

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 22nd October 1975****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, KCVO, MBE
THE HONOURABLE THE COLONIAL SECRETARY
SIR DENYS ROBERTS, KBE, QC, JP
THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, CMG, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, CVO, JP
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP
SECRETARY FOR THE ENVIRONMENT
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, CMG, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE LI FOOK-KOW, CMG, 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 THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES (*Acting*)
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP
THE HONOURABLE PETER GORDON WILLIAMS, 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
THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

ABSENT

THE HONOURABLE JAMES WU MAN-HON, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR KENNETH HARRY WHEELER

Affirmation

DR THONG made the Affirmation of Allegiance and assumed his seat as a Member of the Council.

HIS EXCELLENCY THE PRESIDENT:—I should like to welcome Dr THONG to this Council.

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Road Traffic Ordinance.	
Road Traffic (General)(Amendment) Regulations 1975.....	229
Hong Kong Airport (Control of Obstructions) Ordinance.	
Hong Kong Airport (Control of Obstructions)(Lighting) Order 1975.....	230
Television Ordinance.	
Television (Period of Validity of Licence)(Commercial Television Limited) Order 1975	232
Fugitive Offenders Act 1967.	
Fugitive Offenders (Designated Commonwealth Countries)(Amendment) Order 1975	233

<i>Subject</i>	<i>LN No</i>
Urban Council Ordinance.	
Urban Council Ordinance (Amendment of First Schedule) Order 1975.....	234
Interpretation and General Clauses Ordinance.	
Amendment of the Definition of British Territory.....	235
Sessional Papers 1975-76:	
No 6—Agreement with Lloyds Bank International Limited dated 21st July 1975—s. 3(3) of the Loans Ordinance 1975.	
No 7—Agreement with the Hongkong and Shanghai Banking Corporation and others dated 2nd October 1975—s. 3(3) of the Loans Ordinance 1975.	
No 8—Annual Report of the School Medical Service Board for the year ended 31st March 1975 (published on 22.10.75).	
No 9—Statement of Accounts of the Aberdeen Trade School Executive Committee Fund for the year ended 31st March 1975 (published on 22.10.75).	
No 10—Statement of Accounts of the Fish Marketing Organization for the year ended 31st March 1975 (published on 22.10.75).	
No 11—Statement of Accounts of the Vegetable Marketing Organization for the year ended 31st March 1975 (published on 22.10.75).	

Government business

Motions

MASS TRANSIT RAILWAY CORPORATION ORDINANCE 1975

THE FINANCIAL SECRETARY moved the following motion:—

Under section 12(1) of the Mass Transit Railway Corporation Ordinance 1975 that the Financial Secretary on behalf of

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the Government may grant guarantees in respect of the repayment of loans made to and the discharge of indebtedness of the Mass Transit Railway Corporation under the facilities specified in the Schedule hereto up to the amounts specified in respect thereof.

SCHEDULE

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| 1. | Export credit arranged by Kleinwort Benson Limited to finance contracts placed in the United Kingdom. | 80 million pounds sterling and such amounts as may become payable in consequence of the operation of any price variation clause and such amounts as may become payable in respect of interest and other charges. |
| 2. | Export credit arranged by Banque Nationale de Paris to finance contracts placed in France. | 807.5 million French francs and such amounts as may become payable in consequence of the operation of any price variation clause and such amounts as may become payable in respect of interest and other charges. |
| 3. | United States dollars loan arranged by Banque Nationale de Paris to finance contracts placed with French companies or their associates. | 50 million United States dollars and such amounts as may become payable in respect of interest and other charges. |
| 4. | Hong Kong dollar loan arranged by Banque Nationale de Paris to finance contracts placed with French companies or their associates. | 100 million Hong Kong dollars and such amounts as may become payable in respect of interest and other charges. |
| 5. | Export credits to finance contracts placed in Japan. | 10 billion yen and such amounts as may become payable in consequence of the operation of any price variation clause and such amounts as may become payable in respect of interest and other charges. |
| 6. | Export credit arranged with the AKA Ausfuhrkredit-Gesellschaft mbH Frank-furt (Main) to finance contracts placed in Germany. | 20.5 million Deutchemarks and such amounts as may become payable in consequence of the operation of any price variation clause and such amounts as may become payable in respect of interest and other charges. |
| 7. | Export credit arranged with Post-ech Kredit-banken, Stockholm to finance contracts placed in Sweden. | 24 million Swedish kroner and such amounts as may become payable in consequence of the operation of any price variation clause and such amounts as may become payable in respect of interest and other charges. |

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| 8. | United States dollar loan facility arranged by Manufacturers Hanover Limited. | 400 million United States dollars (or alternate currencies pursuant to section 3 of the loan agreement) and such amounts as may become payable in respect of interest and other charges. |
| 9. | Hong Kong dollar loan facility arranged by Wardley Limited. | 500 million Hong Kong dollars and such amounts as may become payable in respect of interest and other charges. |
| 10. | Loans arranged by Wardley Limited to finance local contracts. | 420 million Hong Kong dollars and such amounts as may become payable in respect of interest and other charges. |
| 11. | Loans arranged by Schrodgers and Chartered to finance local contracts. | 80 million Hong Kong dollars in respect of immediate requirements for local contracts and 120 million Hong Kong dollars in respect of a facility for longer term requirements and such amounts as may become payable in respect of interest and other charges. |

He said:—Sir, section 12 of the Mass Transit Railway Corporation Bill requires the authority of this Council, expressed and made by resolution, for the granting of guarantees by the Financial Secretary, on behalf of the Government, in respect of the repayment of loans and other indebtedness incurred by the Mass Transit Railway Corporation.

Before explaining the motion, Sir, I should like to bring honourable Members up to date on the sequence of events since the Mass Transit Railway Corporation Bill was debated in this Council six months ago.

At the end of July the Mass Transit Railway Provisional Authority received, and began to assess, tenders for two large international civil engineering contracts; and in early August they similarly received and commenced assessment of tenders for one further international contract and one local civil engineering contract. These initial four contracts are reasonably representative of the bulk of the major civil engineering works that will be encountered. So an analysis of the tenders received helped the Provisional Authority in the preparation of an updated estimate for the civil engineering works in the project which are estimated to cover about 80% of the total cost. This, together with further revised estimates for the electrical and mechanical works and for other costs, produced a revised total estimate of the cost of the project as a whole. At the same time, a further check was made of the revenue estimates for the Modified Initial System based on predictions of the transport conditions likely to prevail when the system was

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in operation in the early 1980s. This check, which made use of information arising from the Comprehensive Transport Study now being undertaken by the Government with the assistance of consultants, confirmed that the Provisional Authority's earlier estimates of revenue were reasonable and should be maintained.

These several exercises, Sir, together with further information on the likely costs of financing the project, on which I shall have more to say later on, enabled the Provisional Authority to draw up new cash flow tables and to reassess the viability of the whole project. The conclusion reached by the Provisional Authority was that the cost of the Modified Initial System, after allowing for 7% escalation *per annum* as from mid-1975, was likely to be somewhat less than the estimate of HK\$5,800 million made in January this year. At the same time, the up to date information on the numbers of passengers likely to use the system showed some increase compared with previous estimates. These estimates, together with a reassessment of the fare structure and other revenue, confirmed that the total revenue likely to be generated, when set against construction and operating costs and financing charges, would be sufficient to make the system viable.

Honourable Members, Sir, will be aware that a number of studies conducted over the last decade have all confirmed that a mass transit railway is needed to alleviate the heavy traffic congestion still expected in the 1980s. The alternative, such as the provision of additional road space, flyovers, double-decking of highways and so on and so forth would not only be inferior to the railway on transport grounds and extremely costly in themselves, but they would also involve such wide-spread demolition of property and displacement of people that they could not be contemplated. Furthermore, these studies have shown that a mass transit system in Hong Kong would be by far the most heavily utilized system for its length in the world and this is the basis for the railway's expected viability.

So, given all these factors, the Provisional Authority concluded that it must recommend to the Government that the Modified Initial System should be proceeded with. And, because of the relatively favourable prices being quoted for large civil engineering works at the present time, and because of the added advantage of suitable finance being available on reasonable terms at the moment, it also recommended that construction should start at the earliest date possible. These conclusions were considered by the Government at the end of

August, and on 9th September three decisions were taken: first that the Mass Transit Railway Corporation Ordinance 1975 should be brought into operation; secondly that, subject to the satisfactory completion of the documentation for the financial arrangements, contracts should be let for the construction and equipping of the Modified Initial System; and, thirdly, that this motion should be introduced into this Council.

Sir, honourable Members have been made aware of the cash flow tables and other calculations on which the assessment of the project's viability was made and this leaves me only to add that the Mass Transit Railway Corporation Ordinance 1975 was brought into operation on 26th September, on which day Your Excellency has appointed the Board of the new Corporation.

Sir, the introduction of this motion was made conditional upon the satisfactory completion of the documentation for the financial arrangements for the project. This documentation has now been satisfactorily completed. The Board of the Corporation has consequently requested the Government to grant guarantees in respect of the repayment of loans to be made to, or the discharge of other future indebtedness of, the Corporation, as evidenced in that documentation. The Government has examined the documentation and honourable Members have also been given an opportunity of perusing it in the UMELCO office. The Government is satisfied that it is appropriate to seek the guarantees requested. I should also add that, in order to ensure that contracts can be let on the most favourable possible terms and construction commenced as soon as possible, the Board of the Corporation has taken the precaution of asking four prospective tenderers to make preliminary preparations against the possibility of their being awarded contracts should this Council decide to make the resolution to guarantee the Corporation's indebtedness. The Board took this precaution after examining the tenders for the first four contracts and with the concurrence of the Government.

At this point, Sir, I should emphasise that the financing of this project, which in total, including land, consultancy and other costs, is expected to cost up to HK\$5,800 million, has needed prolonged and painstaking consideration. After carefully weighing a number of alternatives and after taking professional advice, the Provisional Authority proposed that the finance should be made up, first, of export credits granted by the countries of origin of the contractors and, secondly, of open market finance, which would include loans in various forms, raised locally in Hong Kong as well as overseas. The Board of the

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Corporation has endorsed this strategy and it now seeks the Government's guarantee for the repayment of all this indebtedness to the Corporation's future creditors. For, as honourable Members will appreciate, where such enormous sums are lent and borrowed, such guarantees become a *sine qua non* of the lending.

As I have said, the first and preferred source of finance will be export credits because these are generally available on more favourable terms and for longer periods of time than are loans from the open market. Export credits are granted by the countries of origin and of the contractors, so they will vary from country to country and will naturally be expressed in different currencies. Overall, however, it should prove possible to negotiate between 40-50% cover of the total value of all international contracts, over a ten year period from January 1980 at an average rate of interest of $8\frac{1}{4}\%$ *per annum*. This means that the aggregate amount of export credit finance available is likely to be about HK\$2,000 million.

As regards open market finance, it will be the strategy of the Corporation to seek long or medium term loans from the market at times when these are available on favourable terms. In order to be able to take advantage of opportunities as they arise, however, finance must be available to meet payments for contracts as they become due. This is the purpose of the syndicated standby facilities which have been negotiated with one local and one overseas syndicate and which are listed in items 8 and 9 of the schedule to this motion. First, a syndicate of local banks will provide facilities to the Corporation of up to HK\$500 million and, secondly, a consortium of overseas banks will provide similar facilities up to the US dollar equivalent of HK\$2,000 million.

In addition, items 10 and 11 in the schedule provide for a further HK\$500 million of credit from two local banking syndicates to be made available to local contractors to help finance contracts which they may win. This facility is, in effect, a local supplier credit to the Corporation.

Taken together with export credits and the local suppliers' credits, the standby facilities will be sufficient in themselves to enable the Corporation to meet all its contractual liabilities during the construction period. But, as I have said, the Corporation will from now on be seeking favourable opportunities to go to the open market for long

term funds and, to the extent that the Corporation is successful, some of these standby facilities will not need to be drawn.

All in all, therefore, the funds available from export credits, local supplier credits and from the standby facilities would amount to about HK\$5,000 million and they would be additional to the Government's equity contribution of HK\$800 million which has already been set aside in the Mass Transit Fund.

I should emphasize, Sir, as regards export credits that what honourable Members are being asked to authorize in this resolution is the guaranteeing of the repayment of the total sums that are presently being offered in the way of export credits. This includes supplier credits, buyer credits and lines of credit. The total is, understandably, much more than will be related to the contracts granted to firms in the countries concerned. But, as it is not yet known at this stage which firms will actually be awarded contracts, it is necessary to seek guarantees for the maximum credit available from all countries whose firms are seeking contracts.

In the schedule to the resolution, therefore, honourable Members will find a list of the facilities offered by the United Kingdom, France, Germany, Japan and Sweden in order to finance contracts placed in those countries. These are facilities numbers one to seven, which are generally known as export credits, though some of them as I have said are "buyer credits" and others "supplier credits". In these instances where the loans would not be made to the contractors or exporters but to the Mass Transit Railway Corporation direct, the loans are termed "buyer credits". Those offered by the United Kingdom and France are of this nature, but more specifically they are also "lines of credit", as their terms would apply to any contracts placed in those countries. On the other hand, those offered by Japan and Sweden are "supplier credits", as the contractor or exporter would receive the facility and grant and Corporation deferred payment in consequence.

The schedule does not show the rates of interest and redemption terms of the various loans, as it is the total sums involved that are the material figures from the point of view of the actual guarantees. Nevertheless, it would be invidious not to give honourable Members an indication of the broad terms of borrowing by the Corporation. In each case I shall quote the rate of interest first and then the period of repayment. I must emphasize, Sir, that, in the case of the export credits, the rates of interest are current rates and that some of them

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are variable and their movement cannot be known in advance. Redemption, in most cases, is to be in equal semi-annual instalments, but there are exceptions and the US dollar facility, for instance, provides for smaller payments in 1981 and larger payments in 1982. The list is as follows—

- Item 1—8% *per annum*, redemption 1980 to 1990.
- Item 2— $7\frac{1}{2}$ % *per annum*, redemption 1980 to 1990.
- Item 3— $1\frac{3}{4}$ % over the Paris Interbank rate for 3 or 6 months Euro-dollars, redemption 1980 to 1986.
- Item 4—2% over the best lending rate of the Hongkong and Shanghai Banking Corporation, redemption 1980 to 1985.
- Item 5— $8\frac{1}{2}$ % *per annum*, redemption 1979 to 1990.
- Item 6— $7\frac{1}{4}$ to $7\frac{1}{2}$ % *per annum*, redemption 1980 to 1990.
- Item 7—9% *per annum*, redemption 1980 to 1990.
- Item 8— $1\frac{5}{8}$ - $1\frac{7}{8}$ % over London Interbank Offered Rate, redemption 1980 to 1982.
- Item 9— $2\frac{1}{2}$ % *per annum* over Hongkong and Shanghai Banking Corporation's best lending rate, redemption 1980-1982.
- Item 10—Between 2 and $2\frac{1}{2}$ % *per annum* over the Hongkong and Shanghai Banking Corporation's best lending rate, redemption by 1982.
- Item 11—2% - $2\frac{1}{4}$ % *per annum* over the Chartered Bank's best lending rate, redemption 1980 to 1985.

Sir, the purpose of this motion is to enable the biggest individual project that has ever been undertaken in Hong Kong to proceed. When completed, the Mass Transit Railway will be the core of our urban transport system in the 1980s. But it is also the most meticulously researched project we have ever undertaken, both in terms of design and construction costs and of potential travel demand, revenue and financing possibilities; and the Government and the Corporation remain confident that it will be viable. Furthermore, the railway's contribution to the future easing of the arteries of communication in the most crowded parts of the urban area, and hence to the future economic and social well being of our community, will be very considerable.

Motion made. That the debate on this motion be adjourned— THE FINANCIAL SECRETARY.

Question put and agreed to.

LOANS (ASIAN DEVELOPMENT BANK) ORDINANCE

THE FINANCIAL SECRETARY moved the following motion:—

That—

- (a) The First Schedule of the Loans (Asian Development Bank) Ordinance be amended by the insertion of the following—

"Item Two

An amount in various currencies equivalent to twenty million United States dollars (US\$20,000,000) for the purposes of a project which forms part of stage I of the sewerage and sewage treatment facilities for the Sha Tin New Town and involves the construction of (i) sewage treatment works; (ii) main pumping station; and (iii) laying of approximately 2,000 metres of twin 1,400 mm diameter rising mains."

- (b) The Second Schedule of the Loans (Asian Development Bank) Ordinance be amended by inserting after the existing paragraph the following new paragraph—

"The maximum amount which may be advanced pending reimbursement under section 5(2) in any financial year in connexion with the project described in Item Two of the First Schedule is ninety five million Hong Kong dollars (HK\$95,000,000)."

He said:—Sir, the Loans (Asian Development Bank) Ordinance enables the Government to raise loans from the Asian Development Bank for specific purposes listed in the First Schedule. Initially it authorized the Government to borrow an amount equivalent to US\$21.5 million for the construction of the sea water desalting works at Lok On Pai. Under section 7 of the ordinance, the Legislative Council may by resolution amend the schedule to authorize the raising of further loans.

On 13th August last, I informed honourable Members that a further loan from the Asian Development Bank was in the course of being negotiated to finance a substantial portion of the foreign exchange

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cost of the Sha Tin Sewage Treatment Plant (Stage I). The negotiation has been successfully concluded. The bank is prepared to make a loan available in various currencies equivalent to a total of US\$20 million. It is repayable over ten years from 1st March 1981 at a rate of interest of $9\frac{1}{2}\%$ *per annum* chargeable on the amount of the loan withdrawn and the outstanding balance. There is also a commitment charge of $\frac{3}{4}\%$.

Thus this motion, Sir, seeks to amend the First and Second Schedules of the Loans (Asian Development Bank) Ordinance to enable the Government to raise this second loan.

Sir, I regard the terms of the loan as generally satisfactory and the loan itself will ease the task of financing the construction of the Sha Tin Sewage Treatment Project (Stage I) estimated to cost HK\$190 million, and this project is in Category A of the Public Works Programme. While the negotiations for the loan were taking place at the bank, planning for the project, including the drawing up of detailed technical specifications, were progressing simultaneously. My honourable Friend, the Director of Public Works, estimates that he will be able to issue the first invitations to tender for the project in the last quarter of the financial year 1975-76.

The actual loan agreement, when signed, will be published and laid on the table for the information of honourable Members.

Question put and agreed to.

MAGISTRATES ORDINANCE

THE ATTORNEY GENERAL moved the following motion:—

That the Third Schedule to the ordinance be amended in paragraph 3 by deleting sub-paragraph (1) and substituting the following—

"(1) Any offence against section 4(4), or section 15(1), or section 20, of the Road Traffic Ordinance."

He said:—Sir, this motion proposes an amendment to the Third Schedule to the Magistrates Ordinance which will permit offenders to plead guilty by letter to speeding offences under the Road Traffic Ordinance.

Question put and agreed to.

Address of Thanks

THE COLONIAL SECRETARY moved the following motion:—

That this Council thanks the Governor for his address.

DR CHUNG:—Your Excellency, we, the Unofficial Members, have listened with much admiration to your enlightening address to this Council on 8th October. It has provided us and, no doubt, the people of Hong Kong with a very comprehensive picture of the present situation in Hong Kong.

In reviewing the major events of the past twelve months, the gracious and historical visit to Hong Kong by Her Majesty The Queen and His Royal Highness Prince Philip was indeed a most memorable and exciting occasion. It was very gratifying that we were able to show The Queen and Prince Philip the many facets of our life in Hong Kong.

Sir, I think I am right in saying that the two most topical issues in the minds of the majority of our people today are the immediate prospects of our economy and the state of violent crime. Taking the second issue first, reported serious crimes and robberies have increased very alarmingly during the last few years. Crimes against the person such as murder, manslaughter and serious assaults rose from 1,982 cases in 1971 to 4,425 cases last year. This represents an overall increase of 123% or a compound rate of 30% *per annum*. In the case of robberies, the situation is even worse. Crime statistics show that robberies rose from 5,132 cases in 1971 to 12,765 cases in 1974—an overall increase of 150% or a compound rate of 36% *per annum*. Although the rate of increase as you have mentioned, Sir, has slowed down this year, the current crime figures are still far too high. Furthermore, these statistics were only based on reported cases. How about those unreported ones? No one can really tell with any certainty but, from the various comments heard, the proportion of unreported violent crimes particularly robberies is, I believe, not insignificant.

The three-pronged attack, as recapitulated in your address, Sir, is no doubt a good approach to the problem of arresting the rate of violent crime. However, are we doing all that should be done? If we read the Chinese newspapers, if we talk to the kaifong associations, city district committees or mutual aid committees and if we listen to the man in the street, it can invariably be concluded that we are not putting sufficient emphasis on the fear of punishment as an effective deterrent to violent crime.

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We often hear the following comments. The terms of imprisonment with certain exceptions are generally too lenient. There is almost a complete absence of corporal punishment. The material standard of living in the prisons is even better than the normal standards of living of many prison inmates if they were on the outside. The most frustrated remark, however, is: "Why can't our local Government be allowed to carry out the death penalty?"

Sir, I think we all recognize that there are many contrasting differences between the East and the West on matters such as customs, beliefs, superstitions, *etc.* On this aspect, one can say that one man's meat can be another man's poison. It may well be true that the death penalty is no deterrent to violent crime in the western world but this is not necessarily true in our part of the world. Without any doubt, 99% of the local people genuinely believe that capital punishment is the most effective deterrent to the Chinese against committing violent crime. We know what we believe and this probably explains why practically all the countries in the East have capital punishment.

In our trade relations with other governments it is understood that our Government already has complete autonomy to deal with the commercial matters at issue in accordance with Hong Kong's best interest. I firmly believe, and I think I am expressing the sentiments of the great majority of the people of Hong Kong, that in a matter of such local importance and having such strong and unanimous local opinion, the British Government in Whitehall should respect the view of our people and give our Government complete autonomy in carrying out the death penalty.

Returning to the first issue with which the majority of our people are concerned, that is, the immediate prospects of our economy, it would first be useful to review the economic trend during the past year or so. A reasonably reliable indicator for this purpose is the trend of our domestic exports. Taking the year 1974 as a whole, our domestic exports showed an increase of some 18% over 1973 but towards the end of 1974 there were already signs of contraction. Since October 1974, our monthly domestic exports were consistently lower than those in the corresponding months a year ago. For the first time in our industrial history, domestic exports in 1975 will, unless there is a miracle between now and the year-end, be less than those in the previous year, probably by some 5% to 10% in value. Although the trend of our trade statistics is improving, recovery will most likely

continue to be slow. Looking at my personal crystal ball, I do not expect any significant advance in our economy during the next few months.

However, we in Hong Kong are not alone in such a difficult economic situation. In fact, we are better off in some respects as compared to other territories. As the natural law of demand and supply still prevails to a large extent in Hong Kong, there was practically no inflation for the first nine months of this year, as measured by the general consumer price index. There was also practically no increase even in nominal wages. This situation coupled with the increasing strength of the US dollar *vis-à-vis* the Hong Kong dollar has made our manufactured products more competitive in the world markets. Hopefully we will, as Your Excellency has pointed out, continue to exploit to the utmost any opportunities that may arise.

Sir, when I spoke on the same occasion last year, I mentioned the evolution which has taken place in this Council during the past five or six years. I also mentioned the increasing volume, sophistication and complexity of the work of the Unofficials and the need for expansion and diversification of the unofficial membership.

I was indeed very glad to listen to your response to this matter in your address. You, Sir, have very ably described the role of the Unofficials in this Council. We are not an opposition party nor are we a bunch of rubber stamps. We act as a bridge between the Government and the people and each one of us tries to speak for the overall interests of Hong Kong.

All the Unofficials, without exception, have spent substantial periods of time in public service (as chairmen or members of various Government advisory committees and boards, statutory bodies, trade and industrial associations, social welfare organizations, *etc.*) prior to their appointment to this Council. They all have proved their ability and willingness to contribute towards the public good. This is a very special and essential requirement of the Unofficials of this Council and in the light of the nature of the work to be carried out by the Un-officials, I agree that such a "qualification" should be retained so that every Unofficial would be able to carry a fair share of the UMELCO work load.

At the moment, there is already quite a spread of professional and occupational experience among the Unofficials. However, with respect there appears a need to increase diversification of their social background. In view of the increasing number of people in Hong Kong

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who are now participating in public service, I am sure that in time the right people can be found. If so, they will be very welcome in this Council.

Sir, as we all know, the economy of Hong Kong depends heavily on its export-oriented manufacturing industries. Almost half of our working population is engaged in manufacturing. This proportion is indeed very high as compared to other even more industrialized countries in the world, such as the USA (24%), Japan (26%), Sweden (29%), the UK (35%) and West Germany (39%). In the absence of natural material resources and because of the difficulties in agricultural development, we in Hong Kong have no alternative but to continue to rely principally on the development of our export-oriented manufacturing industries.

One important factor in the expansion of our manufacturing industries is our access to the world markets. This matter is usually dealt with on a government-to-government basis and I hope our Government will exert every effort to remove any discriminatory restrictions and treatment by any country on our products. In this respect, I wish to associate myself with your tribute to the work of the TDC and Sir Yuet-keung KAN in his capacity as Chairman of the Trade Development Council and in particular on his recent successful mission to France.

Another important factor in the development of our manufacturing industries is scientific management and modern technology. The Hong Kong Management Association has done a great deal in the past 15 years in the promotion of scientific management in Hong Kong. However, there is a limit to what scientific management can do and any real break-through in the development of an industry must come from technology. The effect of improved technology in manufacturing is two-fold. One is on production and the other on products. During the past eight years the Hong Kong Productivity Centre has attempted with some success to raise the technological standards of industry, particularly the small-scale industry.

A common way to acquire advanced technical know-how and diversify manufacturing industries is to attract overseas companies to establish new technological industries in Hong Kong. A number of trade and industrial associations have been doing this type of promotion for some time and I am glad to see the formation of an Industrial Investment Promotion Committee to co-ordinate individual efforts with a view to minimising duplication and improving effectiveness.

There are generally speaking two basic reasons for a company to invest abroad. One is to acquire a share of the local market where investment is to be made. Typical examples of this type of foreign investment are those generally found in developing countries with sizable local markets and with high import tariffs, limited import quotas or even import bans. The products are made and sold in the local market. The other basic reason for a company in a developed country investing abroad is to lower its production costs so that the lower-cost products could be more competitive in other markets including possibly the company's own country. In the first case the investing company makes profit from the local population whereas in the second case the investing company generates its income from outside the local population. We in Hong Kong belong to the latter category and it is therefore necessary for us to provide an attractive environment in order to induce foreign investment.

In many respects, Hong Kong is already quite attractive. To cite a few advantages (though not necessarily in order of importance): corporation tax is simple and low; labour is productive, hard-working, intelligent and adaptable; there is minimal Government interference and maximum economic freedom; supporting industries and services are very good; and there is also a minimum of labour strikes and disruption. On the debit side, however, industrial land is scarce and expensive, factory building costs and rentals are high, and there is a shortage of skilled craftsmen, middle-level technicians and experienced high-level manpower. We are generally aware of these shortcomings and measures are being taken to overcome most of them. Measures like the industrial estates at Tai Po, the Polytechnic, the technical institutes and the Hong Kong Training Council will go a long way, though we must admit these measures may take some time before significant results are seen.

All in all, Sir, although our economic recovery in the short-term may be slow, the long-term prospects are bright and I am confident that the living standards of the mass of the Hong Kong people will continue to improve.

With these observations, Sir, I have pleasure in supporting the motion.

MR LEE:—Your Excellency, to improve the well-being of the people of Hong Kong, you have, over the past two to three years, introduced a series of far-sighted and important programmes for the

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development of our social and community services. You were seeking, Sir, to put into action that most welcome pledge you made in your inaugural address that it would be your aim not only to maintain the level of development at that time, but also "to encourage both the Government and the community to make further progress, so that the people would find Hong Kong an even better place to live in". Some of these programmes have now to be deferred or rephased due to financial stringency. But there is still an increase in the budgetted expenditure during 1975-76 by seven *per cent* over actual expenditure in the preceding year, as a result of which there is a substantial budget deficit of \$429 million, even allowing for increased charges and additional taxes. This clearly reflects the anxiety of Government to go ahead with these long term programmes.

But, however anxious we may be, we cannot spend more than we are able to earn. Our earnings, as you say, depend entirely on how our trade develops and, in return, this depends on world-wide economic conditions. Historically, economic conditions change in cycles, and the phases of recovery, prosperity, recession and sometimes even depression tend to repeat themselves. The world has passed through two bad years and one can at least hope that the worst is over. The important question facing us, therefore, is how well can we compete should a favourable situation develop. You, Sir, have pointed out that the competitiveness of Hong Kong industry has grown steadily in the last two years. However, it seems that the immediate prospects of some of our more important export markets are still far from certain.

Here I should like to give an illustration of our position using the movements in recent years of the index of our terms of trade. Briefly, this index is a ratio of our export to import unit prices. A rise in the index is in our favour because it reflects the fact that more imports can be bought with a given quantity of our exports. On the other hand, a fall in the index is unfavourable because with a given quantity of our exports, less imported goods can be bought. There is a number of reasons for the ups and downs of the index. But, generally speaking, the main ones for its going up are either an increase in our productivity, or in the selling price of our exports, or a decrease in the cost price of our imports. If the index comes down it is usually the result of an increase in the import price, or reduced productivity, or a decrease in our export price because of competition as well as reduced purchasing power of our export markets.

According to the statistics compiled by Government, our index since 1970 had steadily gone up until it levelled off in 1972. But we were still able to maintain the index level throughout 1974 at the previous year-end position, in spite of world-wide difficult trading conditions. This shows the resilience and adaptability of our industries.

But we must not be complacent because in the first two quarters of this year we have seen a return of this index to quite a low level. This is a disturbing sign, although not much should be read into it because the fall was based on the general world wide situation which was depressed in the first six months, and business has since begun to pick up. However, this should at least serve as yet another reminder of how vulnerable and dependent our economy is on external influences.

On this cautious note, I would now return to the question of expenditure on our social and community services. No doubt, a tremendous amount of work still needs to be done. But the present economic situation is such that Government's financial resources will inevitably be limited to a level that will make implementation of the programmes slower than most of us and certainly you, Sir, would wish to see. And yet Hong Kong's social well-being must continue to improve, as people expect. The dilemma before us, therefore, is very real, for while it is easy to launch expenditure programmes, it is far from easy to halt them. Besides, costs tend to move up in the long run in the natural course of inflation; and I can see no virtue in stop-go policies. In a situation like this, it seems that Government ought to examine carefully whether there might be better value in trying to achieve more in terms of quantity by putting slightly less emphasis on quality. I have no doubt that in certain areas, notably the social services, there is room for quantitative expansion by a more intensive use of resources already available to the Government departments concerned. And if expansion can only be achieved by incurring some sacrifice to the quality or standard of the services involved, we shall just have to accept it as a fact of life. For in the final analysis, I believe that our community would be prepared to accept lower standards, just as many people have accepted cuts in wages in a period of under-employment. But we must see to it that this sacrifice is offset by a continuing increase in the quantity of services that we want to see expanded and the resulting benefits made available to as many as possible. Here I should stress that I am not suggesting that we have been over-quality-conscious. But given the buoyancy of revenue in the late 60's and early 70's, to have aimed more at quality in some areas at the expense of quantity was not entirely unjustified at that

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time. However, under the present circumstances, it is only reasonable to consider putting greater emphasis on the provision of more services and make them available to more people. Here I wish to quote a saying of Confucius, which may well apply to public administration, that "the concern is not inadequacy, but being unable to give evenly and fairly to all".

Sir, you said those activities affected by lack of resources about which you were most immediately concerned were secondary education and recreation. So here I would like to be a little more specific with some of the questions I have in mind.

First on secondary education: given the substantial sums being spent on secondary education and given the intense need to provide more secondary school places in Hong Kong, this is particularly an area in which more might be achieved at some expense of quality. I understand that unit costs for junior secondary technical places are more expensive by around \$100 per place than a junior secondary grammar place and a prevocational place is \$79 cheaper than a grammar school place. Should we not then consider concentrating on prevocational rather than technical education for those who are unlikely to make the school certificate? Apart from costs per place, the 1974 White Paper envisaged the expansion of secondary education by means of a substantial school building programme. As Your Excellency has said, we need 150 additional schools at \$5 million apiece and we cannot afford this. Well, then, if we cannot afford this, is it not possible to make use of the spare capacity of primary schools for the provision of secondary school places? Or can we not increase the size of each class in secondary schools from forty pupils to forty-five pupils which I understand is the permitted limit?

Secondly, on recreation: I understand there is a commitment of \$27 million for developing recreational facilities in the countryside. Could these funds be used to open up more extensive countryside areas if quality were lowered, for instance, by reducing the emphasis on the concreting of paths and roads, as well as on the building of bridges, but instead simply removing excessive undergrowth from paths, signposting them and providing litter bins? I can personally see some good in rudimentary picnic areas, provided we have more of them. And regarding the indoor stadium could the Government build it earlier than is now possible if reduced standards could bring the price below the \$68 million allowed for in the Estimates?

Sir, I am sure some of the above questions and similar ones on expenditure for housing, medical, services public works and many other items are already actively in the minds of my honourable Friends, the Colonial Secretary, the Financial Secretary, all the Secretaries and the heads of departments. The answers to this question may not all be in the affirmative, but if some of them are, after thorough consideration and to be followed by positive action, I believe there should be room for some quantitative expansion in certain areas to be made, with slight modification in quality, but achieving greater use of our resources.

One more point which is on the public service: Hong Kong has an efficient public service by any standards. Its efficiency, devotion and loyalty have been all the more manifested in times of challenges and difficulties. Its performance is fully recognized by members of the public. But here, may I suggest a review be made where Government can aim at slightly lower standards in some posts for which internationally recognized qualifications are insisted upon. I believe that, in some cases, a reduction in quality may not only achieve saving, but also help recruitment. I understand my honourable Friend, Mr Peter WILLIAMS, in his capacity as Chairman of the Establishment Sub-Committee, will have something to say relative to this subject.

Although this is not a budget debate, I wish to quote my honourable Friend the Financial Secretary who said that we could not continue to spend at the rate envisaged in the expenditure programmes unless we are prepared to erode the strength and competitiveness of our economy. It seems that the only sensible approach we can now follow is to be more quantity-conscious in areas where it is possible to do so, if we are to continue to meet the needs of social and community services as Your Excellency has planned.

I do not have to emphasize that to be able to do so will assist usefully to the solution of some of our social problems.

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

MR CHEUNG:—Sir, you will forgive an old member if he indulges in some recollections and memories, but so substantial has been the progress in one aspect of Government policy that I venture to give tongue to my recollections.

When I was first called to this Council in 1968 the New Territories were just emerging from their rural state. For some years before, the Kadoorie Agricultural Aid Fund had been providing cement to villag-

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ers to enable them to construct concrete paths, and villages which had been isolated for centuries were brought into contact for the first time with the main stream of life through the use of bicycles. The building of the reservoirs in Shek Pik and Plover Cove brought motor roads to those districts, establishing important two-way traffic. Kwai Chung was just being worked upon; Tuen Mun was on the planners' boards, and the development of Sha Tin had gone through a number of phases of stop and go.

From those early beginnings, however, have stemmed the important decisions made in the last few years to integrate large areas of the New Territories into the large metropolis Hong Kong is to become.

In the papers which come before honourable Members in Finance Committee, the process is called the development of the new towns. New towns they will be, each with its infrastructure of roads, drains, institutions and community services, but each contributing, in some unique ways, to the well being of the whole metropolis; land for housing, to make conditions of living less intolerable, industrial estates, container ports, a second university; each surrounded by country parks.

But my concept, and the concept of many friends of mine in the administration and in this Council, is that these developments will all lead to a very much larger metropolis, economically more viable and more important than the twin cities which preceded it, more able to develop and strengthen the export-oriented industries on which our life and wealth depend.

A very important feature of this concept is that the life blood of the community should be able to circulate freely and amply through all parts of it, that the raw materials that our factories use and their products, that people's messages and ideas should flow without let or hindrance. I conceive it as a cardinal point of our planning and development that strong arteries of communications be created and kept open. I am gratified that the Government shares this concept with me; hence the complex of highways and flyovers that link Kwun Tong to Kwai Chung and its container port, hence the Tuen Mun Road—on the rapid constructions of which, now visible to the eye, I congratulate the engineers and the contractors concerned—hence the second Lion Rock Road Tunnel and the highways leading to Sha Tin and beyond, hence the double tracking of the railway to Sha Tin.

Hence also the great strides forward in what has been done in other fields of communications. I refer to the rapid expansion of telephone and postal services already achieved, and to the provision of the rapid ferry services between Tsuen Wan and Central and Kwun Tong and Central, and to the energies of private enterprise in catering to the very heavy recreational traffic on Sundays, both on land and by sea.

Tomorrow, or as soon as our moneys allow, I see the second Beacon Hill Railway tunnel, the highway to connect Sha Tin with Tsuen Wan, the coastal highway from the new race course to the industrial estate in Tai Po, the tunnel to Aberdeen, the bridge over Lei Yue Mun, the cut-out of the bottleneck in Tsuen Wan with the construction of the link between Tuen Mun Road and Kwai Chung Road. I also see much movement of traffic between Kwun Tong and Kwai Chung, which, when the Mass Transit System gets underway, it may be able, with a small addition, to provide for.

I think that none of this would have been possible without the very close collaboration that exists between the New Territories Administration, the Public Works Department and Finance Branch, or without the very wise decision to establish the Special Duties Division of the New Territories Administration. I also know the impetus which has been given to it by my honourable Friend the Secretary for the Environment, whose passion for keeping the arteries open—I meant his rational thinking of our getting the arteries open—I try to emulate. Like me, he keeps a close watch on the cholesterol.

Likewise I congratulate the administration in removing recently one of the big impediments of development. I refer to the recent decision to give fair compensation to owners of land required for development. I have observed with great satisfaction the various stages in the evolution of that decision, and I place on record, if I may, with respect, the observation that the people of Hong Kong have been fortunate in the Government's Commissioners and now Secretary for the New Territories. Sympathetic alike to the aspirations and just claims of its inhabitants, and to the concept of a greater Hong Kong, they will now see the fruits of their labour and thought.

Nostalgia will lament the submergence of green fields and the intrusion of commerce and industries into once quiet hills and dales. But not all of the New Territories will be laid over with concrete. Generous provision is made for country parks and for the preservation of huge tracts of the countryside. But the development that is going on will mean this: that the heritage of natural beauty will be shared

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by all, as part and parcel of a great metropolis. Soon there won't be any division of the people into the people of the New Territories and others; all will be integrated into one people. All will share and share alike integrated medical, educational, social and economic services. The benefit of this two-way traffic is already visible: let those who doubt me go and see the new town of Tuen Mun, let them go and see Yuen Long and let them see the new community of Sam Mun Tsai in Tolo Harbour. No one will be able to say of the people in the New Territories, in a few years time, that "Knowledge to their eyes her ample page rich with the spoils of time did never unroll" nor "that many a flower be born to blush unseen, and waste its sweetness on the desert air".

It will, Sir, I hope, always be the policy of this Council to persevere with this process of integration, to keep the arteries open, to build a balanced and greater metropolis. The greater the metropolis, the greater our ability to compete to survive and grow.

With those words, I support the motion.

MR LOBO:—Your Excellency, in rising to support the motion before Council I shall limit my remarks to only a few points. May I begin by correcting a remark I made in this Council some time ago that in Hong Kong there was a tendency to underestimate the value of social welfare. This is certainly not the case today.

Sir, when you addressed this Council a fortnight ago you referred, among other things, to the very real value of the public assistance scheme which is one of the many social measures introduced by you to improve the quality of life in Hong Kong. I am sure that no one would disagree with the basic concept of the scheme which is simply to ensure an acceptable, guaranteed standard of living for the needy in our midst who, through no fault of their own, are unable to fend for themselves. In the main the recipients are the elderly, the chronically ill, the disabled and those who are suddenly forced with an unexpected situation. We have a duty to look after these people and I urge Government to continue to accept the heavy financial commitment involved. It is, in my view, money well spent. Finally, Sir, a word of warning. If the scheme is to benefit those for whom it is intended, it is essential that the criteria for participation be strictly enforced. Otherwise, as has happened elsewhere, abuses will occur with devastating results.

My next point concerns the 5-year social welfare plan. Several planned projects have had to be deferred not only because of the reduced money available from the Government, but also because private sources were in difficulties too. It seems, Sir, that the outlook for the ensuing year is equally dim and leads me to suggest that Government, in consultation with the voluntary agencies, should reexamine those projects with a view to establishing a revised list of priorities. Only those projects which we can afford and which will be of benefit to the largest number of people should be pursued at the present time. Whatever happens I earnestly hope that the Child Care Centres Ordinance, which was enacted in this Council earlier this year and which has not been implemented due to lack of funds, will be given the highest priority.

The Director of Social Welfare spoke recently about the need to evaluate the work of the voluntary agencies so as to ensure that there is no duplication of effort on their part and that they are being run on an economical basis. In this he has my full support as there is no doubt in my mind that many are not up to the required standard and are far from being economically run. Where evaluation shows this to be the case the organizations concerned should be encouraged to merge their operations with a view to raising standards and, at the same time, reducing costs.

In Hong Kong today it is not uncommon to hear or overhear people complaining about noisy neighbours, heat and humidity, inadequate transportation facilities or in having to pay 10 cents more for a particular service or commodity. Sir, I respectfully submit that these are matters which—to a greater or lesser extent—affect everyone in our community. But there is a large number of people in our midst who have a genuine grievance. I refer, of course, to those living in squatter and certain licensed areas where even such basic amenities as electricity and mains water are still not provided. The conditions in which these people live can only be described at best as pitiful and, as there are becoming more and more of them and it will be several years yet before they acquire proper housing units, I consider it essential for something to be done to improve their lot in the meantime. As a first step, in order to minimize the risk of fire and the possibility of an epidemic outbreak, I would urge Government to arrange for the early provision of electricity and mains water to all these areas.

I think I can safely speak on behalf of the majority of the people in Hong Kong in welcoming Government's decision to proceed with the construction of the mass transit railway. It will be by far the

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largest works project so far undertaken here and, as you said, Sir, apart from eventually providing us with a greatly improved transport system to serve the most densely populated parts of the Colony, the decision to proceed with it should do much to enhance our reputation abroad and our own confidence in the future. But let none of us forget the many problems which confront us, particularly during the period of construction. Regardless of what the experts say this will be a difficult and trying time and I would urge the public at large to exercise patience and restraint during this period. At the same time I would urge the Mass Transit Railway Corporation to reduce inconvenience and injurious affection to the public to the minimum. If, during this difficult period, we are to avoid the type of situation which occurred recently over the removal of the footbridge over Lung Cheung Road, it is vitally important that the public is told what is being done and, equally important, why it is being done. Indeed, this is a philosophy which should be applied whenever the public interest is involved and I hope that Government departments directly responsible for implementing development and/or progress plans will bear it in mind in the future. It is important also to remember that in Hong Kong conditions of living, habits and ways of life differ quite considerably from district to district. Thus, close co-operation between Government and the people at all levels is all the more important.

I turn now to the subject of law and order. Crime and the fear of violent crime is uppermost in the mind of every law-abiding citizen in Hong Kong today. But these undesirable features of our society are also becoming matters of concern to visitors, particularly those of neighbouring territories in South East Asia. This is a disturbing trend which could very easily spread to other parts of the world and adversely affect our tourist industry upon which our economy relies so heavily. For this reason and, more important, for the security and well-being of the majority of our people who obey and respect the law, every effort must be made to reduce the incidence of crime as quickly as possible. In saying this I am, of course, fully aware of the inroads already made by the police and the enormity of the task still facing them but, with the continued courage, determination and support of the public, I am confident that they will win through in the long run and make our streets safe once more again to walk in. I welcome the proposal to put a greater uniformed presence on the streets and I will certainly vote in favour of the appropriation of the necessary funds when the time comes.

Sir, you mentioned in your address the "Newman" report and the intention to establish within the next few months, on an experimental basis, the first of a number of detoxification clinics for those who do not wish to be maintained on methadone. As we all know different views have been expressed over the past years in regard to drug abuse treatment and the treatment of addicts. Some advocated harsh punishment while others took quite the opposite view. Those who were opposed to methadone maintenance as a means of treatment claimed that it only created a new type of addict at the taxpayer's expense. What those critics did not realize was that generally methadone makes its dependants less anti-social and capable of earning their own living whereas persons addicted to hard drugs are invariably anti-social and, in many cases, quite incapable of earning their own living. At the end of last year, as a result of major seizures of drugs by both the police and the Preventive Service, supplies became scarce and the price on the street rose sharply. To meet the demands of users unable to afford the high price the Medical and Health Department quickly established three additional methadone maintenance clinics. I believe, Sir, that this action prevented many addicts from turning to crime as a means of getting money to buy hard drugs. It therefore seems to me that there is a positive requirement for methadone maintenance treatment clinics as a weapon in our war against narcotics and I would like my honourable Friend the Director of Medical and Health Services to confirm that the proposed detoxification centres will be in addition to, rather than a substitute for, these clinics.

I should like now to speak briefly on the Pharmacy and Poisons Regulations approved by this Council in July. I understand that the local pharmaceutical industry at large has misgivings about some of the provisions of these regulations and, in fact, has submitted representations to both UMELCO and the Pharmacy and Poisons Board. I trust that the regulations will not be brought into force until these matters are resolved. But what concerns me more is whether sufficient professional staff will be available to enforce the legislation when it is brought into force and, notwithstanding, whether enforcement will prove practical in the peculiar circumstances of Hong Kong. Perhaps again my honourable Friend the Director of Medical and Health Services would be good enough to comment on this when he speaks later on in this debate.

With the worst of our difficulties of the past largely behind us we must now press ahead with energy, determination and imagination to rebuild our economy so that we can bring our many and varied social development plans to early fruition and to improve the quality of life

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for the people of Hong Kong. If, however, we are to achieve this goal it is essential that we do not adopt an attitude of complacency as we live in uncertain times and we ought to be prepared for any eventuality which could hinder our economic and social development in the future. Painful as it may be we must also be prepared, at least for some time to come, to exercise personal self-restraint if we are to achieve a lasting and brighter future for all in Hong Kong in the long term.

Finally, Sir, while declaring an interest, I would like to thank you for the kind remarks you made in your address about the work and achievements of the Urban Council. I can assure you, Sir, that those remarks have been very well received and are greatly appreciated.

I am pleased to support the motion before Council.

MRS SYMONS:—Sir, in the year that has passed since your address to this Council last October, Hong Kong under your wise and devoted leadership has welcomed Her Majesty The Queen and His Royal Highness, Prince Philip in a blaze of colour and animation set in a background of friendship and mutual respect. This pearl of the Orient certainly shone with happy beauty for a few days. Throughout the past year we have also continued to enjoy a very helpful and co-operative relationship with China; and working together as a community we have pulled through a period of recession and economic difficulties throughout the world.

It has never been our way to throw caution to the wind in our individual and communal activities, and your address to this Council a fortnight ago is a reflection of this caution and quiet optimism. Should the economic plight of our main trading partners grow unexpectedly worse with unwelcome repercussions on us, the main thrusts of Government expenditure may have to be further trimmed. The whole question of priorities will then have to be thrashed out, with I suspect, much disappointment in whatever sectors the Financial Secretary's axe will fall.

Perhaps I shouldn't have used the word axe, for any lethal weapon can be a bad joke in Hong Kong today. Is it because our people are so dexterous or ambi-dexterous or is it because we have more varieties of knife than can be found elsewhere? Will more fire-arms be used in future? Are we to expect more violence now that big narco-

tics gangs have been broken up and smaller operators are scattered in all directions? There is in the midst of all this disquiet the greatest admiration for the Government servants concerned who have so successfully seized fantastically large quantities of drugs, and have dealt with the criminal elements involved in this vicious trade.

While on the subject of violent crime it is quite impossible for anyone living in Hong Kong to be unaware of the genuine desire of a very large majority of people that in certain cases it should be possible for the death penalty to be imposed.

Many people do not understand the constitutional and political reasons for the great difficulty over this one; and the contention that Her Majesty's Government will and can do nothing is hard for the ordinary man in the street to understand. So much has happened to the Commonwealth and in the Commonwealth since the war, so much has been given to Hong Kong to decide for itself in matters of trade, for example, that the possibility of the matter being seriously reconsidered cannot be ruled out. We know that we are not particularly blood-thirsty, but while there appears to be little definite proof anywhere that the death penalty can be a deterrent, equally there is little proof that it cannot be such. The important point is that our people knowing circumstances in Hong Kong believe that violent crime can be greatly reduced with an effective death penalty. Can it not be considered for a trial period of about three years?

The inability to deal adequately with murderers, the high standard of our prisons, and the inadequacy of many sentences have most certainly contributed to the rather cavalier attitude towards violent crime and distasteful crime like rape, and mass-rape at that. The unhappiness over this serious breach in law and order is indeed a cancer in our city.

Fighting and fighting well against another tragedy in our midst, the Independent Commission Against Corruption must not be detracted from its duty imposed and incarnate of dealing with corruption. I do not share the apprehension of some citizens that the powers of the ICAC are too wide and possibly open to abuse; just as I was pleased to hear from the Commissioner of Police that his force is not being demoralized. The many honest policemen in that force have nothing to fear and nothing to hide; and to them we look with growing confidence in the fight against crime. The growth of the police force is very gratifying news and with the gradual return of confidence in the capacity of the police to maintain law and order, there is hope that the tide has turned against evil forces in our city.

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Anti-social tendencies of street gangs and genuine triads are a real source of worry to parents and young people in crowded estates or the older congested areas on both sides of the harbour. When Mutual Aid Committees and both the regular and auxiliary police forces can provide more effective counter-measures, then perhaps the playgrounds, swimming pools and other recreational areas will not be misused or avoided by many for whom they were built.

The whole question of parental responsibility must be very much more publicly discussed at all levels and in all sectors of our community. The tendency of many parents to look to Government for supervisory help beyond the normal number of life-guards or playground or park attendants is a problem that has to be faced.

Parents should be encouraged and expected to re-assert their parental rights and duties, instead of keeping their children trapped in front of television sets. Parents and elder siblings should be assisted to organize duty rosters, bearing in mind the demands of factory shifts, rigid office and school hours; there should still be more active co-operation shown by parents. Government cannot and should not do everything in the care of the young. The magical effect of this on the children will more than compensate for the inconvenience to parents.

I look forward to the establishment of ever more country parks, and welcome the legislation which will ensure the responsible use of this latest adjunct to our amenities in Hong Kong. The preservation of our lovely though small territory of truly beautiful hills and attractive coastal areas must be recognized by all as the civic duty of all.

The Council for Recreation and Sport long a cherished idea of some appears to have started its important and pioneering work with expertise and originality so that this timely expansion of recreational facilities for young people, now a reality, will be more and more appreciated as future generations grow up. I have always held the view that such facilities are the natural right of our young citizens; not merely something helpful in the fight against crime.

In another area of leisure activities, the Urban Council has made great strides in the provision of music and drama and the many exhibitions of artistic expression to enrich the lives of many youngsters. Those students fortunate enough to have this wider education at school will in future participate more and more in city affairs and cultural activities. Others will discover with the Urban Council's help such

joys and pleasures for the first time. For the sad truth is that the balanced use of leisure is not often understood by school authorities; in fact leisure is a rare commodity because of academic pressures and parental attitudes; and the eventual setting up of a Council for Cultural Activities has been mooted.

We cannot pretend even to ourselves that there are enough good schools here, or even enough schools; though the education policy laid down in 1972 has now been fully implemented. However, the delay in implementing the 1974 White Paper because of financial difficulties has been very disappointing. I would like to assure my colleagues that despite the delay, very strenuous efforts are being made to begin reforms in the curriculum, as a result of well-meaning and sound co-operation between the Curriculum Development Section of the Education Department and many schools on a monitored and individual basis. By September 1976 the White Paper should be launched in the all-important expansion of secondary education. As a start, information from schools about the use of premises should provide useful data for any temporary use of existing facilities for extra Form I students next September. When Government can gauge what extra accommodation can be made available then funds must be found for recurrent expenditure.

You, Sir, have alluded very frankly to the saving of under two million dollars on recreation this year. There should not be a sadder and more serious mistake of this nature in the realm of education in the next financial year. Children leaving Primary 6 must be accommodated as far as possible. I reject the notion that we should provide such education as a social measure to stop such children turning to crime. We should educate them because it is our bounden duty to do so, and their inalienable right to expect and receive it.

More than twenty years ago the Government ignored the question of vast numbers of over-aged illiterate children in its early attempts to expand the educational system. At that time I was instrumental in having an unofficial and probably quite illegal survey made of children in the thousands of wooden huts in Shek Kip Mei. I was the supervisor of a Sheng Kung Heui primary school planned nearby and plans were being formulated by my committee to provide the usual primary school education for children starting at six, and for the thousands of over-aged illiterate children, a special accelerated course. Two days after the Shek Kip Mei fire of Christmas night 1953 I offered my illegal census to the Government. I felt then, as I do now, that when permission for the special courses was withheld, that Government had willynilly been party to the creation of a lost generation.

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Today this dilemma is still with us; and once the White Paper of 1974 is on its way, there may well have to be fresh thinking with updated information from the next census—I promise not to start another illegal one—about the illiterate members of our community.

In the grey area of ignorance about many of our people, I must express my concern, I hope unfounded, about the mental make-up of many inhabitants scheduled for public housing. The whole area of applied psychology is not for a layman like myself, but I just wonder how effectively Government is coping with the question of understanding its tenants. Our people are conservative, introverted and generally happier when left alone. What happens when you crowd tens of thousands into a small area? Though the crowding is considerable, "there is as yet no evidence that the high densities involved have led to the kinds of breakdown that sociological theory would postulate is of great potential significance". "This aspect of Hong Kong's housing achievement, amongst others of potential significance as yet, however, has neither been very widely recognized nor subjected to detailed research investigation." I am delighted to find that Mr DWYER of the University of Hong Kong wrote the above in 1972. I feel this is the time to think about the new towns so eloquently described by my Friend, Mr CHEUNG, whose picture of the New Territories is something for us to think about with great anticipation. My attempts are much humbler. I like to think about the new towns as places where people, people not human creatures, will live, not merely as some units, however improved, to which applicants will be decanted. A dreadful word I remember in this context from my Urban Council days. Though not a connoisseur, I prefer the normal process of decanting.

Another question we may consider now that the housing programme may be delayed is that great query in many minds—how can we know that the vast numbers we intend to rehouse are the worst off in financial and human terms in our city? Tax-payers are very interested in this.

Recently, I had to defend Hong Kong when a visitor accused us of being interested only in making money. I believe in our city we are pragmatic enough to know that while money is important, it is not all-important; pragmatic enough to know that the freedom we enjoy in so much of our active lives is a precious heritage; pragmatic enough to believe quite unequivocally that our freedom in public and private earning and spending is a sure method of maintaining initiative and

establishing better living conditions for the next generation. We are sensible and sensitive enough to realize that in this unique city-state can be found joys lost by some countries and never experienced by others, finally mature enough to know that only by working together as a community will we face "Elsie" and other storms, and finally reach a safe harbour (*laughter*).

Can such people be interested only in money?

Sir, I support the motion with much pleasure.

MR WILLIAMS:—Sir, the debate following your address this year must take on more of a mantle of a budget debate for we all recognize that at every turn, reduced means and increased costs hamper our progress and the achievement of our goals. You have stated the main theme of your address is the examination of possibilities and priorities.

Most of us are faced in our own personal lives, businesses and affairs with similar problems; and being a realistic lot there is no lack of patience and understanding by all in this difficult period who have faith in the future of Hong Kong. To hearten us we have witnessed so recently the coming into being of considerable projects such as the Cross Harbour Tunnel; the High Island Water Scheme; sophisticated Flyovers and Speedways; the Container Terminal; and innumerable other completed undertakings; and now a commitment to a mass transit system. Our unfortunate addicts may have their pipe dreams but the mass know that Hong Kong is a place where ideas and plans become reality. We are abandoning nothing and it seems to me, therefore, our priorities by and large are not what we do when we are able to do it. Our priorities are points in a time-scale.

It cannot be disputed that what is most wanted by the vast majority is better housing; more educational opportunities for their children and their health safeguarded. But it is these three areas where our costs are greatest. It would need the virtual sacrifice of all competing demands to make a dramatic and overnight change in any one of them. On the other hand a cut in expenditure, modest in percentage terms but large in amount may only result in some increase in the waiting time for people who have already waited long.

Undesirable as this is, the deferment of such long term projects such as a second medical school or a new town, may not have the same impact as postponement of plans where more immediate results are expected, for instance, child care centres. And many of these latter class of projects are not that expensive to create or run. Naturally,

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we cannot avoid disappointment at deferment of housing and educational projects and I am not without concern for this in speaking out today.

My first and main point is that cuts right across the board may reduce expenditure to within funds available, but it is a crude method that does not maximize our output and has potential dangers. If you cannot provide a man with a dwelling to shelter him, you do not, at the same time, trim the tree that is giving him shade, and take away a few sticks from the fire that warms him.

Obviously, in difficult times it is people that matter most. Handled wrongly we will not only have a disappointed but a demoralized population. But shown the way and given the encouragement, a total of response can be obtained which will be a formidable and inexpensive addition to our resources, even though the individual response is small against the whole, such as creating the courage to chase the robber on the stairs or stand up and accuse the corrupt. And Hong Kong's biggest challenge are the problems of its biggest asset—the mass of young people with increasing education; born here; belonging here and with nowhere else to go. We must not merely maintain but increase our contacts with them, occupy them profitably, and instil in them a pride of place and a true sense of belonging to Hong Kong.

It is with these thoughts in mind that I will mention some areas where our efforts must be maintained perhaps increased, even if the cost must come from some further delays in longer term ambitions. I must make it clear too that I am only advocating the most frugal additional paring of our large projects, for these not only remain prime priorities but offer the jobs to maintain families in these difficult times.

Anything which obtains a positive involvement of people is money well spent and gives us extra value for our dollar. An outstanding example of this, on which the Government is to be congratulated, is the formation of mutual aid and area committees which are not only effective in their security role but can well bring forward to public notice men and women who can shoulder more considerable community burdens.

This must be true too of many projects in the fields of social welfare. It is in this area above all that there must be greatest opportunities for harnessing the voluntary energies and efforts of individuals to the common good. I will leave it to others to be more specific in this regard.

On the subject of the Government Service, I am in favour of accelerating the promotion of local officers to more senior positions in Government. The City District Officer Scheme has been a remarkable nursery for the development of our young administrators. The breadth of their exposure at this ground level will be of immense value to them in the development of their careers. It is indeed exciting to see these young men growing in confidence and experience overnight as they have successfully met the challenge of this exacting job.

There can be no compromise in standards here but I have no doubt in my mind that these young men will measure up to these standards. And do not let us be afraid of pushing ahead the very bright at an early age. This is happening in all spheres throughout the world. It is obvious that it is these younger local men, who will be most responsive to the changing attitudes and social behaviour of our population which has so many young people.

It would be interesting if the official side were able to give us some statistics indicating the trend of the average age in the Administrative Service over the past ten years, although I recognize that with its growth and changing pattern it may not be easy to present meaningful figures.

As one who has spoken on recreation and sport in this Council on numerous occasions I welcome, Sir, your remarks under this heading and fully support all that you say. In particular, that organized recreation is no luxury and we neglect it at our peril. It is startling that our relatively modest Recreation and Sports Scheme might not be completed over the two years 1975-77 because less than \$2 million cannot be found and I hope from your remarks that this difficulty will be overcome.

Naturally, our sports programmes need to include as many participants as possible. We would like to see everyone take part, but, having facilities available, young people need to be motivated to use them. The greatest spur to young people is the success of the stars and the esteem they enjoy. This has prompted youngsters to kick a tin around the back streets of Britain for a century. In the games which are best suited to our physique and circumstances, let us try and make some better showing in the international arena. I have made this point before and it is an aspect which I hope will not be overlooked.

Many still regard Government as remote, monolithic and lacking in understanding. I do not believe this is true and there is ample evidence to the contrary, not least the whole tenor of your address. But to demonstrate this concern and to make leadership effective

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requires the closest contact with all levels of society at this time. Your main tools are the Home Affairs Department the Information Services Department and Radio Hong Kong. These in relation to our total budget are not great expense areas. Their efforts must not be diminished through generalized economy cuts. Indeed there is a reasonable case for strengthening our efforts, for under no circumstances must Government be forced to speak with a muted voice at this time.

I would add that it is not only within Hong Kong that this should be so. Overseas we must make sure that the voice of Hong Kong is heard so that all possible is done to protect access to our markets and unfair and uninformed criticism of Hong Kong does not go unchallenged.

With these remarks I support the motion.

MR CHEONG-LEEN:—Your Excellency, it gives me great pleasure once again to congratulate you on your opening address at this new session of Legislative Council.

Might I say that your recent accident has given the people of Hong Kong the opportunity to realize the capacity of Your Excellency's courage, dedication and willingness to make personal sacrifices in carrying out your responsibilities as Governor of Hong Kong.

Law and Order

As you are aware, Sir, law and order is a problem uppermost in the minds of our people today. Not a day passes that we do not see on television or read in the newspapers reports about armed robberies or muggings involving the use of dangerous weapons in broad daylight, often in the most crowded thoroughfares. This has been most damaging to public confidence locally, as well as to the overseas image of public safety in Hong Kong.

However, partially as a result of the swift and efficient manner in which the recent Hang Seng Bank robbery was solved, there is a section of the public who are beginning to think that perhaps the level of violent crime in Hong Kong has begun to level off, at least to some degree. If such is the case, then there might be justification in hoping that soon we will have reached a turning point in the all-out battle the Government and this community are jointly waging against violent crime.

The Police Force, under the able leadership of the Commissioner, has made some progress in the areas of modernization, efficiency and performance. I know that the Commissioner himself has spent much time in meeting with all sections of the community so as to better understand the problems of law and order at grass-roots level and to stimulate greater public confidence in the Police Force.

The Fight Violent Crime Committee, since its formation in March 1973, has done much useful work to co-ordinate the efforts of both the Government and the public in assisting the police to combat violent crime. However, much more remains to be done, especially in those areas where further action can restore in a comparatively short time a stronger measure of public confidence.

One such area: making as simple and convenient as possible, both in practice as well as in theory, the system of reporting crime. As this matter is under active review at the moment, I am sure there will be improvements in the reporting system which the public will come to appreciate. I hope that a statement on this subject can be made by one of my Official colleagues in the course of this debate. At the same time, may I emphasize that the attitude, courtesy and patience, and sympathetic consideration shown by police officers who are recording the reports will, in the end result, tip the scales in building up public confidence and co-operation to the point where it counts most; that is, the point of personal contact between Government and the public.

A second vital area that deserves maximum attention by the Fight Violent Crime Committee is the continuous and rapid expansion of mutual aid committees. These committees have already proved their worth in more ways than one. The MAC system is a formidable instrument in gaining active public support in the multi-storey building and, at street level, in reducing the number of muggings in each district. In this connection, might I say that a clear and unmistakable reduction in the number of muggings at district level will be a crucial factor in restoring public confidence in the Police Force.

I understand from Your Excellency's address that the Fight Violent Crime Committee, which is now comprised only of official members, will soon be reinforced by unofficial members. I would propose that Government also consider setting up at the appropriate time Fight Violent Crime Committees in each CDO District, and that responsible members of the public in each CDO District be invited to participate in such District Fight Violent Crime Committees. These committees could fulfil the dual role of firstly stimulating more public participation and secondly in acting as a feedback mechanism to the main committee.

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It is possible that the turning-point in Hong Kong's all-out battle against violent crime is not too far away. If increasing public confidence and a wider measure of active public co-operation can be linked closely with the Government's efforts, there is reason to hope that in 1976 Hong Kong will, once and for all, be able to get rid of its tarnished image both at home and abroad as a city where muggers with sharp weapons roam the streets at will causing fear and anxiety to residents and visitors alike.

Of course, what I have said concerning measures to fight violent crime in the urban areas can and should be adapted with equal vigour to the needs and customs of the people living in the New Territories.

Secondary Education Allowance

On the adjournment of Council on 7th May 1975, I suggested that Government should consider introducing some form of secondary education allowance for poorer families who meet certain criteria lest their children be forced to discontinue their secondary education.

In his reply, my honourable Friend, the Director of Education, said that, due to the prevailing financial situation, Government could not afford to adopt such a scheme which could cost about \$15 million annually.

Since then I have received from the Education Department a revised estimate of the annual cost of the proposed scheme if the criteria were modified, firstly, by reducing the income limit from \$2,000 to \$1,000 per month; secondly, by raising the proportion spent on education from 25% to 30% of family income; and lastly, by restricting the scheme to students entering Forms II and III only.

Based on the above modified conditions, the Education Department came up with a figure of \$3.5 million with the allowance to be paid to each eligible student remaining at \$25 per month.

Due to Government's financial stringency, I decided to explore the possibility of achieving some savings in the recurrent items of expenditure under the Education Vote to finance the modified scheme.

The item which I have now come across is Government's annual subsidy for students travelling on public transport. For the year 1974-75 I understand that the annual subsidy was estimated at \$22 million. Of this sum of money \$19 million would be spent on re-imbursing

the three major public transport companies, with the remaining \$3 million going to the Kowloon-Canton Railway.

Statistics obtained by the UMELCO Office show that, for the academic year 1974-75, CMB issued 171,194 monthly tickets, KMB 196,584 free passes and Tramways 36,188 free passes. Added together, 403,966 monthly tickets and free passes were issued as compared to a total enrolment of 370,573 students studying in secondary grammar schools, 3-year practical schools, and vocational and technical institutes for the same academic year.

It would therefore appear that many students had obtained more than one free pass or monthly ticket.

There are, of course, students who genuinely needed two different passes or monthly tickets because they studied across the harbour. On the other hand there could be many students who do not require two passes but have applied for and obtained them.

The cost to Government per free pass or monthly ticket as well as the machinery for issuing such free passes and monthly tickets should therefore be reviewed so as to achieve economy and eliminate waste in this direction.

For example, it may be worthwhile to stop issuing free passes and monthly tickets to students who live within a short walking distance of their schools.

Another example: if the number of trips to be made daily by each student is to be reassessed in a practical way, perhaps the Government subsidy to the public transport companies could be further reduced.

The savings thus achieved under the annual travelling subsidy could more than pay for the revised secondary school education allowance scheme I am proposing.

I urge again that an education allowance scheme be devised so that children from the poorer families will be able to finish at least 3 years of secondary education.

This scheme should assist in partially alleviating the twin problems of drop-outs and juvenile delinquency, which are matters of serious social concern to all of us in Hong Kong.

Of course, another alternative to this scheme would be to apply such savings as may be achieved under the annual travelling subsidy to

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buying more junior secondary places immediately so as to expedite the implementation of the 1974 Secondary Education White Paper, which has been delayed by the recession. Certainly I would not like to see such savings go into general revenue.

Improving the Living Environment

On many occasions in the past, Your Excellency has spoken in vivid terms about the need to improve the living environment. As a generic term, it can assume many forms, such as reducing air, land, sea and noise pollution, providing better and more public housing, and expanding cultural facilities.

Pollution

With our population increasing from various sources by at least 100,000 each year, it is important that we step up control of all types of pollution as well as protect the natural environment. The consultants engaged by Government have already made a preliminary report on the principles covering a general environmental protection ordinance and on the administrative machinery needed to monitor and control pollution. I hope that Government will not lose any momentum in planning for the enactment of this necessary piece of legislation, once the principles have been accepted.

I would like to renew a plea for a zoological garden or park in a suitable area in the New Territories. In the planning of a zoological garden or park, priority could be given to stocking the site with animals such as deer, monkeys and birds, fauna which are indigenous to Hong Kong and South China. If Government cannot find the funds for such a purpose, would it be prepared to make land available to any non-profit making organization to go ahead with the project, subject to certain rules and safeguards in the public interest? My view, of course, is that Government itself should be responsible for implementing with a minimum of delay such a worthy project.

Re-developing the Old Resettlement Estates

While still on the subject of environment, I would like to express disappointment that the programme to re-develop the older Marks I and II resettlement estates is moving ahead so slowly.

The original plan was to have all Marks I and II estates re-developed within ten years from 1972. At the present pace of re-

development, it could take up to 20 years. Because these Marks I and II are so sub-standard, they are the breeding grounds for crime, juvenile delinquency and anti-social behaviour.

I would urge that Government take another look at this re-development programme to see if an imaginative approach could be adopted to complete this programme within a much shorter period, perhaps even with further co-operation of private development groups.

These old resettlement estates are also sorely in need of more schools, community centres, welfare premises, markets, and recreational and open spaces—all of which are at present inadequate or are not available. In the coming years the situation could progressively deteriorate with grave social consequences to the community.

Cultural Activities

Since Your Excellency came to Hong Kong as Governor, you have acquired the reputation of being a stalwart patron of the arts. The people of Hong Kong, particularly our younger people, have benefited enormously from your support in this area.

"Man does not live by bread alone" is a saying that is given increasing credence and is taken very seriously by our young people, and I am confident that recently established cultural institutions, such as the Hong Kong Arts Festival, will grow from strength to strength in the years to come. Furthermore, when the Arts Centre is completed next year, I hope that there will be a better defined policy on the allocation of financial and other resources for the development of cultural and artistic activities of all kinds in Hong Kong.

For example, is it not time that more financial and other support be given by Government towards fostering the traditional Chinese performing arts, such as acrobatics, dancing, and opera?

Again, as regards Chinese martial arts, is it possible to establish a more clear-cut policy as to whether Chinese martial arts can be preserved as a means of physical recreation and exercise and, at the same time, through a system of registration and supervision, kept under control to eliminate those undesirable aspects which could lead to crime and violence?

The Future

Sir, Hong Kong's future rests on a continuation of the sound policies of Government, the courage to change those policies which

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are unsuitable, and the will to forge a close partnership between our diligent and hardworking people and the nearly 100,000 civil servants who comprise the machinery of Government.

It is upon this close partnership, strengthened by mutual understanding and respect, that Hong Kong will be able to confidently face the future, achieve economic growth, improve the living environment, and preserve the best parts of our culture and traditions.

I have much pleasure in supporting the motion.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 p.m. tomorrow.

Suspended accordingly at half past four o'clock.