the senior officer.

MR LO: —Sir, is it possible for the junior officer to take a somewhat indirect route by addressing directly the Public Services Commission?

SECRETARY FOR HOME AFFAIRS: —I think I should require notice of that, Sir, since the Public Services Commission is not part of the civil service.

### **Importation of wild animals**

5. MR CHEONG-LEEN asked: —

Sir, (a) Which Government department is responsible for issuing permits for the import of wild and potentially dangerous animals such as bears, gorillas, leopards, tigers, *etc.*?

(b) How many such animals are there in Hong Kong at the present time?

SECRETARY FOR THE ENVIRONMENT: —Sir, the Agriculture and Fisheries Department is responsible for the issue of permits for the importation of wild and potentially dangerous animals under the Public Health (Animals and Birds) Ordinance (Chapter 139). The number of such animals so imported and currently in Hong Kong is 12, that is 9 bears, 1 jaguar, 1 leopard and 1 elephant.

**Oral answers**

MR CHEONG-LEEN: —Sir, referring to the animals which are already in Hong Kong, is there any system of licensing or some other system governing the inspection and the maintenance of these animals?

SECRETARY FOR THE ENVIRONMENT: —Sir, I think that is an entirely different question, but I will certainly make enquiries and inform the honourable Member.

MR CHEONG-LEEN: —Sir, this is a very related question.

SECRETARY FOR THE ENVIRONMENT: —In that case, Sir, I cannot give the answer at the present moment. I will certainly inform the honourable Member.

**Public assistance—applications for (1)**

6. MISS KO asked: —

Sir, can steps be taken to ensure that applications for public assistance are processed within two weeks of receipt of the applications?

SECRETARY FOR SOCIAL SERVICES: —Sir, in reply to a series of similar questions by my honourable Friend Mr LOBO in this Council on 9th of January this year, I outlined the procedure for processing public assistance applications.

The normal time required to process an application is three weeks, although this can vary depending on the complexity of the case. This period is not unreasonable, particularly when a cash payment can be made within two days in respect of those in urgent need. I do not therefore consider it practicable to reduce the period to two weeks.

Sir, I mentioned in my speech at the opening session of this Council that there were about 37,000 public assistance and 51,000 disability and infirmity allowance cases at the end of October. These figures stood at 39,600 and 52,700 respectively at the end of November. The Director of Social Welfare has applied for additional staff to cope with the situation but it usually takes several months to process such requests and to recruit the staff. Meanwhile, he has taken steps to ensure that the normal three weeks will not be exceeded. These steps include redeployment of staff from other sections of the department and simplifying the procedure temporarily in dealing with people

who have been receiving public assistance for the last two years and whose previous reviews have shown no significant change of circumstances.

MISS KO: —Sir, in the future would Government consider an increase of manpower or trained personnel to speed up the procedure to within two weeks?

SECRETARY FOR SOCIAL SERVICES: —Yes, Sir, as I said in my reply, the Director of Social Welfare has already applied for additional staff.

### **Public assistance—applications for (2)**

7. MISS KO asked: —

Sir, can an assurance be given that, in urgent cases of application for public assistance, interim cash grants will be awarded to meet immediate needs pending completion of investigation of such application, and that the discretionary power as stated in the scheme will be exercised whenever possible?

SECRETARY FOR SOCIAL SERVICES: —Yes, Sir. Standing instructions to staff handling public assistance applications already provide for emergency cash payments to be made where there is evidence that financial hardship would otherwise be suffered. This is done usually on the day of application, or within 48 hours. Over the last five months about 200 such payments have been made every week.

As for the discretionary powers available to the Director of Social Welfare under the public assistance scheme, these are exercised carefully in appropriate cases. Recent statistics show that 15% of public assistance households were specially helped on a regular basis with such expenses as school fees and essential travelling costs, and about 7% received extra assistance to help with medically approved diets. Lump sum payments are also made to meet the cost of removals, and such expenses as those connected with official documentation, and medical treatment where this is not free of charge.

**Oral answers****Explosive materials—dumping into sea**

8. MR LO asked: —

- (a) Did any Government department authorize the dumping of the explosive materials into the sea by the Master of the s.s. "Jason II"?
- (b) If so, was such authority given after due consultation with other departments of Government concerned with the safety of our waters and the disposal of explosives?

SECRETARY FOR THE ENVIRONMENT: —Sir, when the s.s. "Jason II" arrived in Hong Kong it had a cargo of explosives destined for the Green Island Explosives Depot and a special explosives depot established for the High Island Dam project. On inspection of the cargo some of it was found to be damaged by sea water and in a dangerous condition. The representative of the owners of the cargo of explosives was therefore told by a Government spokesman that the damaged portion could not be landed and stored in an explosives depot. He was advised that the materials should either be returned to the port of loading or dumped safely on the high seas. I should say here that the high seas are defined as being outside the territorial waters of any country. Permission to dump in Hong Kong waters was refused.

The Master of the "Jason II" acted on this advice which was given by the Director of Marine after consulting the other Government departments concerned, that is the Mines Department and the Royal Hong Kong Police Force.

My honourable Friend will wish to know that this year legislation was enacted in the United Kingdom whereby the appropriate authority controls the dumping at sea of explosive materials by granting a licence which specifies exactly how such materials are to be dumped. This legislation is currently under study by the Marine Department with a view to providing similar controls in Hong Kong.

MR LO: —Sir, does the Government say in effect that the Master of "Jason II" has dumped the explosives safely outside our territorial waters?

SECRETARY FOR THE ENVIRONMENT: —Sir, Government says that the Master of the "Jason II" did dump the explosives outside territorial

waters, and I have it on very good authority because one of my staff was one of the policemen who escorted it outside Hong Kong waters.

MR LO: —The question, I am afraid, was whether he acted on the advice to have the explosives dumped safely outside the territorial waters?

SECRETARY FOR THE ENVIRONMENT: —Sir, to the best of my knowledge, he did.

MR CHEUNG: —Sir, if any Government spokesman is disposed to give similar advice in the future, would he bear in mind that international practice in this part of the world defines the high seas as being not less than twelve miles from the coast of any country?

SECRETARY FOR THE ENVIRONMENT: —Sir, this will be looked into.

### **Code of aid for special schools—(1)**

9. MRS SYMONS asked: —

Sir, would Government make every effort to expedite the code of aid for special schools and can a date for its implementation now be announced?

MR TOPLEY: —Sir, I can assure my honourable Friend that work on the new proposed code of aid for special schools is proceeding with all possible speed. I must state however that it is likely to be some time before the draft code can be finalized and submitted to the Finance Committee of this Council for approval. I cannot, I am afraid, now state a provisional date for implementation.

MRS SYMONS: —Sir, are there any special difficulties that those working on the new proposed code of aid for special schools have encountered since I believe the code is long overdue?

MR TOPLEY: —There is a meeting of the working group on the 20th December 1974. I am sure Mrs SYMONS will be welcome there. There are a number of complications because the details of post have to be agreed before the work on the code of aid can be brought to any

[MR TOPLBY] **Oral answers**

finality; and when the code has been agreed by the working group, representatives of the special schools, of course, must be consulted and I am sure the honourable Member would wish this before we actually put the code to the Finance Committee for approval.

**Code of aid for special schools—(2)**

10. MRS SYMONS asked: —

Sir, upon the introduction of a code of aid for special schools would Government confirm that as part of its implementation the salaries of staff in such aided special schools will be readjusted as in the case of ordinary schools and backdated to April 1972?

MR TOPLEY: —Sir, I can give no outright assurance, at this stage, that the new code will be introduced with retrospective effect. But the question of the equitability of backdating pay scales to April 1972 will be most carefully considered.

**Silicosis—inclusion in Workmen's Compensation Ordinance**

11. MR WU asked: —

Sir, when will silicosis be included as an industrial disease under the Workmen's Compensation Ordinance?

MR PRICE: —Sir, I assume that my honourable Friend's question refers to the proposal to include silicosis among the occupational diseases listed in the Second Schedule to the Workmen's Compensation Ordinance.

As stated by His Excellency in this Council on 16th October this year, legislation for a special compensation scheme for those suffering from silicosis will be introduced into this Council during the current session. This remains the position, and I am unable to be more precise, because of points yet to be resolved with the Accident Insurance Association of Hong Kong. The co-operation of that association is essential if we are to provide for compulsory workmen's compensation insurance for silicosis—a progressive and incurable lung disease caused by prolonged exposure to free silica dust. Any scheme dealing with

compensation in respect of this disease is complicated by the difficulty of determining proportionate liability where the worker has been employed by a number of employers during the period of exposure. Normal workmen's compensation is inappropriate for providing compensation for silicotics.

MR WU: —Sir, in view of the circumstances, would Government consider the introduction of legislation requiring the compulsory use of gas masks in such places as quarries, *etc.*?

MR PRICE: —Well, Sir, Government would certainly consider the possible introduction of some type of mask, but I think a gas mask would be quite inappropriate because it would not necessarily filter all the free silica dust.

### Statements

#### **Annual Report of the Hong Kong Productivity Council for the year ended 31st March 1974**

DR CHUNG: —Your Excellency, among the various papers laid on the table of this Council today is the Annual Report of the Hong Kong Productivity Council for the fiscal year 1973-74.

The year under review was one of challenge for industry and in many ways one for the Productivity Centre also. At the beginning of the year 1973-74 when the Hong Kong stock market was at the height of its high fever, a set-back was experienced by the Centre in the number of participants. Fortunately, the decline was temporary and things began to improve in the second quarter of the fiscal year.

The activities of the Productivity Centre continued to expand despite the fact that it had virtually the same staff strength as that of the previous year. During the year, the Centre provided productivity training to 6,326 persons and undertook 104 consultancy and technology projects, showing an increase of 20% and 73% respectively over the previous year.

In response to the oil crisis, the Centre through the auspices of the Asian Productivity Organization arranged for overseas experts' assistance in the promotion of fuel efficiency and conducted a series of well-attended seminars and training courses on effective and economic use of energy.

[DR CHUNG] **Statements**

A start was made during the year to provide environmental engineering training. A further step was also taken to assist small-scale industry through the introduction of a Small Industry Management Advisory Service. For a small monthly subscription, this new scheme provides for regular visits by the Centre's consultants for on-the-spot advice and assistance, which normally covers the full range of management techniques and technical know-how. This service is of a special value to owner-managers who may be faced with business problems in a variety of fields outside their own knowledge and experience.

Sir, before I resume my seat, I would like to take this opportunity to thank Your Excellency on behalf of the Productivity Council for your interest and encouragement shown to us during your recent visit to our headquarters in Gloucester Building and to our Low Cost Automation Centre in Kwun Tong.

**Annual Report and Accounts of the Hong Kong  
Trade Development Council for the year  
ended 31st March 1974**

MR TIEN: —Sir, as Vice-Chairman of the Hong Kong Trade Development Council, I have pleasure in presenting its Annual Report for 1973-74, which is among the papers laid on the table today.

During the year under report, the Council's financial and staff resources were deployed to their limit in the implementation of an expanded programme of trade and industrial events. A total of 43 specific projects were mounted during the year, seven more than in the previous year. The major promotion was the Ready-to-Wear Festival which, this year, attracted 925 overseas buyers representing companies from 30 different countries. The Festival has now become an important event to buyers on the international circuit of leading apparel trade fairs.

In terms of priorities, emphasis continued to be placed on maintaining the level of Hong Kong's promotional efforts in all the major markets, but due consideration was also given to the exploration of new market opportunities and the identification of alternative sources of industrial imports.



One feature of this year's activities which could not have been foreseen was the Council's co-ordinating role with respect to the worldwide supply shortage of certain plastic raw materials. At relatively short notice, it was able to act quickly and effectively to keep the Commerce and Industry Department and interested Hong Kong associations and businessmen advised of the international supply position as it developed.

The Council, through its network of overseas offices, continued its role of promotion of foreign participation in Hong Kong industry in close co-operation with the Industrial Promotions Branch of the Commerce and Industry Department.

Overall, despite some apprehension at the beginning of the year, Hong Kong's trade performance exceeded most expectations. Total trade at HK\$55,000 million, though largely inflated by price increases, was a new record, as was the growth of 33.6% which was unprecedented since 1950.

## **Government business**

### **Motions**

#### **FACTORIES AND INDUSTRIAL UNDERTAKINGS**

#### **ORDINANCE**

MR PRICE moved the following motion: —

That the Factories and Industrial Undertakings (Amendment) Regulations 1974, made by the Commissioner for Labour on the 7th November 1974 under section 7 of the Factories and Industrial Undertakings Ordinance, be approved.

He said: —Sir, I move the first motion standing in my name on the Order Paper for the approval of the Factories and Industrial Undertakings (Amendment) Regulations 1974.

The purpose of these regulations is to reduce the maximum permissible hours of overtime a year for women and young persons aged 16 and 17—

- (a) from 300 hours to 250 hours a year from 1st January 1975; and
- (b) from 250 hours to 200 hours a year from 1st January 1976.

[MR PRICE] **Motions**

The Factories and Industrial Undertakings (Amendment) Regulations 1967 introduced from 1st December 1967 a phased programme for the progressive reduction to eight hours a day of the standard hours of work for women and young persons (aged 16 and 17) in industry. Those regulations also progressively increased the maximum permissible hours of overtime for women and young persons from 100 hours a year in 1967 to 300 hours a year by 1st December 1971. This increase in permissible overtime was intended as an interim measure to help employers adjust to the reduction in normal working hours and to ensure that workers would not suffer any abrupt loss of earnings during the transitional period. Now that the increase in permissible overtime has served its purpose, it is appropriate to take steps to reduce it by two stages.

From figures collected in a comprehensive survey conducted in 1973, it is clear that the effect of the reduction to 250 hours a year would mean the reduction of only 4.4% of the total overtime worked by women and young persons or 0.13% of the total hours worked by women and young persons in that year. Similarly, the reduction to 200 hours would reduce by 12.3% the total overtime worked by these groups or reduce by 0.37% the total hours worked by women and young persons in that year. Moreover, it is known that at the present time the amount of overtime worked is much reduced.

I assess that the economic effect of the reduction made in the regulation would be marginal; and the opportunities which the reduction in permissible overtime may offer for increasing normal employment should be welcome in the present state of the labour market. It should be noted, however, that I have not proposed any changes to my powers under regulation 11(6). This permits me, where work in any class or description of industrial undertaking is subject to seasonal or other special pressure, to increase the aggregate number of hours of overtime to 350 hours a year, provided the increase takes place in only eight weeks in any year.

I should draw attention to regulation 11(7) which permits me to increase the aggregate number of hours of overtime for an individual industrial undertaking if I am satisfied that the increase is necessary by reason of unforeseen pressure of work due to sudden orders, or breakdown of machinery or plant, or other unforeseen emergency. I assure honourable Members that I shall consider sympathetically any requests made under regulation 11(7) and 11(6). I should stress that this regulation permits a high degree of flexibility.

It could be argued that in this age of movement towards removal of discrimination based on sex it is inappropriate to continue to afford special protection for women at work. I do not subscribe to this view in the present state of trade unionism in Hong Kong and consider that for some years to come Government will have a clear responsibility to continue to protect women by limiting the hours of overtime which can be worked by them. In the local context, it should not be overlooked that many working women also need to attend to domestic matters at home, and this is another reason why a limitation on their overtime is desirable. In this connection I should add that elsewhere the view has been taken that the repeal of this type of protective legislation would place undue pressure on working women. It might also be argued that a further limitation on overtime takes away the freedom of female workers to work overtime. Such an argument seems to ignore the fact that there is already a limitation, as a protective measure, and there is no intention of abandoning it. Moreover the freedom of the female worker is illusory in that overtime can only be worked when it is available and offered by the employer. It cannot normally be offered merely at the request of the female worker.

The reductions embodied in the amending regulations were considered by the Labour Advisory Board on 12th April 1973 and again on 30th May 1974. On both occasions members of the board unanimously supported the proposal. The apparent delay was caused by the board's consideration of a separate but related proposal to abolish all overtime for young persons. However, on this the board was somewhat divided as to timing and reverted to endorsing the original proposals.

DR CHUNG: —Your Excellency, most of the statutory restrictions for women in the labour legislation of the United Kingdom originated in the nineteenth century when the working conditions and the outlook of society were quite different from those of today. During the post war years, many of the restrictions have been eased. For example, under certain conditions women can now be employed to do night work in factories in the United Kingdom. During the past few years, the British Government has actively carried out consultations with a view to removing discrimination on the ground of sex and in September 1973 it published a consultative document titled "Equal Opportunities for Men and Women".

Honourable Members may be interested to know some of the opinions expressed in this UK Government consultative document. Among other things, it is said and I quote: "The Government sees no

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reason in today's conditions, for maintaining all these restrictions and accordingly intends to repeal, in respect of women aged 18 and over, those restrictions in the Factories Act 1961 and associated legislation relating to hours of employment, including overtime, Sunday and night work . . . There is another reason for repealing such restrictions at this time. If they were to be left unaffected by the requirements of the proposed legislation, this would produce an unsatisfactory situation affecting some two million women workers across the whole range of factory employment. Factory employers could justifiably claim that it was impracticable to require them not to discriminate against women in favour of men for certain jobs . . . ", unquote.

It is recognized that this document is only consultative and that it might take the British Government some time to adopt these proposals for eliminating such discrimination against women, particularly when the Labour Party is now in power. Nevertheless, some people feel that it would not be advisable to impose further restrictive measures in Hong Kong on overtime hours for adult women at this very moment when the UK Government is having second thoughts on the whole matter of discrimination on the ground of sex.

As some honourable Members are aware, there are already very extensive factory regulations to limit female workers in industry to eight working hours per day and six working days in any one week as well as to restrict women from working earlier than 6 o'clock in the morning and later than 8 o'clock in the evening in any day. Any overtime worked shall not be more than two hours in any one day. Each industrial employer has to maintain a comprehensive register of all the women employed including detailed personal particulars, photographs, period and nature of employment, rest day of the week, hours of work, *etc.* Furthermore, the Commissioner for Labour can prohibit overtime employment of women in any factory if he is satisfied that such overtime employment will adversely affect the health of female workers. The application of the current maximum 300 hours overtime a year has therefore to operate within these strict limitations. Furthermore, in accordance with international employment practice, employers have no right to impose overtime work on employees. I quote these existing restrictive measures for women because I believe it is important for honourable Members to view the overtime hours in proper perspective.

Seven weeks ago I said in this Council and I now say it again that in the absence of wide-spread effective trade unionism, Government has the special responsibility to ensure that labour would get a fair

share of our success and to seek continual improvement in working conditions and terms of employment in line with the advancement in our industrial development. However, the reduction of maximum overtime from 300 to 250 and then further to 200 hours a year does not represent better terms of employment nor does it provide more protection for women. On the contrary, it would imply that we are introducing more discrimination against women in factory employment. Sir, let me cite an example to illustrate this point. At present and for some time to come, prospects for our industries are rather uncertain and many workers, be they men or women, are at times under-employed or even laid-off. For a male worker, a reduction of his earning in one particular month due to insufficient work for him to do could be compensated somewhat by the additional wages he could earn on overtime in another month when his employer can provide more work for him. For a female worker, she will be losing more this advantage of flexibility.

Sir, it is difficult to follow the various arguments put forward by my honourable Friend, the Commissioner for Labour, in defence of the proposed legislation. I should like to comment on these arguments one by one. First, he said that because of the present state of trade unionism in Hong Kong, it is necessary to limit the hours of overtime which can be worked by women. I understand that, in a sample survey among 1,100 women workers conducted by the Labour Department, 50% of those asked were in favour of the existing overtime arrangement, 25% had no comment and the remaining 25% were against it. If trade unions truly reflect the views and wishes of these women workers, they would not support the proposed legislation.

Secondly, my honourable Friend said that in the local context many working women also need to attend to domestic matters at home and that this is another reason why a limitation on their overtime is desirable. One can hardly see why working women in Hong Kong have more domestic chores to perform than their counter-parts in other countries. Because our homes are very much smaller and our Chinese concept of greater family still prevails to a certain extent, one would have thought that the situation would be the reverse. Nevertheless, it would seem more appropriate to leave the decision to the individual adult women rather than for the Government to decide for them.

Thirdly, the Commissioner for Labour said that the further limitation on overtime does not take away the freedom of female workers to increase their take-home pay when they need more money because, in the first place, there is already existing legislation limiting overtime and,

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in the second place, overtime work is only possible when it is offered by the employer. In this respect, my honourable Friend has perhaps overlooked the fact that the freedom which is being taken away is the freedom to do overtime when there is overtime. One of my honourable colleagues talked to me on this point the other day and he said which I quote: "To say that because this freedom of overtime is already limited by present legislation, women will lose nothing if it is cut down further is as unreasonable as it would be to say to a hungry population that since they are already hungry they lose nothing if they get even less food"; unquote.

The fourth point advanced by my honourable Friend is this "that the opportunities which the reduction in permissible overtime may offer increasing normal employment in the present depressed state of the labour market should be welcomed". Any person who has insight into the local factory operations would know this is not true. In the first instance, wages for overtime in Hong Kong are at least 50% higher than those for normal time work and no industrial employer would be so foolish as to increase his production cost through unnecessary overtime. If he can increase his production through normal employment he would have done it already in the beginning. In the second instance, it is simply not possible to employ workers, particularly skilled workers, to work in factories for only one or two hours in a day and may be a few weeks each time in a year.

Sir, as far as young persons are concerned, I welcome the introduction of this resolution but I do have some doubts in the case of adult women. Nevertheless, despite my reservations it is not my intention to propose any amendment to this resolution. It is, however, quite obvious that the Government is under extreme external pressure to introduce this resolution. With respect, I think it is not for the overall good of the community if unrealistic labour legislation is transplanted or imported wholesale to Hong Kong. Therefore, if conditions change in the UK, it is hoped that Government will consider repealing this restriction on overtime for adult female workers in industry.

MRS SYMONS: —Sir, I support the Factories and Industrial Undertakings (Amendment) Regulations 1974 with regard to the limitation of overtime as set out in the paper before Members.

I am conscious of the controversial nature of this type of limitation but feel quite strongly that Government should always legislate

in the best interests of the community at large. Freedom of work is enjoyed in our community but freedom must not lead to excess, even if it is an excess of work. The health and well-being of women and young people must always be in the forefront of Government policy and in this instance I feel Government has taken the right step.

MR CHEONG-LEEN: —I rise to speak on the Factories and Industrial Undertakings (Amendment) Regulations 1974 which reduces the maximum permissible overtime for women and young persons to 200 hours a year by 1st January 1976.

These regulations seem designed to protect the health and well-being of women and of young persons under the age of 18 in Hong Kong.

Particularly in the case of young people, it is of paramount importance that their health and physical growth should not be hindered by excessive working hours in factories. Equally, too, it is important that Government should provide for these young people more facilities for recreation and sport, otherwise they could be led astray into illegal activity such as robberies and hold-ups with the use of knives and other dangerous instruments.

From the point of view of enlightened social policy, overtime for young persons should be abolished at the earliest practicable date.

In regard to women it is natural that their family responsibilities of child-bearing and looking after the home should be linked with some restriction on their hours of employment in industry. However, it is relevant to note that there are a number of industries such as the toy industry where women are more suitable than and are given preference over men for certain production processes. Therefore, overtime must be allowed flexibly and with a minimum of red tape if manufacturing is not to be unduly restricted and Hong Kong products are to remain competitive on world markets.

Hong Kong's existing legislation on overtime for women is to some degree modelled after the UK legislation, most of which originated in the 19th century. I understand that the UK Government is presently considering the repeal of some of these restrictions as they are considered out-of-date.

Should this take place, I hope that Hong Kong's legislation will be promptly revised to conform with changing standards in industrialized countries such as Britain.

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It is interesting to note that in Singapore women and men are both allowed a maximum of 48 hours overtime per month, which is a maximum of 576 hours overtime per annum for either a female or a male worker. I suggest that the honourable Commissioner for Labour obtain full background information as to why women should be given such equal status as men in Singapore despite a strong and well-organized trade union movement there, and that such information be made available to the Labour Advisory Board for assessment.

Meantime it is essential for the economic stability of Hong Kong that the Commissioner for Labour give maximum publicity to all factories, large and small, to the provisions of his powers under regulation 11(6) and regulation 11(7) to allow increases in the aggregate number of hours of overtime under certain conditions.

It will also be useful if he will review the procedures for invoking these two regulations to ensure that they can be flexibly and quickly applied and that there is the absolute minimum of red tape with little or no loophole for corrupt practices on the part of either factory-owners or Labour Department staff.

MR PRICE: —Sir, I welcome the support of my honourable Friends Mrs SYMONS and Mr Hilton CHEONG-LEEN, and the somewhat qualified support of my honourable Friend Dr S. Y. CHUNG for the resolution before Council.

I do not propose to reply point by point to my honourable Friend Dr CHUNG because this is a subject on which we have agreed to differ. However, I would like to put the record straight regarding the present situation in the United Kingdom. The document from which my honourable Friend quoted has been superseded by a new consultative document issued in September 1974. This is titled: "Equality for Women", and makes clear that the protective measures for women contained in the United Kingdom Factories Act should be retained for the present at least. Moreover, the proposed United Kingdom bill will impose a duty on the Equal Opportunities Commission to keep all these provisions under review in consultation with the Health and Safety Commission. I should add that the change in attitude in the United Kingdom was brought about because of considerable criticism that the original proposal to lift protective measures might place undue pressure on working women.



Sir, also to put the record straight I should make clear that in the United Kingdom overtime for women is limited to 100 hours a year, and not to 200 hours a year as is now proposed for Hong Kong. It is evident that UK legislation has not been "transplanted or imported wholesale" to Hong Kong.

Only about 6 *per cent* of women in the manufacturing industry are members of trade unions in Hong Kong and thus they lack protection against being required to work over-long hours. Therefore Government considers that the new regulations are a step in the right direction—a point well taken by my honourable Friend Mrs SYMONS.

I assure my honourable Friends that Government will watch closely the situation in respect of protective legislation relating to women and young persons—not only in the United Kingdom but elsewhere. I repeat the assurance that my special powers under regulation 11(6) and 11(7) will be used sympathetically. I have put in hand an examination of the procedures for dealing with such applications under these two regulations, so that they can be quickly and flexibly applied: and I have arranged for maximum publicity—a point made by my honourable Friend Mr Hilton CHEONG-LEEN who also asked about the position in Singapore.

Sir, in Singapore work for all employees, male and female, is limited to 8 hours a day and 44 hours a week with payment for ordinary overtime for both men and women fixed by law at not less than 1½ times the hourly rate of pay, irrespective of the basis on which the rate of pay is fixed. This includes piece rates. However in Hong Kong work on piece rates does not attract increased rates of payment for work done during overtime period. Thus, in Singapore, overtime work is more widely controlled by its high cost to employers. Sir, I consider that the more equal treatment between men and women in Singapore could well be because of a strong and well organized trade movement there and not despite it.

While there is no doubt that Her Majesty's Government would welcome this improvement in our labour standards, I must reiterate once again that these proposals are the result of the unanimous advice of the Labour Advisory Board on two separate occasions. The board has also advised that overtime for young persons should be abolished in due course. I am at present studying the economic consequences of such a step.

*Question put and agreed to.*

**ILLEGAL STRIKES AND LOCK-OUTS ORDINANCE**

MR PRICE moved the following motion: —

Pursuant to section 8 of the Illegal Strikes and Lock-outs Ordinance, that the duration of the said Ordinance be extended for the term of one year until the 31st December 1975.

He said: —Sir, the effect of this resolution, if approved, will be to keep the Illegal Strikes and Lock-outs Ordinance in force until 31st December 1975.

When a similar resolution was moved last year, my honourable colleague, the Secretary for Social Services, said that preparation was well advanced on a proposed new industrial relations bill to replace the Illegal Strikes and Lock-outs Ordinance. Since then, additional progress has been made, in that a bill now called the Labour Relations Bill, has been drafted; and consultations have been completed with the Labour Advisory Board and employers' associations. The useful comments made by these bodies are now being studied.

I believe that at last we are seeing the light at the end of a long tunnel, and in early 1975, I intend to seek the approval of Executive Council for the introduction of the Labour Relations Bill into this Council. However, so that there shall be no hiatus, it is necessary to keep in force for one more year the Illegal Strikes and Lock-outs Ordinance.

*Question put and agreed to.*

**First reading of bills**

**RATING (AMENDMENT) BILL 1975**

**INTERPRETATION AND GENERAL CLAUSES (AMENDMENT) BILL  
1975**

**MARRIAGE (AMENDMENT) BILL 1975**

**PUBLIC OMNIBUS SERVICES BILL 1975**

**FIXED PENALTY (TRAFFIC CONTRAVENTIONS) (AMENDMENT)  
BILL 1975**

**LANDLORD AND TENANT (CONSOLIDATION) (AMENDMENT) BILL  
1975**

*Bills read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).*

### **Second reading of bills**

#### **RATING (AMENDMENT) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the Rating Ordinance."

He said:—Sir, the present Rating Ordinance came into effect on 1st April 1973. Experience since then has shown that some minor amendments are desirable. These are introduced by clauses 3, 5, 6 and 7 of this bill and are adequately explained in the explanatory memorandum.

The bill also proposes two other amendments. The first is designed to ensure that rateable values in new rating areas are broadly in line with existing valuations of tenements in other areas. The second amendment will afford this Council greater flexibility in fixing urban area rates.

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

*Question put and agreed to.*

#### **INTERPRETATION AND GENERAL CLAUSES (AMENDMENT) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the Interpretation and General Clauses Ordinance."

He said:—Sir, the Interpretation and General Clauses (Amendment) Bill 1975 speaks for itself. I move that it be read a second time and without further ado I move that the debate be adjourned.

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

*Question put and agreed to.*

**MARRIAGE (AMENDMENT) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the Marriage Ordinance."

He said:—Sir, when a notice of intended marriage is given to the Registrar of Marriages, he exhibits one copy of the notice at his office and in due course he issues a certificate to the effect that notice of the marriage was duly entered in the marriage notice book. That certificate also states, that being the case, that its issue has not been forbidden by anyone authorized under the law to do so.

Where the marriage is to be celebrated elsewhere than at the registry, the certificate must be given to the minister who is to celebrate the marriage and the object of this is plain enough. But the registrar is also required to issue a certificate where the marriage is to be contracted in a marriage registry. There is no point in this, Sir, since all the matters are within the registrar's knowledge and this bill will make it unnecessary for a certificate to be issued in such a case.

It provides instead for the endorsement on the original notice of the marriage of a statement that the issue of a certificate has not been forbidden. That endorsement will have effect as if the certificate had been issued.

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

*Question put and agreed to.*

**PUBLIC OMNIBUS SERVICES BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to provide for the granting of franchises to operate public omnibus services on specified routes, the regulation of the operation and maintenance of such services and for matters ancillary thereto and connected therewith."

He said:—Sir, as honourable Members will be aware, the franchises of the Kowloon Motor Bus Company and the China Motor Bus Company expire on 15th February next year. The Government has been considering for some time the future of bus services after that and, in 1973, it was decided that the current franchises would not be renewed on the same terms. Since then, the Government has sought to

devise a new and rather more effective system of control which will bring about an improvement in the performance of the companies, leading to the better bus services which the community reasonably expects. The Government's aim throughout its planning, and the comprehensive discussions which have been held with the companies, has been to ensure that the public's expectations are realized, so far as practicable having regard to the many factors which are involved. The result is the bill now before this Council. It will replace the Public Transport Services (Hong Kong Island) Ordinance and the Public Transport Services (Kowloon and New Territories) Ordinance, and it will be complemented by the requirements to be laid down in the franchises which will be granted under it.

Honourable Members will have noticed that the bill is not limited to the two major companies. It seeks to provide the essential control framework under which franchises may be granted to such operators as the Government may consider appropriate in the public interest. In addition to those companies, separate operators could be enfranchised to provide bus services in the new towns, for example, and a separate company already functions in Lantau.

The main thrust of the Government's control over bus operations will be effected under this bill. The conditions imposed by franchises granted under it will be concerned largely with matters of detail, applicable either generally or to a particular grantee. They may vary according to the nature of the service to be provided and the circumstances under which a particular company will operate.

Franchises will be granted by the Governor in Council and will consist of the right to operate bus services on such routes as are specified by order. This method of conferring a franchise is considered to be more effective from a future control point of view, and the current geographically defined franchises held by the two companies will disappear. The Governor in Council may also make the right to operate services on particular routes an exclusive or monopoly right.

Sir, the initial term of a franchise will be for up to 10 years, and there will be two ways in which the initial term may be extended. Any extension will, of course, depend on satisfactory performance, but, given that, a franchise may be extended either for a fixed term of five years at the end of the initial period or by any number of two-year periods at any time while a franchise remains in force. The latter provision for a "rolling" franchise is new and is particularly significant in that, subject to satisfactory performance, it will afford a grantee continuity for ten years ahead at any time. This will give large operators

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the base which they need to enable them to plan the substantial capital investment in new buses and otherwise which is necessary if adequate bus services are to be maintained in the following years. The alternative of a franchise of up to ten years with an extension for a fixed period of up to five years is likely to be suitable for smaller companies operating in Lantau or possibly the new towns. The decision as to the way in which any particular franchise is to be extended will be taken at the time it is granted.

The Government considers that the forecasts by both the Kowloon Motor Bus Company and the China Motor Bus Company of their respective bus requirements up to 1980, and their plans for ordering new buses are satisfactory. If the companies are granted "rolling" franchises, a continuing dialogue will thereafter be maintained between the Government and the companies on the future planning of bus operations as part of the concept of such a franchise. As I have said, an extension of any franchise will depend on the Government being satisfied that the grantee has maintained a "proper and efficient" bus service in terms of the bill. Apart from continuing discussions with bus companies, a detailed examination of their physical and financial forward planning will be necessary whenever an extension is under consideration. This will include an examination of future plans for capital investment and the purchase of new buses and supporting equipment, as well as a review of past performance.

So much, Sir, for the broad concept. I must now turn to one or two specific matters. Fares will continue to be controlled by the Governor in Council. The frequency of bus services on each route, and the passenger capacity and type of buses to be used, will be under the control of the Commissioner for Transport, who may vary his requirements as need arises and with due regard to the number of buses available. Adequate premises must be maintained for the construction, maintenance and repair of buses and there will be a restriction on the use of such premises for any other purpose. There is provision for the keeping by bus companies of detailed records on a daily basis of their bus services and maintenance schedules, and further requirements in matters of detail will be imposed by way of conditions of the franchises.

Bus routes need to be changed from time to time and there is a steady demand in a rapidly expanding community for the provision of new services. Under the bill, temporary route alterations and temporary

additional services, for a total period not exceeding two years, will have to be provided in accordance with the requirements of the Commissioner for Transport. Permanent changes in routes and permanent provision of services on additional routes will be under the control of the Governor in Council as the authority by which a franchise was first granted.

The management of a bus company will continue to be substantially in the hands of British subjects ordinarily resident here and a majority of the directors so qualified for appointment must take an active part in the management of the company. But the Government now considers that it must itself be represented in the boardroom and accordingly the bill authorizes the Governor to appoint up to two additional directors of a bus company. Their function will be to represent the Government and the public interest. They will be entitled to participate at board meetings and general meetings, to have access to material which is available to ordinary directors and to require particular information concerning the company's affairs to be furnished to them. It is hoped that the additional directors will be able to play an effective role in influencing company policy whilst at the same time providing a ready means whereby the Government's transport policies and other matters can be communicated to the company. The Governor's power to appoint additional directors is in part one of the new control measures provided by the bill.

What others will there be? The ultimate sanction is the renewal of the power to cancel a franchise in the event of failure to provide a proper and efficient bus service. However, it is clear that this course could and would only be taken in extreme cases, though the possibility of its use cannot be entirely ruled out and consequential provision is made for a temporary take-over, in the event of revocation of any of a bus company's property which was used by it for the purposes of its franchise.

The intention that franchises will be granted on the basis of routes has, however, opened the way to a new and hopefully effective sanction for inefficiency. Clause 24 of the bill enables the Governor in Council to take away from a bus company the right to operate such of its routes as may be thought appropriate. Under this provision, the Government could, for example, withdraw a specific route on which a company has failed to provide a satisfactory service and, at the same time, withdraw other more lucrative routes. This sanction will, it is hoped, discourage the deliberate neglect of less profitable routes and at the same time ensure that a viable package of routes could be made available to

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an alternative operator willing to operate services on the routes in question.

Nonetheless, it is a fact that even the withdrawal of selected routes implies a fairly substantial failure by a grantee and would only be used in such circumstances. Another intermediate control measure is needed to give the Government an adequate range of sanctions. This is afforded by clause 22 which provides for the imposition by the Governor in Council of financial penalties in the event of a bus company's failure to comply with the bill or its franchise or any direction or requirement under the bill or franchise. This is seen as a flexible means of regulating the performance of bus operators. The penalties may be up to \$10,000 for a first breach, up to \$20,000 for a second breach and up to \$50,000 thereafter.

The bill also enables the Government to take possession of a company's buses and other necessary property in the event of an emergency. In this case, and where property is temporarily taken over following the revocation of a franchise, compensation will be payable for the use of the company's property.

These, Sir, are the main principles underlying the bill. By it, the Government seeks to obtain more effective control over bus operations, but it is also conscious of the need for the operations of bus companies to be commercially viable. It is therefore the Government's intention to allow companies to conduct their affairs in such a way that they are able to meet adequately their recurrent commitments as well as provide and obtain funds for the purchase of new buses and equipment. Provision is made for a levy on profits to be imposed by the Governor in Council, but this will only be invoked if there are excess profits after due provision has been made for the purchase of new buses and other capital expenditure which is necessary to ensure efficient bus operations. The provision for a levy on profits is, therefore, seen essentially as a further control measure.

Sir, the Government considers that this bill, and the further detailed requirements to be imposed on the grant of franchises, will provide the degree of control necessary to secure improved bus services for the public, as to both efficiency and standards.

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

*Question put and agreed to.*



**FIXED PENALTY (TRAFFIC CONTRAVENTIONS)  
(AMENDMENT) BILL 1975**

SECRETARY FOR THE ENVIRONMENT moved the second reading of:—"A bill to amend the Fixed Penalty (Traffic Contraventions) Ordinance."

He said:—Sir, this bill provides for the amendment of the principal ordinance to permit the delineation of "controlled areas" on both sides of a zebra crossing where, with limited exceptions, vehicles are prohibited from stopping or overtaking. It also ensures that the expression "zebra crossing" describes pedestrian crossings delineated under the Road Traffic (Road Crossing) Regulations.

This legislation follows the pattern of United Kingdom legislation which has proved successful in improving the safety of pedestrians on zebra crossings. The need to improve pedestrian safety in Hong Kong, where pedestrian flows across our roads are voluminous, is even greater than in the United Kingdom and it is therefore proposed to follow the United Kingdom's example and introduce controlled areas on both sides of zebra crossings in Hong Kong.

*Motion made. That the debate on the second reading of the bill be adjourned*—SECRETARY FOR THE ENVIRONMENT.

*Question put and agreed to.*

**LANDLORD AND TENANT (CONSOLIDATION)  
(AMENDMENT) BILL 1975**

SECRETARY FOR HOUSING moved the second reading of:—"A bill to amend the Landlord and Tenant (Consolidation) Ordinance."

He said:—Sir, this bill introduces a small number of amendments to Part II of the parent ordinance, which honourable Members will recall was re-enacted last December.

On the whole, the amended Part II has worked satisfactorily, and the Rating and Valuation Department has now disposed of the main rush of applications for rent increases. Even so, a few minor changes are needed and this bill will provide for them. They are fully explained in the lucid statement of objects and reasons attached to the bill, and I need only summarize them very briefly here: first, the bill will eliminate unnecessary delays in processing applications for rent increases; secondly, it will remove an area of doubt by allowing Rent Tribunals

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(Amendment) Bill—second reading**

and District Courts to decide the effective date of any increase they may award; thirdly, it will enable landlords to obtain full details of all sub-tenancies; and, fourthly, it makes it unnecessary for parties entering into short-term tenancy agreements excluded under Part II, to make separate application for their exclusion under Part V.

*Motion made. That the debate on the second reading of the bill be adjourned*—SECRETARY FOR HOUSING.

*Question put and agreed to.*

**PUBLIC REVENUE PROTECTION (AMENDMENT)  
BILL 1974**

**Resumption of debate on second reading (27th November 1974)**

*Question proposed.*

MR CHEUNG: —I take this opportunity to express Unofficial Members' concern over the use of the powers given by this ordinance earlier this year.

The sole purpose of the ordinance is to protect the Government from loss of revenue and no other. It was never intended that it should be used either for pre-empting the decisions of this Council on proposed changes in rates of tax, or for the convenience of the authorities entrusted with the duties of revenue collection.

When it was enacted in 1927, the Attorney General in moving the first reading said:

"At present it is essential that any proposal to increase such duties as the liquor duties should be introduced suddenly and without any previous publicity. Otherwise, of course, importers might clear stocks from Bond and so avoid payment of the increased duties. The result of that is this—when a proposal comes before the Legislative Council everyone feels the matter must be disposed of immediately and there is a temptation to give the matter less careful consideration in Council than if ample time were available. The proposal of this bill is that when any scheme to increase duties is to be put forward His Excellency the Governor

can bring the increased duties into operation at once. That order of the Governor is not permanent. It is provisional and temporary but before it ceases to have effect there is ample time for full discussion among the community, in the press and in this Council, of the new proposals. If they are adopted, of course the new duty remains in force. If the proposals are not adopted than the former position is restored and any duty paid in excess is refunded." May I pause here and emphasize those words the Attorney General used on that occasion, "Sir, any duty paid in excess is refunded." "This Ordinance" I continue the quotation "was suggested last October when the liquor duties were raised. It was made perfectly general so as to include all forms of revenue." There the quotation ends.

In a way, I regret that a suggestion to deal with liquor revenues appropriately was turned into an enactment that dealt with revenues generally; however, that is water under the bridge; but though the ordinance is general in form, the object, the protection of revenue against loss, is perfectly clear.

At the end of last February, His Excellency made orders under the ordinance in relation to changes in rates of duty as regards liquor and tobacco, and in the rate of the first registration tax on motor-vehicles. The use of the ordinance for increases in such duties and tax was, of course, amply within the objects of the ordinance.

But, doubtless prompted by my Friend the honourable Financial Secretary, His Excellency at the same time made orders under the ordinance in respect of the annual licence fee of vehicles, the annual rates on tenements in the New Territories, and the annual fees for business registration certificates.

With the utmost respect, Unofficial Members cannot think how taxpayers can avoid annual taxes of these kinds if no orders in relation to them had been made under the ordinance. Taxpayers cannot get away with them, as they can with revenues levied once and for all, like liquor tax and first registration tax. Unofficial Members are not persuaded, either, that the balance of convenience requires use of the ordinance for levies which are in character annual payments. And may I add, Sir, that pre-emptive bids are made only in bridge when you have a weak hand.

Tax changes of that kind which I have just referred to in our view ought not to be made until proposals to change them have been debated and decided upon in this Council. I am to say that Unofficial Members

[MR CHEUNG]      **Public Revenue Protection (Amendment) Bill—resumption  
of debate on second reading (27.11.74)**

will not find it possible to support use of the ordinance in relation to annual taxes of this kind.

They have therefore asked me to seek an assurance from the Government that the ordinance will not be used for any purpose other than for the purpose of protecting the revenue.

THE ATTORNEY GENERAL: —I am grateful to the honourable Mr CHEUNG for his hints on bridge play. I note his remarks about the use earlier this year of the Public Revenue Protection Ordinance in certain cases. I hope he will understand if I do not enter into debate on that in the present context. In general, Sir, the Government is more than ready to give the assurance which Unofficial Members seek that the ordinance will not be used except for its true purpose of protecting the revenue, and of course, its use in any particular case is not intended to inhibit the consideration in this Council of budget proposals. That is clear, Sir, from the extract which my honourable Friend quoted from the speech in this Council of one of my predecessors. Accordingly, Sir, I give the assurance for which honourable Unofficial Members have asked.

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).*

**LAW REVISION (MISCELLANEOUS REPEALS) BILL 1974**

**Resumption of debate on second reading (27th November 1974)**

*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 43(1).*

**FORESTRY (AMENDMENT) BILL 1974****Resumption of debate on second reading (27th November 1974)**

*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 43(1).*

**HONG KONG PRODUCTIVITY COUNCIL (AMENDMENT)  
BILL 1974****Resumption of debate on second reading (27th November 1974)**

*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 43(1).*

**Committee stage of bills**

Council went into Committee.

**PUBLIC REVENUE PROTECTION (AMENDMENT)  
BILL 1974**

Clauses 1 and 2 were agreed to.

**COMPANIES (AMENDMENT) BILL 1974**

Clause 1

MR LEE: —Sir, I move that clause 1 be amended as set out in the paper before honourable Members.

[MR LEE] **Companies (Amendment) Bill—committee stage**

The reasons for this and the other amendments I shall move were given in the speech which I made on the second reading of this bill at the last meeting of this Council.

*Proposed amendment**Clause*

1 That clause 1 be deleted and the following substituted—

"Short title and commencement. **1.** This Ordinance may be cited as the Companies (Amendment) (No. 4) Ordinance 1974 and shall come into operation on 1st October 1975."

The amendment was agreed to.

Clause 1, as amended, was agreed to.

Clause 2

MR LEE: —Sir, I move that clause 2 be amended as set out in the paper before honourable Members.

*Proposed amendment**Clause*

2 That clause 2(b) be amended in the proposed new subsection 6(b)(i) by deleting "corporation" and substituting the following—

“company”.

The amendment was agreed to.

Clause 2, as amended, was agreed to.

Clauses 3 to 5 were agreed to.

Clause 6

MR LEE: —Sir, I move that clause 6 be amended as set out in the paper before honourable Members.

*Proposed amendment**Clause*

- 6 That clause 6 be amended in the proposed new section 48B(5) by inserting after "(Amendment)" the following—  
"(No. 4)".

The amendment was agreed to.

Clause 6, as amended, was agreed to.

Clauses 7 to 11 were agreed to.

Clause 12

MR LEE: —Sir, I move that clause 12 be amended as set out in the paper before honourable Members.

*Proposed amendments**Clause*

- 12 That clause 12 be amended—
- (a) in the proposed new section 129G(1) by deleting "seven" wherever it occurs and substituting the following—  
"fourteen"; and
  - (b) in the proposed new section 129G(4) by deleting "January" and substituting the following—  
"October".

The amendments were agreed to.

Clause 12, as amended, was agreed to.

Clause 13

MR LEE: —Sir, I move the clause 13 be amended as set out in the paper.

Again, Sir, the reasons for the main changes were mentioned in my speech on the second reading. There are also four consequential amendments, the first three relating to the new date of commencement of the bill and the fourth correcting a typographical error.

**Companies (Amendment) Bill—committee stage***Proposed amendments**Clause*

13 That clause 13 be amended—

(a) in the proposed new section 141(3) by deleting paragraph (b) and substituting the following—

"(b) in the said excepted case, state whether in the auditors' opinion the company's balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with the provisions of this Ordinance applicable to such companies and whether in their opinion, on the basis aforesaid, a true and fair view is given—

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;

(ii) in the case of the profit and loss account (if it is not framed as a consolidated profit and loss account), of the company's profit or loss for its financial year;

(iii) in the case of group accounts submitted; by a holding company, of the state of affairs and profit or loss of the company and its subsidiaries dealt with thereby, so far as concerns members of the company.";

(b) in the proposed new section 141A by deleting "31st December 1974" wherever it occurs and substituting the following—

"30th September 1975";

(c) in the proposed new section 141B—

(i) by deleting "30th December 1974" wherever it occurs and substituting the following—

"29th September 1975";

(ii) by deleting "31st December 1974" wherever it occurs and substituting the following—

"30th September 1975"; and



(iii) by deleting, in subsection (1), "paragraph 11(16)" and substituting the following—

"paragraph 12 (16)"; and

(d) in the proposed new section, 141D by deleting subsection (3) and substituting the following—

"(3) This section does not apply to a private company which—

(a) has any subsidiary or is a subsidiary of another company; or

(b) carries on banking business and holds a valid licence granted under the Banking Ordinance; or

(c) is a dealer registered under the Securities Ordinance 1974; or

either solely or in common with any other business,

(d) carries on any insurance business otherwise than solely as an agent; or

(e) by way of trade or business, other than banking business, accepts loans of money at interest, or repayable at a premium, otherwise than on terms involving the issue of debentures or other securities; or

(f) owns and operates ships or aircraft engaged in the carriage of cargo between Hong Kong and places outside Hong Kong."

The amendments were agreed to.

Clause 13, as amended, was agreed to.

Clauses 14 and 15 were agreed to.

Clause 16

MR LEE: —Sir, I move that this clause be amended as set out in the paper before honourable Members.

*Proposed amendment*

*Clause*

16 That clause 16 be amended in the proposed new subsection (1A) by deleting "January" and substituting the following—

"October".

**Companies (Amendment) Bill—committee stage**

The amendment was agreed to.

Clause 16, as amended, was agreed to.

Clauses 17 and 18 were agreed to.

Clause 19

MR LEE: —Sir, I move that this clause be amended as set out in the paper before honourable Members.

*Proposed amendments**Clause*

19 (1) That clause 19(a)(iv) be amended in the proposed new article 101 by deleting "seven" and substituting the following—  
"fourteen".

(2) That clause 19(b)(iii) be amended in the proposed new article 55 by deleting "seven" and substituting the following—  
"fourteen".

The amendments were agreed to.

Clause 19, as amended, was agreed to.

Clauses 20 and 21 were agreed to.

Clause 22

MR LEE: —Sir, I move that this clause be amended as set out in the paper before honourable Members.

*Proposed amendments**Clause*

22 That clause 22 be amended—

(a) in the proposed new Tenth Schedule—

(i) by deleting, in paragraph 1, "161D" and substituting the following—

"161C"; and

(ii) by deleting "January , wherever it occurs in paragraphs 5(1) and (2), 12(16),,47(5), 23 and 30(2)(a), and substituting the following—

"October"; and

(b) in paragraph 1 of the proposed new Eleventh Schedule by deleting "161D" and substituting the following—

"161C".

The amendments were agreed to.

Clause 22, as amended, was agreed to.

New clause 23 "Amendment of Banking Ordinance."

*Clause read the first time and ordered to be set down for second reading pursuant to Standing Order 46(6).*

MR LEE: —Sir, in accordance with Standing Order 46(6), I move that the new clause 23 as set out in the paper before honourable Members be read the second time.

Arising from his discussions with the *ad hoc* committee of Unofficial Members, my honourable Friend the Attorney General decided that section 36 of the Banking Ordinance should be amended concurrently and consequentially by this bill.

Sections 37 and 63 of the Banking Ordinance also require consequential amendment whilst the new section 44A needs to be added.

*Question put and agreed to.*

Clause read the second time.

MR LEE: —Sir, I move that this new clause be added to the bill.

*Proposed Addition*

*Clause*

New "Amend- ment of Banking Ordinance. (Cap. 155.)	That there be added, after clause 22, the following new clause—
	<b>23.</b> The Banking Ordinance is amended—
	(a) by deleting section 36 and substituting the following—
	“Audit. <b>36.</b> (1) Every bank which is a company, and its auditors, shall comply with the provisions of

**Companies (Amendment) Bill—committee stage**

(Cap. 32.) the Companies Ordinance with respect to the audit of a company's accounts, whether or not the bank is incorporated under that Ordinance.

(2) The Commissioner may appoint another auditor to act with the auditor appointed by a bank in accordance with the Companies Ordinance or, in the case of an unincorporated bank, section 44A. ";

(b) in section 37—

(i) by deleting, in subsection (1)(a), "or auditors made pursuant to paragraph (b) of subsection (3) of section 36" and substituting the following—

“made pursuant to section 141 of the Companies Ordinance or section 44A of this Ordinance”; and

(ii) by deleting, in subsection (3), "a general meeting of the shareholders of the company pursuant to paragraph (b) of subsection (4) of section 36" and substituting the following—

"the company in general meeting in accordance with subsection (1) of section 129D of the Companies Ordinance";

(c) by inserting the following new section after section 44—

"Auditor. **44A.** (1) Every unincorporated bank shall appointed annually an auditor.

(2) The duties of the auditor so appointed shall be—

(a) to carry out for the year in respect of which he is appointed an audit of the accounts of the bank;

(b) to make a report to the directors of the bank on the audited accounts, the balance sheet and the profit and loss account of the bank; and

(c) in every such report to state—

(i) whether or not all the information and explanations which were in the

opinion of the auditor necessary for the purposes of the audit have been obtained;

(ii) whether or not, according to the best of the information and explanations given to him, the balance sheet and profit and loss account referred to in the report give in his opinion a true and fair view of the state of the affairs of the bank at the date of the balance sheet, and of the profit or loss for its financial year, regard being had, *inter alia*, to the provisions of this Ordinance;

(iii) whether or not in his opinion proper books of account have been kept by the bank so far as appears from the audit of the accounts, and

(iv) whether or not in his opinion proper returns, adequate for the purposes of the audit, have been received by him from branches of the bank not visited.";  
and

(d) in section 63—

(i) by inserting after paragraph (r) in subsection (1) the following new paragraph—

“(ra) subsection (1) of section 44A;” and

(ii) by deleting subsection (2).”.

The addition of the new clause was agreed to.

## **LAW REVISION (MISCELLANEOUS REPEALS)**

### **BILL 1974**

Clauses 1 and 2 and the Schedule were agreed to.

## **FORESTRY (AMENDMENT) BILL 1974**

Clauses 1 to 6 were agreed to.

**HONG KONG PRODUCTIVITY COUNCIL (AMENDMENT)  
BILL 1974**

Clauses 1 to 6 were agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL reported that the

Public Revenue Protection (Amendment) Bill

Law Revision (Miscellaneous Repeals) Bill

Forestry (Amendment) Bill

Hong Kong Productivity Council (Amendment) Bill

had passed through Committee without amendment and that the

Companies (Amendment) (No. 4) Bill

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

*Question put on each bill and agreed to.*

Bills read the third time and passed.

**Unofficial Member's bill**

**First reading of bill**

**GIRL GUIDES ASSOCIATION (HONG KONG BRANCH)  
(AMENDMENT) BILL 1975**

*Bill read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).*

**Second reading of bill**

**GIRL GUIDES ASSOCIATION (HONG KONG BRANCH)  
(AMENDMENT) BILL 1975**

MR CHEUNG moved the second reading of: —"A bill to amend the Girl Guides Association (Hong Kong Branch) Ordinance."

He said: —It takes a little courage to assure Council on any occasion that the intentions of any woman are obvious, and clear, and straightforward, but on this occasion, I have not the least hesitation in giving that assurance to honourable Members. The objects of the bill are as set forward in the explanatory memorandum, and there is nothing devious whatsoever in this measure. (*Laughter*)

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

*Question put and agreed to.*

### **Adjournment**

*Motion made, and question proposed. That this Council do now adjourn*—  
THE ATTORNEY GENERAL.

4.10 p.m.

### **Conference Shipping Lines**

DR CHUNG: —Your Excellency, the Hong Kong manufacturing industry has developed and flourished mainly on the principle of free and fair competition. Free and fair competition is the primary instrument for the efficient use of resources. It also accords protection to the consumer because, under free and fair competition, consumers have a choice of goods or services on the most advantageous terms.

Honourable Members are probably aware that this same principle does not apply to the same degree in all the overseas markets for our domestic exports, or in many of the services which we in Hong Kong must use in order to reach those markets. Sir, I refer specifically, in the case of services, to ocean transport for the carriage of our manufactured products to overseas markets.

We have recently witnessed the agony of our valiant Shippers' Council in its fight against one of the most powerful types of monopoly in the world today—the ocean-going liner conference. A "conference", in this context, is an association of shipping lines which come together for the purpose of adopting uniform freight rates, fixing sailing schedules and, in some cases, determining the amount of cargo each carrier may pick up at each sea port. A conference may be a "closed" one, in which those shipping lines which are members are very rigidly controlled by the conference. Shipping lines who are not members, unless protected by law, can easily be squeezed out of the trade by price-cutting

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or "fighting ship" techniques, which are applied until the rival non-conference lines either give up or join the conference—whereupon conference rates go back to their previous high levels. An "open" conference is a more flexible organization and non-conference competition is tolerated.

Practically all lines serving the Far East/Europe trade are members of a single and closed conference. Although there is a handful of non-conference lines operating on this route, because of conference strangleholds already referred to, non-conference lines can seldom be used by shippers. As a result, the conference has a virtual monopoly of sea freight between Hong Kong and Europe and is thus in a position to dictate terms and rates to Hong Kong shippers.

Limiting myself on this occasion to our overseas trade with the United Kingdom and Europe, the total freight bill paid by Hong Kong shippers during the past twelve months is estimated to be in the region of \$700 million. In the last couple of years the conference has imposed a variety of surcharges (including a heavy bunker surcharge) totalling in all nearly 40% on the basic rates. A few months ago this same conference announced its intention to raise its basic rates by 26% as from 1st December 1974. It was only due to the resolute opposition by Shippers' Councils in this region that the conference eventually reduced its increase to 18% and postponed its application until 1st January 1975. Sir, I will not, at this juncture, discuss whether this increase is proper. What I wish to draw attention to is, firstly, the effect of this increase on the competitive position of some of our Hong Kong products and, secondly, the inequities in basic freight rates and surcharges as applied to Hong Kong.

For many Hong Kong products such as plastic toys, freight contributes 30 to 40 *per cent* of the CIF prices. The freight content for plastic housewares is even higher, being at times as high as 45 to 55 *per cent*. The 18 *per cent* increase, therefore, could adversely affect our competitive position in Western Europe. Our loss, however, is not necessarily to the advantage of other Asian shippers, but to Eastern European and other low-cost European producers who do not have to bear the same burden, in real terms, of raising freight rates.

The basic freight rates are not uniform for all cargoes and have little relevance to the actual costs. The principle of "what the traffic can bear" prevails and rates vary from about \$100 to \$500 per ton according to the nature of the goods. The lowest basic rates of \$100-



200 per ton are for items such as iron steel, fertilizer, motor cars, trucks, etc. which we do not produce. The bulk of Hong Kong goods (about 85%) attract the much higher basic rates of \$250-350 per ton. It should be noted that the bunker surcharge (nearly 25% is calculated as a percentage of the basic rate and not as a flat rate addition (as, for example, is the case with the American conferences). As the bulk of Hong Kong exports are higher rated cargoes, Hong Kong bears a disproportionately large slice of the extra cost of fuel. This is clearly unfair. However, despite repeated representations by the Shippers' Council, the conference has made no attempt to rectify this anomaly.

As far as it is known, the conference, when determining basic freight rates for the countries it serves, does not take into consideration the port efficiency or otherwise of the country from which cargo is picked up. Consequently, the cost benefits of efficient ports such as Hong Kong are not passed back to Hong Kong shippers but are used to cross-subsidize shippers in higher cost and less efficient sea ports.

Thus, honourable Members can readily see how powerful monopolistic forces, not exposed to the purifying effects of free and fair competition, can determine the very survival of some of our most vital industries. I would like to mention in passing that many of the shipping lines making up this particular conference in question record substantial profits.

When monopolies exist and affect vital interests, I believe Government has an obligation to take appropriate action within its power to protect the public interest. Governments in a number of other countries do exert legislative control over shipping conferences. I can readily cite two examples. In Japan, shipping lines are not allowed by law, among other things, to restrict shippers by means of the deferred rebate system, to use a fighting ship for the purpose of eliminating competition, or to discriminate against non-contract shippers. In Australia, conferences are legally bound to furnish cost information to and negotiate with the designated shipper body. If negotiations break down, disputes are subject to settlement by arbitration.

The Hong Kong Government has adopted regulatory powers to protect the people's interest in so far as domestic public utilities are concerned. I am sure honourable Members will agree with me that our overseas trade is of even greater importance to us particularly in regard to our economic and social well-being. I therefore urge Government to give consideration to providing some appropriate statutory muscle to protect Hong Kong's interests so that shipping monopolies should not be allowed to threaten the economic and social fabric of our community.

### Conference Shipping Lines

MR TIEN: —Sir, I rise to support the views of my honourable Friend, Dr CHUNG. I too am concerned over the rapidly rising freight rates to which Dr CHUNG has just referred.

As a general rule, *laissez faire* policy suits Hong Kong's particular circumstances. I, for one, would not wish to see this policy changed unless circumstances manifestly warrant changes. Such circumstances would obtain when the overall trading interests of Hong Kong are put at stake. The drastic upward revision of freight rates will, in my view, have very serious consequences for our overseas trade.

We are but marginally more competitive than the domestic suppliers in our major markets. We are surviving by virtue of our ability to manufacture quality products, and to meet demands, quickly and to our customers' satisfaction. Our competitive edge, so painstakingly built over the years, will be blunted by the extra and quite unjustified freight rates, which, though not very significant by themselves in terms of our overall costs, could well be the proverbial straw that breaks the camel's back.

We are not in for a good time. Indeed we are barely surviving. In these circumstances, I would suggest, Sir, that a departure from the hands-off policy is called for. The so-called negotiations between conference lines and shippers are a one-sided affair, with the former practically dictating terms to the latter. The conference lines have, as my honourable Friend Dr CHUNG has suggested, a disproportionate share of our ocean cargo. They therefore have virtual control over our only means of getting our goods to our markets. There is an obvious need for the restoration of some degree of balance between conference lines and shippers. The Government can, and should, take steps to restore this balance.

MR JORDAN: —Sir, may I first say that the Government recognizes that this is a matter of great importance. Hong Kong lives by trade and the provision of efficient, regular and economical shipping services to and from our major markets is essential to the competitiveness of our exports. And I am sure that no one speaking for the Hong Kong Government would disagree with my honourable Friend Dr CHUNG's remarks on the benefits of free competition and the dangers of monopoly.

The conference which provides nearly all the dry cargo shipping capacity between Hong Kong and Europe, being, as my honourable

Friend has pointed out, a 'closed' conference, undoubtedly has many of the characteristics of a monopoly. This means that the rates it charges are probably higher than they would be in a situation of completely free competition—and, indeed, the conference itself admits that this may be so. But even an economy like ours can tolerate a monopoly if it is administered with a proper regard for the general interest of the community.

The shipping conference with which we are concerned this afternoon maintains that the nature of the shipping industry is such that completely free competition would not, in practice, lead to the most efficient service, and it is to us as essential that the service should be efficient as it is that it should be economical. This is mainly because of the size of the investment involved in modern vessels and the lead time needed for their design and construction. Completely free competition could, it is claimed, lead to a cycle of gluts and shortages of shipping space and consequent wide fluctuations in freight rates. Under such conditions, also, it is suggested that shipowners would tend to go for the more profitable cargo and that a regular and reliable service could not be guaranteed. The conference considers, therefore, that a fairly high degree of regulation is necessary if a reliable and efficient standard of scheduled services, which sail whether the ships are full or not, is to be maintained. The question is whether the very high degree of regulation involved in the operation of a closed conference is really necessary to achieve this.

It is not, however, for me to defend either the conference system or, for that matter, the increase in rates that will come into force on the 1st January. Those concerned must defend their actions themselves.

The increase in rates has, in fact, been significantly scaled down compared with the conference's earlier proposals, as the result of the efforts of all the Shippers' Councils in the region, in which the Hong Kong Shippers' Council has played an important and valuable role. This in itself must of course cast some doubt on the validity of the earlier proposals and indeed of the proposals that the conference now intends to implement. Under these modified proposals, the increases in freight rates will be graduated, with the more valuable cargoes facing a smaller percentage increase than the less valuable bulk cargoes. This means that although, as my honourable Friend Dr CHUNG has said, there will be an average increase of 18%, the increases will range from 30% for certain bulk cargoes to between 7 and 8% on the highest rates. So that, as far as Hong Kong is concerned, the weighted average increase in rates is likely to be a little below the 18% average, with

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the actual increase applicable to a particular product depending, of course, on the class into which the product falls.

In fairness to the conference, I would also add that they have said that they will reconsider the rate for any particular product or group of products where it is felt that there are special circumstances justifying a reduction in the size of the increase proposed. I understand that the Hong Kong Shippers' Council is now gathering information with a view to making representations along these lines.

My honourable Friend has also mentioned the various surcharges imposed by the conference and points out that these can add something in the region of 40% to basic shipping costs. These charges cover a variety of circumstances which increase costs and which the conference claim they have no control over. The surcharge which has the greatest effect at the moment is the bunker surcharge which has been imposed to cover the increased cost of fuel oil. This now stands at between 23% and 24% of the basic freight rate and my honourable Friend has drawn attention to the illogicality and unfairness of charging it as a percentage on the widely varying basic rates rather than as a flat rate surcharge.

Having said all that, Sir, I must now face the main issue. My honourable Friends Dr CHUNG and Mr TIEN have both suggested that the Government should intervene and put its weight behind the shippers and against the conference; that we should abandon our *laissez faire* attitude.

I think the Government's attitude to this suggestion can be summed up at present in a few words—"May be, but not yet". We are aware that legislation to control shipping conferences exists elsewhere and we shall study this legislation, the way it operates and its effects. But we feel that the most careful consideration would need to be given to all aspects of this matter before we could embark on such a major departure from our basic economic philosophy. I said in this Council only recently that when the Government intervenes in any commercial activity it alters the normal balance of commercial advantage and that it should therefore do so only when an imbalance needs to be corrected in the interests of the community as a whole. I would add that even then we should not intervene until we are quite satisfied that that imbalance will not otherwise be corrected. It is the Government's view that a better way to ensure that Hong Kong is not exploited and can continue to export its products at competitive shipping rates would be to make

sure that the Shippers' Council, which has built up considerable expertise and has the reputation of being one of the most effective shippers' councils in this part of the world, is strengthened and is given such assistance as the Government can provide. Already, for instance, steps are being taken, in consultation with the Council, to obtain more information on the costs and rate structure of shipping lines for use in any future negotiations.

In short, Sir, while the Government does not rule out the possibility of direct intervention, I would hope that it will not prove the only way to solve this problem.

*Question put and agreed to.*

### **Next sitting**

HIS EXCELLENCY THE PRESIDENT: —Before I adjourn the Council, may I wish Members a happy Christmas and every good fortune in the coming year. I now adjourn the Council until 2.30 p.m. on Wednesday the 8th of January 1975.

*Adjourned accordingly at half past four o'clock.*