

# OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 3rd December 1975

The Council met at half past two o'clock

## PRESENT

HIS EXCELLENCY THE ACTING GOVERNOR (*PRESIDENT*)  
SIR DENYS TUDOR EMIL 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  
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE IAN MacDONALD LIGHTBODY, CMG, JP  
SECRETARY FOR HOUSING  
THE HONOURABLE DAVID HAROLD JORDAN, 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 DAVID WYLIE McDONALD, JP  
DIRECTOR OF PUBLIC WORKS  
THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, JP  
DIRECTOR OF EDUCATION  
THE HONOURABLE IAN ROBERT PRICE, TD, JP  
COMMISSIONER FOR LABOUR  
DR THE HONOURABLE CHUNG SZE-YUEN, 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 JAMES WU MAN-HON, OBE, JP  
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP  
THE HONOURABLE LI FOOK-WO, OBE, JP  
THE HONOURABLE JOHN HENRY BREMRIDGE, JP  
DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP  
THE HONOURABLE MRS KWAN KO SIU-WAH, MBE, JP  
THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP  
THE HONOURABLE ALEX WU SHU-SHIH, OBE, JP

**ABSENT**

THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP  
 SECRETARY FOR SECURITY  
 THE HONOURABLE LO TAK-SHING, JP

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
 MR KENNETH HARRY WHEELER

**Papers**

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Foreign Judgments (Reciprocal Enforcement) Ordinance. Foreign Judgments (Reciprocal Enforcement) (Amendment) Order 1975.....	249
Road Traffic Ordinance. Road Traffic (Parking and Waiting) (Amendment) Regulations 1975 .....	251
Road Traffic Ordinance. Road Traffic (Public Omnibus, Public Light Bus and Public Car) (Amendment) Regulations 1975 .....	252
Preventive Service Ordinance. Preventive Service (Amendment of Second Schedule) Order 1975.....	253
Road Traffic (Parking and Waiting) Regulations. Designation of Car Park .....	254

Sessional Papers 1975-76:—

No 16—Statement of Accounts of the Hong Kong Housing Authority for the year ended 31st March 1975 (published on 3.12.75).

No 17—Supplementary provisions for the quarter ended 30th June 1975 (published on 3.12.75).

**Oral answers to questions****Inland Revenue Department**

1. MR LEE asked:—

Sir, will Government make a statement on the progress of plans to provide the Inland Revenue Department with

- (a) more staff for the next financial year,
- (b) centralized office accommodation for its various units and sections?

THE FINANCIAL SECRETARY:—Sir, as regards the first part of my honourable Friend's question, I can only say that staffing proposals for the next financial year for the Inland Revenue Department will be considered in the normal way as the Commissioner submits them. I should add that additional staff has been provided for the department this year for commitments arising from my budget proposals and from the increased workload, mainly in the Salaries Tax Section where there has been a 55% increase in the number of tax files thanks to the inflationary pressure on incomes in preceding years, in the Business Registration Office following an increase in the business registration fee, and also in the inspectorate for obvious reasons. For these purposes the Finance Committee of this Council has approved a further 55 posts for the department this year. And the strength of the department has increased by 100 officers since 1st April, notwithstanding the fact that this has meant an increase over the net growth of 1,600 planned for the Civil Service this year.

As regards the second part of my honourable Friend's question, which refers to the question of centralized accommodation, the Government has accepted that the Inland Revenue Department should be housed under one roof by early 1977 when the majority of the existing leases of premises occupied by the department are due to expire. A search is now being made to locate a suitable and suitably located building for this purpose.

MR LEE:—Sir, may I ask a supplementary question on two points?

- (a) Will my honourable Friend state whether he is satisfied that the strength of the department in relation to the approved establishment is appropriate; and
- (b) he has said that an additional 55 posts had been approved by Finance Committee during this year—does he envisage the creation of any further additional posts during this year?

## Oral answers

THE FINANCIAL SECRETARY:—Sir, the approved establishment of the department—that is the approved number of posts in the department—is 1,664 at present, and the strength as at the 28th November was 1,586, and I regard the ratio 1,586 to 1,664 as very satisfactory. As regards the creation of further posts in the department, as I mentioned in my reply to the substantive question, 55 additional posts have been created so far this year and another 94 are now in the pipeline and I think the Finance Committee will be considering the Establishment Sub-Committee paper dealing with these 94 posts on 17th December.

## Youth activities

2. MR CHEONG-LEEN asked:—

Sir, would the Government consider establishing a Secretary for Youth to supervise all Government activities which affect young persons?

SECRETARY FOR HOME AFFAIRS:—Sir, I do not believe that there is a need for the appointment of a Secretary for Youth; nor do I believe that such an appointment is necessarily the best way to serve young people.

The needs of youth are multiple and some are common to all ages. Others such as education, recreation and leadership training are particularly relevant to young people. All the social services, for youth and for others, are the responsibility of the Secretary for Social Services and these are, presumably, the services my honourable Friend has mainly in mind.

It is however important to ensure that no reasonable support for youth is missed out, that there is no problem which seems to be nobody's responsibility. This is the aim of the Inter-departmental Committee on Services for Youth which I chair and which includes all the Secretaries and heads of departments dealing with matters concerning youth. It was only appointed in 1973 and is a useful forum for the discussion of approaches to youth problems. Co-ordinating machinery also exists at the district level through CDOs, CYOs, RSOs, who are all concerned with youth in one way or another, and these district based officers work together in consultation with one another.

I think, Sir, that we all are already doing everything a Secretary for Youth could do—given all the limitations on resources that restrict faster development of youth services that we should all like to see.

MR CHEONG-LEEN:—Sir, how many times has the Inter-departmental Committee on Services for Youth met this year?

SECRETARY FOR HOME AFFAIRS:—Sir, it has met eleven times since it was appointed in 1973.

MR CHEONG-LEEN:—Sir, may I congratulate the Secretary for Home Affairs on his excellent chairmanship of this committee. Would he be good enough to supply me with a list of the members of this committee?

SECRETARY FOR HOME AFFAIRS:—Sir, I chair it and those on it are the Secretary for Social Services, the Secretary for the New Territories, the Director of Urban Services, the Director of Education, the Director of Home Affairs, the Director of Social Welfare and the Commissioner for Labour.

### **Food analysis**

3. DR FANG asked:—

Sir, has Government any plans to establish a separate unit for the speedy and efficient analysis of food or beverages which appear to contain poisonous ingredients?

DR CHOA:—Sir, arrangements already exist for the efficient and speedy chemical analyses of food and beverages suspected to contain poisonous or harmful substances.

Normally, samples of suspected food and beverages items are taken by the staff of the Urban Services Department under the Public Health and Urban Services Ordinance, Chapter 132 and forwarded to the Government Laboratory for analysis, the General Division of which undertakes to examine such samples for the USD as part of their service for the various "client" departments of Government.

**Oral answers****Generalized Scheme of Preferences**

4. MR TIEN asked:—

Sir, would the Government make a statement on the recent decision of the Council of Ministers of the EEC to continue to exclude Hong Kong's export of textiles to the community from its GSP for 1976 despite earlier expectations of a favourable outcome?

MR JORDAN:—Sir, the Commission of the European Communities had originally proposed the inclusion of a limited number of "non-sensitive" Hong Kong textile products in the EEC Generalized Scheme of Preferences for 1976, but the Council of Ministers felt unable to accept this proposal and instead it decided that the consideration of the inclusion of textiles from Hong Kong would have to be deferred again to 1976, when the scheme for 1977 would be drawn up.

The Commission's proposal would have permitted only about 2%—at the most—of Hong Kong's textile exports to enter the Community duty-free.

The fact that the Council of Ministers felt unable to accept this very modest proposal is an indication of the very heavy pressure that the textile and clothing industries in Europe are exerting against imports.

While we believe that the difficulties faced by other countries' industries are, like the difficulties our own industry has faced, due to the world-wide recession rather than to the level of imports, I'm afraid this view is not widely shared by textile manufacturers in Europe—or if it is they nevertheless believe that new limitations on imports would help them and so they are opposed to any further liberalization.

We are naturally disappointed by the Council's decision and we shall, in 1976, continue our efforts to persuade the Community and other donor countries to remove the discrimination against Hong Kong in their preferences schemes.

**Textile industry**

5. MR TIEN asked:—

Sir, will the Government reconsider the desirability of inviting some EEC officials to visit Hong Kong with a view to

acquainting them with the real state of Hong Kong's textile industry?

MR JORDAN:— Sir, when my honourable Friend asks if the Government will reconsider inviting EEC officials to visit Hong Kong, the implication seems to be that he thinks we have abandoned the idea. Maybe this is because there has been such a long delay since my honourable Friend made this suggestion in an adjournment debate on 18th June this year\*. On that occasion Mr MCGREGOR in his reply said that we were in touch with the EEC Commission about the possibility of arranging further visits by EEC officials.

Unfortunately we have not been able to arrange this yet but we are still in touch and I hope that we shall be able to arrange a visit by Commission and Member State officials early in 1976.

### **Physiotherapy Training School**

6. DR FANG asked:—

Sir, would it be possible to convert the verandah and lobby on the ground floor of the Physiotherapy Training School in Queen Elizabeth Hospital to provide more space for the school?

DR CHOA:— Sir, the same question was raised by two honourable Members when they visited the Queen Elizabeth Hospital on a UMELCO tour of Yau Ma Tei in December 1974. The reply given was as follows:

"A programme for the development of rehabilitation services in Hong Kong is currently being prepared by the Government. This will be a comprehensive development plan to cover all aspects of rehabilitation for the next decade. It is considered inadvisable and uneconomical by the Medical and Health Department to go ahead at this stage with piecemeal alterations and conversions of existing facilities. Additionally, it is likely that the suggested conversions would be a costly undertaking which could not be supported at this time."

The situation remains the same to date.

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\* Hansard 1974-75 pages 864-6.

**Oral answers****Textile quotas**

7. MR ALEX WU asked:—

Sir, what action is Government taking to modify the quota system for textile exports so as to provide access to non-quota holders?

MR JORDAN:—Sir, in the debate on the motion of thanks for the Governor's address just under a month ago, I said that the Commerce and Industry Department was going to conduct a thorough review of the textiles export control system. Since then we have through the press and through written invitations asked those who are interested to put their views to us as to whether any changes are needed and if so what those changes should be. A number of proposals have already been received and are being considered.

The basic principle of our present system is that allocation of textile quota is based on past performance. However, non-quota holders can take part in "free quota" schemes operated from time to time by the department. For instance, for the current US textile year which began on 1st October 1975, the department has up to now been able to make allocations of close to 55 million square yards to companies that are able to produce confirmed orders in support of their applications. Companies that are able to utilize fully the yardage obtained in this way are eligible for a quota allocation in the next textile year, that is to say they become quota-holders themselves.

At this stage, while our review is in progress, I should not like to commit myself as to how far we should go in further opening up the system to non-quota-holders, but I can assure my honourable Friend that we are well aware of the desirability of doing so—so long as we can ensure that the interests of existing quota-holders are given reasonable protection and that the interests of the community as a whole are served by a system that maximises the use of the limited export opportunities available to us under the restrictive agreements that we are obliged to implement.

MR TIEN:—In order to provide certainty to the trade, will my honourable Friend confirm that any changes which would affect quota-holders' entitlements in a subsequent year will not be introduced unless at the beginning of a textile period?

MR JORDAN:—Well, that's a little difficult, Sir, because I mustn't commit myself to that phrase my honourable Friend used "quota-holders' entitlements for a subsequent year". The quota allocations for each coming year are reviewed each year and it is certainly within the discretion of the Director of Commerce and Industry to vary the system so that, as I said, I do not wish to commit myself to the acceptance of the use of the word "entitlement" as a legal right. But I do accept that every quota-holder has a claim to consideration for the following year and I can assure my honourable Friend that we have no intention of altering the system in such a way as to affect those moral rather than legal rights that the existing quota-holders have, and I will give ample notice to the trade of any change in the system. There are various aspects of the system which will require longer notice than others to allow quota-holders to make their own arrangements to see that they qualify for the future.

### **Moral training in schools**

8. MR CHEONG-LEEN asked:—

Sir, to what extent and in what manner is moral training given to students in schools so that they acquire a sense of community responsibility, self-discipline and a healthy respect for authority?

MR TOPLEY:—Sir, one broad aim of education is to prepare children to take their place in society as citizens, workers and as parents. So education must try to develop social and moral qualities in the individual. But morality is not a school subject in the same sense as mathematics. It is rather a vitally important element which should permeate the whole life of a school. Preaching, by which I mean distinguishing right from wrong and pointing to the right way has, I believe, a limited place only in the fostering of social and moral attributes in school children. The main emphasis must be placed on example and on practice.

In fact, I regard community service as the keynote of moral education in schools, and in both primary and secondary schools there is a growing involvement and interest in this approach. Most schools nowadays include in their extra curricular activities at least one which is based on community service, such as Scouts, Guides, Red Cross, St John Ambulance, road safety patrols or blood donation. Many clubs, too, are organized within individual schools to render service to the

**[MR TOPLEY] Oral answers**

disadvantaged. These activities are important because they encourage personal development and also make young people more aware of their community and of its problems.

There is of course a case for a more formal approach to social and moral education on appropriate occasions. Many primary schools have weekly assemblies in which the head teachers talk to the children on simple social and moral themes (for example, kindness, honesty, good manners, tolerance, a sense of responsibility). These themes also appear in the syllabuses both for primary and for secondary schools. A subject like social studies for instance gives many good opportunities for introducing moral and social questions and these opportunities are taken. Many schools, both primary and secondary, set aside one or two periods a week for ethical or religious education.

Naturally, there is no room for complacency and I propose to continue to encourage schools to give children every opportunity to develop moral and social attributes particularly through the organization of their own activities: this to my mind is the surest method of character formation in the young.

MR CHEONG-LEEN:—Sir, recognizing the importance of encouraging and stimulating the kind of social and moral attributes described by my honourable Friend, will the Secretary for Home Affairs, who is also the chairman of the Inter-departmental Committee on Services for Youth, expand the scope of such activities which have been described to drop-outs and young people who have not the opportunity of carrying on their secondary education?

SECRETARY FOR HOME AFFAIRS:—I think this does go rather beyond the scope of the original question, Sir, and perhaps if my honourable Friend could put the question down on a subsequent occasion, I should be glad to attempt to answer it.

MR CHEONG-LEEN:—Sir, I shall be happy to, but in the meantime will he give it some consideration?

SECRETARY FOR HOME AFFAIRS:—As soon as I get the question, Sir, I shall certainly consider it.

MR CHEONG-LEEN:—Sir, do I understand that he will not consider it until he gets the question?

SECRETARY FOR HOME AFFAIRS:—As soon as I am clear as to what the honourable Member wishes me to consider, I shall consider it.

MR CHEONG-LEEN:—Sir, I thought he did understand it.

HIS EXCELLENCY THE PRESIDENT:—I think perhaps we might pass on to the next question (*laughter*).

### Silicosis

9. MR CHEUNG asked:—

Sir, will Government state what progress has been made since the statement made in this Council on 18th December 1974 in regard to the introduction of legislation for a special compensation scheme for workers suffering from silicosis?

MR PRICE:—Sir, there is little that I can add to that which His Excellency said in this Council on 8th October this year.

The main difficulty yet to be resolved arises from the long period which usually elapses after silicosis has been contracted and before it becomes evident—and during this period of up to ten years the workman may have been engaged by a number of employers. However, I am still hopeful that, with the co-operation of the Accident Insurance Association of Hong Kong, I shall be able to resolve the main problem of how liability for the payment of workmen's compensation to silicotics can be apportioned between a number of employers.

Whatever scheme is eventually produced the amount of Government funds involved is likely to be considerable and a request for such money will have to take its place in the queue with requests for money for other highly desirable projects.

## Statement

### **Proposed action resulting from Hong Kong being designated a beneficiary of the US Generalized Scheme of Preference**

THE FINANCIAL SECRETARY:—Sir, as I have already informed you in accordance with Standing Order 20(1), I wish to make a statement on the action that this Government proposes to take to honour the undertaking given to the United States Government should Hong Kong be designated as a beneficiary of the United States Generalized Scheme of Preferences. This undertaking was conveyed to the United States Government on 1st May 1975 in the following terms:

"that the Hong Kong Government would take, before 1st January 1976 being the starting date for the Scheme, the necessary legislative steps to eliminate all tax or duty preferences in favour of developed countries."

As we have now received official confirmation that Hong Kong has been designated as a beneficiary of the scheme, the time has come to honour this undertaking.

I need only very briefly explain why we gave this undertaking in the first place, that is to say why we sought to be designated as a beneficiary of the scheme: as a matter of principle we wish to avoid being discriminated against in favour of our competitors in this region. The scheme will not provide for preferences to any country or territory in a range of goods comprising as it happens the greater part of Hong Kong's trade, including textiles, clothing, footwear, electronic products and watches. Yet some 25% of our exports to the United States, on the present pattern of trade, will qualify for preferential treatment. So, had we been left out of the scheme we would have been quite seriously discriminated against in favour of our competitors; and, in addition, the economies of our competitors would have benefited further at our expense to the extent that the preferences available under the scheme assisted in the diversification of their industrial investment. I am sure my honourable Friend, the Director of Commerce and Industry, will be able to describe the potential advantages of the scheme to Hong Kong's trade and investment, and the mechanics of the scheme, at length on some suitable later occasion should honourable Members so wish. Meanwhile, I am sure there is widespread gratification in trading and industrial circles that Hong Kong has been designated as a beneficiary and that there will be no discrimination against our exports in our largest market.

The preferences to be eliminated in order to honour our undertaking to the United States Government fall into two groups: first, the preferential exclusion of Commonwealth motor vehicles from the tax levied under the Commonwealth Preference (Motor Vehicles) Ordinance. This tax is levied at the time of first registration at 15% of the value of the vehicle as defined in section 7 of the ordinance. The second group of preferences is to be found in the Dutiable Commodities Ordinance. Imports of spirituous liquors and manufactured tobacco from Commonwealth countries, and unmanufactured tobacco from Malawi attract lower rates of duty than similar imports from other countries.

Honourable Members, Sir, will not be surprised—or I trust dismayed—to learn that the 1976 budget, now in the course of preparation, will have to contain proposals designed to raise extra revenue. These proposals will, as usual, be entirely consistent with the underlying principles of our fiscal policy clearly, I might almost say lucidly, set out in paragraph 64 read with footnote 53,\* paragraph 86 read with footnote 18,† paragraph 87‡ and paragraph 156§ of this year's budget speech and paragraphs 28-33 || and 39-40¶ of my speech winding up the budget debate. I have decided that the changes necessary to honour our undertaking to the United States Government should be coupled with several of these proposals in order to avoid disrupting the trades concerned twice within a period of a very short time and to protect the revenue against possible speculative withdrawals from the dutiable commodities bonds in the weeks preceding budget day. As such speculative withdrawals are to an extent forced upon manufacturers and importers by speculative build-up of stocks by retailers, there have been complaints that attempts by the Commerce and Industry Department to regulate withdrawals disrupt the relationships between different sectors of the liquor and tobacco trades.

Turning now, Sir, to what is actually proposed and beginning with motor vehicles: all motor vehicles of whatever origin are to pay first registration tax at the effective rates now applicable to vehicles of non-Commonwealth origin. In other words, there will be no change in the effective rates of tax on non-Commonwealth motor vehicles. In terms of legislation, this will involve repealing the Commonwealth Preference (Motor Vehicles) Ordinance and amending the Schedule to the Motor Vehicles (First Registration Tax) Ordinance. To effect the

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\* Hansard 1974-75 p. 484.

† Hansard 1974-75 p. 492.

‡ Hansard 1974-75 p. 493.

§ Hansard 1974-75 p. 513.

|| Hansard 1974-75 p. 695-6.

¶ Hansard 1974-75 p. 698-9.

[THE FINANCIAL SECRETARY] **Statement**

former, I shall be introducing a repealing bill later in this sitting and honourable Members will be asked to take it through all three readings and the committee stage today. To effect the latter, Your Excellency this morning signed the necessary Order under the Public Revenue Protection Ordinance bringing new rates of first registration tax for all motor vehicles into effect as from 6 p.m. today.

To be specific about this Order: it provides first for the bringing of all buses (other than those operated by enfranchised companies), goods vehicles, taxis and enfranchised public cars within the scope of the Motor Vehicles (First Registration Tax) Ordinance for the first time, but at a rate of tax equal to that being now paid on such vehicles of non-Commonwealth origin. Non-Commonwealth origin vehicles currently account for upwards of two thirds of the total number of such vehicles imported. Secondly, the Order provides for an increase in the rate of tax on private cars, non-enfranchised public cars, motor cycles and tricycles, which are already charged First Registration Tax, by the amount non-Commonwealth origin vehicles are paying under the ordinance to be repealed. Non-Commonwealth origin vehicles currently account for upwards of four fifths of the total number of such vehicles imported.

Thus the new Schedule to the Motor Vehicles (First Registration Tax) Ordinance will provide for tax to be levied on an *ad valorem* basis as follows:

Enfranchised public buses	Nil (as now)
All other buses	15% (compared with 15% on non-Commonwealth vehicles only now)
Goods vehicles	15% (compared with 15% on non-Commonwealth vehicles only now)
Taxis and enfranchised public cars	15% (compared with 15% on non-Commonwealth vehicles only now)
Non-enfranchised public cars	30% (compared with 15% on Commonwealth vehicles and 30% on non-Commonwealth vehicles now)
Private cars	30% (compared with 15% on Commonwealth vehicles and 30% on non-Commonwealth vehicles now)
Motor cycles and tricycles	30% (compared with 15% on Commonwealth vehicles and 30% on non-Commonwealth vehicles now)

As I said earlier, Sir, imports of spirituous liquors and manufactured tobacco from Commonwealth countries and imports of unmanufactured tobacco from Malawi attract lower rates of duty than similar imports from other countries. As this preference accorded to Malawi is a relic of the Kennedy Round of Multilateral Tariff Negotiations, I propose to maintain the absolute margin of preference in respect of unmanufactured tobacco from Malawi for the time being. But, as regards imports of spirituous liquors and manufactured tobacco from Commonwealth countries, I propose to eliminate the preference margins by raising the rates to the level of the rates applicable to imports from non-Commonwealth countries. However, as the revenue implications of doing this are small, I propose, in addition, to raise the general rates on most products to levels which will yield part of the extra revenue needed in 1976-77. The new rates may slightly discourage sales, but I am quite confident that there will be no question of anything like diminishing returns and, as I shall show later, the effect on the Consumer Price Index will be quite minimal.

The new rates of duty are set out in an Order made under the Public Revenue Protection Ordinance and signed by Your Excellency this morning. They came into effect at 3 p.m. today. To be specific: as regards spirituous liquors, the rates applicable to beer, non-European type wines, Chinese type spirits and industrial type liquors produced in Hong Kong have been increased by the same absolute amounts as the rates applicable to imports in order to preserve the same absolute preference margins. I considered eliminating these margins also, but we have no international obligation to do so under the GATT and I do not wish to run any risk of disrupting long established trading patterns. However, I have eliminated what I consider to be quite anachronistic preference margins for brandy and other European type spirits of Hong Kong origin because these are not, in fact, produced locally and I do not think a preference margin should exist artificially to encourage new production, particularly if the possibility of its introduction is remote and if the product, anyway, is unlikely to be competitive with spirits of a roughly similar quality from, say, Macao or China.

The new (general) rate of duty on non-Commonwealth brandy is an increase of 19.4% to \$123 per gallon. The elimination of the Commonwealth preference rate affects 94% of imports of all other European type spirits, such as whisky and gin, and results in an effective duty increase of 9.1%. As the incidence of duty per standard bottle is already appreciably higher than on all other spirituous liquors I do not propose to go further than this with this group.

[THE FINANCIAL SECRETARY] **Statement**

The new (general) rate of duty on wines is an increase of about 18% to \$71 per gallon for champagne and sparkling wines, and to \$39 per gallon for still wines above 15% of alcohol by volume and to \$32.50 for still wines with not more than 15% of alcohol by volume.

The new rate applicable to imported beers is \$3.40 per gallon, an increase of 9.7%. To preserve the same absolute margin of preference beer of Hong Kong origin will be charged at \$2.70 per gallon.

The new rate applicable to imported non-European type wines is \$19.50 per gallon, an increase of 18.2% (which is consistent with the increase for European type wines). To preserve the same absolute margin of preference, non-European type wines of Hong Kong origin will be charged at \$17.50 a gallon.

The new rate applicable to imported Chinese type spirits is \$9.90 per gallon, an increase of 9.4% (which is in line with the increase for European type spirits).

Finally, Sir, the new rate for imported ethyl alcohol, \$9.90 per gallon, is the same as for Chinese type spirits. Ethyl alcohol is used for industrial and medical purposes on a limited scale but, as it can be used in the manufacture of Chinese type spirits, the rate must be kept in line with that applicable to Chinese type spirits. To preserve the same absolute margin of preference, ethyl alcohol of Hong Kong origin will be charged at \$8.75 per gallon.

As the way I have described my proposals so far is more intelligible to the trade than to we drinkers (*laughter*), I shall now give some examples of the new rates in terms of duty paid per bottle (rounding off very slightly for simplicity's sake):

Brandy	\$19	(compared with about \$16 at present)
Other European type spirits	\$16	(compared with about \$14.60 at present)
Champagne and sparkling wines	\$12	(compared with \$10.20 at present)
Still wines above 15%	\$ 6	(compared with just over \$5 at present)
Still wines below 15%	\$ 5	(compared with about \$4.25 at present)
Beer, imported, small bottle	25¢	(compared with 23¢ at present)
Beer, local, small bottle	20¢	(compared with 17½¢ at present)
Chinese type spirits, imported	\$1.65	(compared with about \$1.50 at present)

To be specific now, Sir, as regards tobacco: the new (general) rates of duty on manufactured tobacco have been increased by about 15% to \$19.80 per pound for cigars, to \$18.50 per pound for cigarettes and to \$3.70 per pound for Chinese prepared tobacco. The absolute increase of \$2.40 per pound in the duty on cigarettes has been applied to the old rate for unmanufactured tobacco (other than imports from Malawi) to produce a new rate of \$14.90 per pound for unmanufactured tobacco. The new rate of duty paid per packet of twenty imported cigarettes will be between 75 cents and 85 cents.

The effect of these increases in duties on the cost of living may be considered in two ways: first, in terms of prices of particular products in the shops. This will depend on the extent to which the increases are absorbed within the profit margins of importers and manufacturers, on the one hand, and retailers, on the other, as opposed to being passed on to consumers. Given the wide range of sizes of bottles, containers and packets I can only give indicative examples of the increases in duty on various types of liquor and tobacco: on a standard bottle of (non-Commonwealth) brandy—French brandy—on a standard bottle of (non-Commonwealth) brandy, \$3.00; and on a standard bottle of (Commonwealth) whisky—Scotch whisky—\$1.35. The increase on a small bottle of beer is only 2 cents and on a large bottle 4 cents. On a packet of twenty cigarettes, the duty increase is rather more or rather less than 10 cents, depending on weight and, to an insignificant extent, on origin.

Secondly, there is the effect of these increases in duty on the overall cost of living as measured by the Consumer Price Index: I am advised that the effect will not exceed 0.1% (and this figure includes a tiny element for the increase in the rate of first registration tax on vehicles).

I have, Sir, endeavoured to explain and describe the action the Government is taking today. Justification in terms of budgetary and fiscal policy in 1976-77 must await the budget speech due to be delivered on 25th February next. However, I should indicate to honourable Members the revenue implications of this action: the removal of the preferential exclusion of Commonwealth motor vehicles from Commonwealth Preference Tax should yield about \$9 million in a full year assuming no deterrent effect and the revenue should benefit by about \$3 million this financial year.

The various adjustments to the rates of duty levied under the Dutiable Commodities Ordinance should yield \$55 million in a full year: \$20 million from spirituous liquors and \$35 million from

[THE FINANCIAL SECRETARY] **Statement**

tobacco. Because, in total, imports from non-Commonwealth countries are predominant, only about \$4.5 million of this total figure of \$55 million may be attributed to the elimination of the margins of preference presently enjoyed by imports from Commonwealth countries. In the remaining four months of this financial year the revenue should benefit by about \$20 million after allowing for the fact that these months cover two festive seasons which, I trust, honourable Members will still enjoy (*laughter*). Perhaps they will let me know whether they have or haven't on 24th and 25th March next when they will be speaking on the second reading of the 1976 Appropriation Bill and, particularly, on 25th March when I shall be moving the necessary motions to give permanent effect to the Revenue Protection Orders before their validity expires in four months from today.

**Government business**

**Motion**

**INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

SECRETARY FOR HOME AFFAIRS moved the following motion:—

That—

the functions exercisable by the Secretary for Home Affairs by virtue of the Chinese Permanent Cemeteries Ordinance be transferred to the Director of Home Affairs; and

the Chinese Permanent Cemeteries Ordinance be amended by deleting "Secretary for Home Affairs" where it occurs in section 2 and section 3(2)(a)(i) and (3), and substituting the following—

"Director of Home Affairs".

He said:—Sir, I rise to move the resolution standing in my name on the Order Paper which is about the transfer of the statutory functions vested in me as Chairman of the Board of Management of the Chinese Cemeteries under the Chinese Permanent Cemeteries Ordinance to the Director of Home Affairs, and is also about amending the ordinance accordingly.

Although the Secretary for Home Affairs is the Chairman of the Board of Management under the ordinance, the duties of this office

have been discharged by the Director of Home Affairs since the post of Secretary for Home Affairs was transferred to the Colonial Secretariat. All Government staff concerned are in the Home Affairs Department and it is reasonable that the head of that department should take over Chairmanship of the Board. The proposal is to regularize the situation by making the Director of Home Affairs, as the head of the Home Affairs Department, the Chairman of the Board, as was originally intended when the legislation was enacted.

*Question put and agreed to.*

### **Motion (in Committee)**

#### **Supplementary provision for the quarter ended 30th June 1975**

Council went into Committee, pursuant to Standing Order 58(2), to consider the motion standing in the name of the FINANCIAL SECRETARY.

THE FINANCIAL SECRETARY moved the following motion:—

That this Council approves the proposals set out in Paper No 17.

He said:—Sir, the schedule of supplementary provision for the first quarter of the financial year 1975-76, covers a total amount of \$63.3 million. Of this sum, Public Works Non-Recurrent accounts for \$48.8 million, \$48.6 million of which was required as a result of more rapid progress on a number of existing projects and for a project recently upgraded to Category A of the Public Works Programme. Other items worth mentioning include \$2.5 million for expenses of detained Vietnamese and \$2.4 million as a grant to the Emergency Relief Fund.

The supplementary provision covered by the schedule will not result in a net increase of expenditure for the year as offsetting savings have been found under other subheads of expenditure, or by freezing of funds under Head 52 Miscellaneous Services Subhead 100 Additional commitments.

The Finance Committee has approved all items, Sir, in the schedule and the purpose of this motion is simply to seek the covering authority of this Council.

*Question put and agreed to.*

Council then resumed.

**Motion (in Committee)**

THE FINANCIAL SECRETARY reported that the motion had been agreed to in committee without amendment.

*Question agreed by the whole Council pursuant to Standing Order 58(4).*

**First reading of bills**

**TRUSTEE (AMENDMENT AND VALIDATION) BILL 1975**

**MERCHANT SHIPPING (RECRUITING OF SEAMEN) AMENDMENT) (NO 2)  
BILL 1975**

**CHEERO CLUB INCORPORATION (REPEAL) BILL 1975**

**COMMONWEALTH PREFERENCE (MOTOR VEHICLES) (REPEAL) BILL 1975**

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

**Second reading of bills**

**TRUSTEE (AMENDMENT AND VALIDATION) BILL 1975**

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to amend the Trustee Ordinance and to validate certain alterations of the memoranda of association of trust companies."

He said:—Sir, I move the second reading of the Trustee (Amendment and Validation) Bill 1975 which seeks to amend section 77 of the Trustee Ordinance in order to deal with an anomaly arising from the amendments to section 77 which were introduced on 1st July this year.

Prior to the amendment, it was a requirement of trust companies that at least one half of the share capital should remain unpaid and not be liable to be called up except in the event of winding up or dissolution. This requirement was written into their Memoranda of Association. The amendments to section 77 which were introduced on 1st July provided for a larger paid up capital for trust companies, and removed the requirement for half the share capital to remain unpaid. Consequently trust companies need to alter their Memoranda of Association in order to comply with the law. Such alterations are, however, contrary to section 7 of the Companies Ordinance and there is no

express provision in the Trustee Ordinance or the Companies Ordinance or any where else to permit a company to make an alteration of the kind now required.

Clause 2(b) of the bill before honourable Members, therefore, amends section 77 of the Trustee Ordinance by adding a new subsection (5) to permit a company to alter its Memoranda of Association notwithstanding section 7 of the Companies Ordinance, while clause 2(a) amends section 77(4) by extending from six months to nine months the period in which a trust company registered before 1st July 1975 must comply with the new requirements for registration.

As some trust companies have already amended their Memoranda of Association in order to comply with section 77(2), clause 3 of the bill validates such action to the extent that it enables a company to comply with the necessary requirements for registration under the Trustee Ordinance.

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

*Question put and agreed to.*

#### **MERCHANT SHIPPING (RECRUITING OF SEAMEN) (AMENDMENT) (NO 2) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the Merchant Shipping (Recruiting of Seamen) Ordinance."

He said:—Sir, I move the second reading of the Merchant Shipping (Recruiting of Seamen) (Amendment) (No 2) Bill 1975 and that the debate on the motion be adjourned.

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

*Question put and agreed to.*

#### **CHEERO CLUB INCORPORATION (REPEAL) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to repeal the Cheero Club Incorporation Ordinance."

[THE ATTORNEY GENERAL] **Cheero Club Incorporation (Repeal) Bill—second reading**

He said:—Sir, I move the second reading of the Cheero Club Incorporation (Repeal) Bill 1975 and that the debate on the motion be adjourned.

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

*Question put and agreed to.*

**COMMONWEALTH PREFERENCE (MOTOR VEHICLES)  
(REPEAL) BILL 1975**

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to repeal the Commonwealth Preference (Motor Vehicles) Ordinance."

He said:—Sir, in my statement earlier this afternoon, I informed honourable Members why repeal of the Commonwealth Preference (Motor Vehicles) Ordinance is now necessary and they have had ample time to consider the draft bill before them. (*laughter*).

I need make only three further points to my earlier speech: two concern procedure and one concerns administrative arrangements. The first point is that, to protect the revenue, Your Excellency directed under Standing Order 40 that the bill should not be published in the *Gazette* before the first reading. The second is that, to protect the revenue from speculation, it will be necessary to take the committee stage and the third reading at this sitting of Council. The third point is that if any amounts paid under the old ordinance become eligible for refund, by virtue of clause 3 of this bill, the Commissioner for Transport will still be able to effect the necessary repayments.

MR CHEUNG:—I congratulate the honourable Member on his success in repealing the tax and at the same time adding to our general revenue.

*Question put and agreed to.*

Bill read the second time.

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

**COMPANIES (AMENDMENT) (NO 4) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**POST OFFICE (AMENDMENT) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**RATING (AMENDMENT) (NO 2) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**SUPPLEMENTARY APPROPRIATION (1974-75) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

## **DEPOSIT-TAKING COMPANIES BILL 1975**

### **Resumption of debate on second reading (5th November 1975)**

*Question proposed.*

MR LEE:—Your Excellency: members of the Council may be interested to know that the bill before them was initially entitled the "Protection of Depositors Bill". It was a much simpler bill prescribing that companies other than licensed banks might only take deposits from the public for not less than a certain amount of money and for not shorter than a prescribed period of maturity. It was designed to protect by exclusion only those small depositors from parting with their money foolishly either for reasons of ignorance or greed; and it did not contain some of the limitations and restrictions that the bill now contains. The original idea was to leave the more well-to-do to deposit their money with whoever they thought to be in their best interest.

In the event, it was finally thought, as rightly it should be, that the business of deposit-taking, whether for big or small amounts, should be regulated by law within common sense and reason.

As Members must have gathered from its provisions, the bill aims to achieve not only the original intention of protecting the small depositors by specifying a minimum amount which deposit-taking companies may take on deposit, but also seeks to give some protection to the larger depositors by providing certain restrictions on the operation of these companies. Many onerous restrictions now applicable to the banks are not applicable to the deposit-taking companies since they are not entitled to use the description of "bank" with its attendant advantages. However, one such restriction on the operations of banks now proposed to be similarly applicable to the deposit-taking companies is provided in clause 22(1) of the bill. It limits the maximum advance to any one borrower to twenty five *per cent* of the paid up capital and reserves of the deposit-taking company so as to avoid the undue concentration of a company's assets with any one borrower. This limitation is clearly desirable because it is an important provision necessary

to protect the depositors, although it does cause some inconvenience to certain large international financial and similar institutions. However, this can be mitigated by proviso (b) to clause 22(1) which provides that transactions covered by a form of guarantee acceptable to the Commissioner of Banking may exceed the 25% limit.

During the past several years, there are established quite a number of finance companies. Some of them are wholly or multi-nationally owned by institutions of international repute and with substantial strength. They can lend to any one person without being restricted by the limits of their local paid-up capital and reserves which are usually not large because they can, in case of need, rely on the support of their holding companies. Some of them are thus contributing usefully to the financial activities of Hong Kong. But with the passing of the bill, their free lending activities will undoubtedly be somewhat affected.

It would be useful, therefore, that Government should give an explanation generally on what form of guarantee and the criteria under which they may be acceptable for this purpose under proviso (b) to clause 22(1). I understand that the honourable Financial Secretary and the Banking Commissioner have had occasions to discuss this point with some of the companies concerned but a public statement in this Council will serve to clarify the situation for the information of all other such companies.

With these remarks, Sir, I support the motion.

MR F. W. LI:—Your Excellency, speaking in this Council on 14th November 1973 about the need to regulate finance companies and other deposit-taking institutions, I said and, with Your Excellency's indulgence, I quote "I sincerely hope that the time will soon come when Government will see fit to make a decision on some legislation in the interest of the public at large". Exactly four months later, when speaking on the Appropriation Bill 1974/75, my plea was reiterated by my honourable Friend Mr G. M. SAYER. Witness at long last to our pleas is the Deposit-taking Companies Bill now before this Council.

I fully appreciate the difficulties encountered by my honourable Friend the Financial Secretary in his "associated consultations" on this bill. As one of those involved in these consultations, I can assure honourable Members that they were highly complicated and time-consuming, involving protracted and detailed deliberations on various controversial issues, some of which required compromise before reaching agreement.

[Mr F. W. LI] **Deposit-taking Companies Bill—resumption of debate on second reading (5.11.75)**

The primary object of this bill is to protect the small depositor and for this reason alone it is to be welcomed. However, there is one point which appears to have been overlooked by the law draftsman, namely, the lack of any specific provision restricting the opening of branches by a deposit-taking company. Under the Banking Ordinance, on the other hand, licensed banks are required to obtain approval from the Commissioner of Banking and to pay an annual fee to Government before they can establish any branches.

Whilst there is at present no suggestion that registered deposit-taking companies would open branches, I feel strongly that this loophole must be plugged now. The omission of specific provision in this respect could well lead to a proliferation of branch offices of registered deposit-taking companies throughout Hong Kong, Kowloon and the New Territories which would become unmanageable. We must not allow this to happen.

I therefore submit that, at this juncture, only one-office operation be allowed for registered deposit-taking companies, and no branches should be permitted. After Government has more information on the scale of their activities, and should circumstances warrant the necessity for the opening of branches, the same procedure as applied to licensed banks may then be considered.

Sir, subject to agreement on this particular point, I support the motion.

THE FINANCIAL SECRETARY:—Sir, my honourable Friend Mr Q. W. LEE has asked that the Government should explain how proviso (b) to clause 22(1) will operate. I am sure, at least I hope, he will understand that it is difficult to be too specific. If I were to say for example the Commissioner will accept the guarantee of a bank of high repute, I would lay both him and myself open to argument, and perhaps some banks to embarrassment, in cases where he subsequently found a particular form of guarantee unacceptable. I think that I can give a firm indication only in the case of a guarantee by no less than the Hong Kong Government itself that such a guarantee will be acceptable in all cases. Otherwise, what is acceptable will depend I am afraid on the circumstances of the deposit-taking company and of the giver of the guarantee, and will depend on the form of the guarantee as well.

I quite understand the concern about this point, and I can say that the Commissioner's use of the discretionary powers given him will be within the guidelines of a policy agreed between the two of us, and will not be subject to his arbitrary whim—not, I am quite sure, that he would so behave.

I am afraid, Sir, and with respect at this time, I must disagree with Mr LEE's description of the bill as seeking to give some protection to larger depositors as well as small depositors. I hope that there will be such an effect, but I do not accept most emphatically that we are actually seeking it. This may seem to be a pedantic quibble; but I do not want the wealthy depositors of large amounts of money to be under any misapprehension, or to believe that their money is somehow under Government protection. Inasmuch as the bill sets some standards for companies taking large deposits, it does so in order to safeguard the financial sector as a whole. However, the requirement that registered companies should make their accounts available will help large depositors to make their own judgment of the companies' safety.

Now, Sir, my honourable Friend Mr LI Fook-wo wants a provision to restrict the opening of branches by registered deposit-taking companies. I understood his argument which he put very clearly but I am afraid I cannot go along with it at this time. He draws an analogy with the Banking Ordinance which is, I think with all respect, just a little mistaken. Although I was not in the Secretariat at the time, I do know that the unrestrained expansion of the banks' branch networks, as a method of competing for a bigger share of the Hong Kong dollar deposit base, was a factor in the banking industry's difficulties of the mid 1960s. But it does not seem likely to me that companies forbidden to take deposits smaller than \$50,000 will see much future in establishing a branch network. If, nevertheless, they want to have more than one office, say two or even three, why should I stop them? What harm precisely would be done? I agree that the need for permission would allow us to collect a fee for each branch, but I think it will happen so rarely that it will not be worth the trouble. In the case of licensed banks, of course, a part of the justification for charging the branch fee is that costs are incurred in the inspection of the branches by the Commissioner of Banking. That will not happen with registered deposit-taking companies. So I would much prefer to make no provision at present for the opening of branches by registered deposit-taking companies to require permission. But, I undertake, Sir, to look at the question again when the legislation has been in force for a short while say, within the next year. Indeed, we shall certainly want

[THE FINANCIAL SECRETARY] **Deposit-taking Companies Bill—resumption of debate on second reading (5.11.75)**

to make an overall assessment of the effects of the ordinance generally about then, anyway.

Sir, I shall be proposing a small number of amendments to the bill at the committee stage. I have not been able to give notice of all of them; and those of which I have given notice will be changed slightly when I move them anyway. I do not want to rush the bill through—that is not our habit—(*laughter*) so, in order to give honourable Members more time to consider the amendments, I suggest that we adjourn this debate and proceed with the committee stage and third reading on the 7th January.

The amendments I presently have in mind are as follows. First, I shall propose the addition of one more sub-paragraph within clause 3(1) to remove from the ambit of the bill the taking of deposits within a group of companies. In moving the second reading, I said that such deposit-taking would clearly not constitute the carrying on of a business of accepting deposits. However, it has been represented that the bill itself should make this clear.

Secondly, I shall propose that sub-paragraph (*e*) in clause 3(2) be deleted. This sub-paragraph was a vestige of an earlier draft of the bill before the emphasis was placed as it was in the later days on the carrying on of a business. We had unfortunately failed to appreciate that it would have the effect of excusing from registration those companies taking deposits in the international markets, which was not our intention.

Finally, I shall propose, Sir, that, in clause 10(2)(*b*), the words after "an equivalent amount" shall be replaced by the words "in any other currency". This is to provide for the possibility of a locally-incorporated company having its capital expressed in a foreign currency.

*Question put and agreed to.*

Bill read the second time.

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

**BANKING (AMENDMENT) (NO 2) BILL 1975****Resumption of debate on second reading (5th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**ARBITRATION (AMENDMENT) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**LANDLORD AND TENANT (CONSOLIDATION)  
(AMENDMENT) (NO 4) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

### **EMPLOYMENT (AMENDMENT) (NO 2) BILL 1975**

#### **Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

#### **Committee stage of bills**

Council went into Committee.

### **COMPANIES (AMENDMENT) (NO 4) BILL 1975**

Clauses 1 to 5 were agreed to.

### **POST OFFICE (AMENDMENT) BILL 1975**

Clauses 1 and 2 were agreed to.

### **RATING (AMENDMENT) (NO 2) BILL 1975**

Clauses 1 to 4 were agreed to.

### **COMMONWEALTH PREFERENCE (MOTOR VEHICLES) (REPEAL) BILL 1975**

Clauses 1 to 3 were agreed to.

**BANKING (AMENDMENT) (NO 2) BILL 1975**

Clauses 1 to 3 were agreed to.

Clause 4

THE FINANCIAL SECRETARY:—Sir, I move that clause 4 be amended as set out in the paper before honourable Members.

*Proposed amendment*

Clause

- 4 That clause 4 be amended in new subsection (4) in paragraph (c) by deleting "as the Commissioner may specify during the month" and substituting the following—

"during the month as the Commissioner may specify".

The amendment was agreed to.

Clause 4, as amended, was agreed to.

Clauses 5 to 8 were agreed to.

**ARBITRATION (AMENDMENT) BILL 1975**

Clauses 1 to 9 were agreed to.

**UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1975**

Clauses 1 to 4 were agreed to.

**EMPLOYMENT (AMENDMENT) (NO 2) BILL 1975**

Clauses 1 and 2 were agreed to.

Council then resumed.

### Third reading of bills

THE ATTORNEY GENERAL reported that the  
Companies (Amendment) (No 4) Bill  
Post Office (Amendment) Bill  
Rating (Amendment) (No 2) Bill  
Commonwealth Preference (Motor vehicles) (Repeal) Bill  
Arbitration (Amendment) Bill  
University of Hong Kong (Amendment) Bill and the  
Employment (Amendment) (No 2) Bill

Had passed through Committee without amendment and that the Banking (Amendment) (No 2) Bill

Had passed through Committee with amendment; and that the Supplementary Appropriation (1974-75) Bill

having been read the second time was not subject to Committee Stage proceedings, in accordance with Standing Order No 59. He then moved the third reading of each of the nine bills.

*Question put on each bill and agreed to.*

Bills read the third time and passed.

### Unofficial Member's motion

#### INDUSTRIAL TRAINING (CLOTHING INDUSTRY) ORDINANCE 1975

MR TIEN moved the following motion:—

Pursuant to section 22 of the Industrial Training (Clothing Industry) Ordinance 1975, that the rate of levy be 0.03 *per cent* of the FOB value of the clothing items exported.

He said:—Sir, I rise to move the motion under my name. Honourable Friends may recall that the Industrial Training (Clothing Industry) Ordinance 1975 was brought into operation on 5th September 1975, and the Clothing Industry Training Authority was appointed on the same date.

Under section 5(d) of the ordinance, the Authority is required to recommend for the approval of this Council the rate of levy to be

imposed on all exporters of clothing items manufactured in Hong Kong.

After examination by the Training Authority and its standing committees, the Authority has concluded that a rate of levy of 0.03% of the FOB value of clothing items exported in the calendar year 1976 would be necessary to meet the Authority's estimated expenditure for the same period.

According to the Census and Statistics Department the total FOB value of clothing items exported in 1974 was \$8,752 million. Based on this figure, levying at the rate of 0.03% will therefore yield a sum of about \$2.6 million. After paying the Commerce and Industry Department the cost of collecting the levy on the Authority's behalf, the actual income from the levy will be about \$2.4 million.

In the same calendar year, the Authority's total expenditure has been estimated at \$4.65 million. Of this, capital expenditure accounts for about \$4.15 million. Recurrent expenditure by way of remunerating and temporarily accommodating in rented premises the key staff who are urgently needed to service the Authority and to assist in planning the training centre and setting up the accounting machinery accounts for another \$0.35 million. I will come back to the remaining \$0.15 million in a moment.

In view of the urgent need to get training started the training centre is scheduled for completion in January 1977.

As members know the Training Authority has successfully applied for a loan of \$4 million from the Development Loan Fund. The Authority has now decided that the loan will only be used to cover the difference between income from the levy and expenditure and will be drawn upon only when income lags behind capital payment demands. The unaccounted for \$0.15 million mentioned earlier is in fact the estimated interest payment to Government on that part of the loan which the Authority may have to use for the above purpose. It is hoped that by the end of 1967 the Authority will be in a position to inform Government that a part of the loan will no longer be required.

By so doing, not only will the interest payment be kept to a minimum, but will also enable the Authority to be solvent and self-supporting and Government to release the committed loan for some other purpose at the earliest possible date.

Sir, I now beg to move that in pursuance of section 22 of the Industrial Training (Clothing Industry) Ordinance 1975, a levy rate of

**[MR TIEN] Unofficial Member's motion**

0.03% on the FOB value of clothing items be imposed on exporters of clothing items manufactured in Hong Kong. Under section 22(3) of the ordinance the levy will come into effect 30 days after the publication of the resolution in the *Gazette*.

*Question put and agreed to.*

**Unofficial Member's bill****Second reading of bill****THE HONG KONG INSTITUTION OF ENGINEERS BILL 1975****Resumption of debate on second reading (19th November 1975)**

*Question proposed.*

MR JAMES WU:—Your Excellency, the engineer has been defined as one who makes economic use of nature's resources for the utilization of mankind.

Engineers come under three main groups which have increasingly large fields of specialization as developing technology and sophistication dictate. Basically, without the civil engineer, there will be no super-highways, skyscrapers, harbours and airports, hydraulic dams, reservoirs or canals. The electrical (and electronics) engineers create and control that wizard medium of power and communications, that is electricity, which apart from providing the motive force for machines and vehicles and energy for illuminations and control of the environment, is increasingly being applied to help memory and decision-making, cybernetics and command in earthly matters or space exploration far beyond the capability of the human mind. Lastly and by no means less important, is the mechanical engineer who initiates the energy and mineral conversion, designs and mass produces the vehicles, machines and appliances, and in general supplies the implements and tools (be they earth moving bulldozers or electronics miniaturization) for the other engineers or scientists to accomplish their aims for better utility, higher productivity and hence rising standards of living for mankind.

Such are the noble tasks of engineers that have captured the aspiration of many young people with a purpose, and taken the life-time efforts of many with devotion. Nations which through tradition

or misrule had neglected the promotion and recognition of such a profession did so at their own peril. History of the last two centuries bore testimony to this effect, which would become even more obvious in today's world of rapidly advancing science and technology. Hong Kong could be no exception. We have, in the past, relied on foreign experts, consultants and specialists in designing our major civil engineering projects or starting new industries, but the needs for more trained and competent supporting engineers have indeed been painfully felt as Hong Kong develops into an industrial centre from an entrepot which hithertofore had served mainly the mercantile purpose.

Until these sorely needed engineers are in adequate supply, interim pitfalls, albeit temporarily, will continue. For a long time people with overseas training and qualifications, especially those by a UK institution, have commanded high positions and remuneration, especially in Government and institutional employment. Because there are very limited local places recognized for practical training and irrelevant but required subjects have to be examined in English, the output of "qualified" engineers has been very limited. This of course does not really mean that besides the "chartered engineers" Hong Kong has no competent engineers. Particularly in private industries there are many engineers who had come from Chinese or non-Commonwealth universities and who had proven their ability in performance. Indeed, the contribution by these people in the manufacturing industries is probably greater by the fact that, for the lack of an officially recognized qualification, they try harder; and as engineering is a continuing education particularly in the practical field, they could have learned more in the process.

It seems therefore logical that in the Hong Kong context we must not perpetrate what the British called a class of "meritocracy", for by denying opportunity to those who have the education and training but not in particular institutions, we could be denying access to contribution and performance to a large number of people of superior ability, intelligence and capability to achieve. The Engineering Society of Hong Kong is to be congratulated for its foresight and wisdom to initiate the incorporation of the Hong Kong Institution of Engineers whereby it undertakes to play a key role in the training, qualification and maintenance of professional standards and integrity of engineers.

Hong Kong in the past few years has made a big step forward in engineering education through expansion of its universities and the Polytechnic. For postgraduate practical experience, our many huge civil engineering projects and modern factories provide very good

[MR JAMES WU]      **The Hong Kong Institution of Engineers Bill—resumption of  
debate on second reading (19.11.75)**

training ground even by international standards. The Society's move is therefore particularly timely, and by tailoring to the needs of Hong Kong without following the difficult yet irrelevant requirements of the UK Institutions, it will eliminate a lot of frustrations of those who pursue one of the most worthwhile professions. Having read the Constitution of the Institution, I can recommend it to this Council, and I have much pleasure in supporting the bill.

DR CHUNG:—Sir, I am grateful for my honourable Friend's support of this bill.

*Question put and agreed to.*

Bill read the second time.

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

**Committee stage of bill**

Council went into Committee.

**THE HONG KONG INSTITUTION OF ENGINEERS BILL 1975**

Clauses 1 to 12 were agreed to.

Council then resumed.

**Third reading of bill**

DR CHUNG reported that the Hong Kong Institution of Engineers Bill had passed through Committee without amendment and moved the third reading of the bill.

*Question put and agreed to.*

Bill read the third time and passed.

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**Adjournment and next sitting**

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 17th of December.

*Adjourned accordingly at four o'clock.*

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