

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 30th March 1977

The Council met at half past two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, GBE, KCMG, KCVO
THE HONOURABLE THE CHIEF SECRETARY
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 (*Acting*)
MR GARTH CECIL THORNTON, QC
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, CMG, CVO, JP
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, CMG, MBE, JP
DIRECTOR FOR 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, CMG, JP
DIRECTOR OF EDUCATION
THE HONOURABLE IAN ROBERT PRICE, CBE, TD, JP
COMMISSIONER FOR LABOUR
THE HONOURABLE DAVID GREGORY JEAFFRESON, JP
SECRETARY FOR ECONOMIC SERVICES
THE HONOURABLE ALAN JAMES SCOTT, JP
SECRETARY FOR THE CIVIL SERVICE
THE HONOURABLE EDWARD HEWITT NICHOLS, OBE, JP
DIRECTOR OF AGRICULTURE AND FISHERIES
THE HONOURABLE THOMAS LEE CHUN-YON, JP
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE DEREK JOHN CLAREMONT JONES, JP
SECRETARY FOR THE ENVIRONMENT
DR THE HONOURABLE THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE DAVID RAYMOND BOY, JP
SOLICITOR GENERAL (*Acting*)
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP
THE HONOURABLE LEE QUO-WEI, CBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, 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, OBE, JP
 DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP
 THE HONOURABLE MRS KWAN KO SIU-WAH, OBE, JP
 THE HONOURABLE LO TAK-SHING, OBE, JP
 THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP
 THE REV THE HONOURABLE JOYCE MARY BENNETT, JP
 THE HONOURABLE CHEN SHOU-LUM, JP
 THE HONOURABLE MISS LYDIA DUNN, JP
 DR THE HONOURABLE HENRY HU HUNG-LICK, OBE, JP
 THE HONOURABLE LEUNG TAT-SHING, JP
 THE REV THE HONOURABLE PATRICK TERENCE MCGOVERN, SJ, JP
 THE HONOURABLE PETER C. WONG, JP
 THE HONOURABLE WONG LAM, JP

ABSENT

THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
 MRS LOLLY TSE CHIU YUEN-CHU

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Evidence Ordinance.	
Evidence (Authorized Persons) (No 3) Order 1977.....	53
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Legal Practitioners Ordinance.	
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<i>Subject</i>	<i>LN No</i>
Public Health and Urban Services Ordinance. Pleasure Grounds (Amendment) By-laws 1977.....	56
Public Health and Urban Services Ordinance. Hawker (Permitted Place) Declaration No 5/1977	57
Road Traffic (Parking and Waiting) Regulations. Temporary revocation of designation parking deck.....	58
Summary Offences Ordinance. Summary Offences Ordinance (Exemption from Section 13) Order 1977.....	60
Metrication Ordinance 1976. Metrication Amendments (Child Care Centres Regulations 1976) Order 1977.....	61
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Metrication Ordinance 1976. Metrication Amendments (Places of Public Entertainment Regulations) Order 1977	63
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Sessional Paper 1976-77:	
No 45—Mass Transit Railway Corporation Annual Report 1976 (published on 30.3.77).	

Oral answers to questions

Death of Mrs PONG CHEUNG Shing-ha

1. MR T. S. LO asked: —

Sir, is the Government yet in a position to make a statement about the death of Mrs PONG CHEUNG Shing-ha which occurred in the Queen Mary Hospital in July 1976?

THE ATTORNEY GENERAL: —Sir, since Mr LO first asked a question about this matter, the Attorney General has required, under section 8 of the Coroners Ordinance, that an inquest be held into the cause of and the circumstances connected with Mrs PONG's death. There is nothing further that I can properly say just now.

Government business**Motions****FACTORIES AND INDUSTRIAL UNDERTAKINGS ORDINANCE**

THE COMMISSIONER FOR LABOUR moved the following motion: —

That the Factories and Industrial Undertakings (Cartridge-Operated Fixing Tool) Regulations 1977, made by the Commissioner for Labour on the 8th March 1977, be approved.

He said: —Sir, I move the motion standing in my name on the Order Paper for the approval of the Factories and Industrial Undertakings (Cartridge-operated Fixing Tools) Regulations 1977. These regulations were made by me on 8th March 1977 and have been submitted to Your Excellency in accordance with the provisions of section 7(3) of the principal ordinance.

Cartridge-operated fixing tools are widely used as an easy method of fastening attachments to walls and ceilings, and provide a simple and inexpensive alternative to drilling. They are mainly used in the building construction industry and in the installation of air conditioners and electrical fixtures.

Until 1965 the import, sale, possession, storage and use of these tools, and their cartridges, were controlled by the Commissioner of Police under the Arms and Ammunition Ordinance, Cap 238. However, this control was discontinued sometime in 1965, because it was accepted that the tools could not be converted or adapted into lethal weapons and the cartridges were industrial tools rather than ammunition within the meaning of the Arms and Ammunition Ordinance.

Since 1973 there have been 41 reported accidents, including 4 fatal ones, arising from the use of cartridge operated fixing tools. These accidents occurred mainly because the operators had not been properly trained and therefore did not appreciate the possible hazards arising from the incorrect use of this type of tool. So, it was decided to draft a set of regulations under the Factories and Industrial Undertakings Ordinance to control their use. The Commissioner of Police, when consulted, offered no objection to the proposal. He will in the near future take necessary action to exempt these tools and their cartridges from the Arms and Ammunition Ordinance.

The main provisions of the regulations include the following—

- (i) only tools approved by the Commissioner for Labour and specified in the Schedule to the regulations may be used in an industrial undertaking;
- (ii) an operator of a tool must not be under 18 years old, must hold a certificate of competency in a form approved by the Commissioner for Labour, and must not use a tool when he discovers a fault or defect but must report it to the person employing him;
- (iii) only cartridges which meet the manufacturers' specifications may be used with a particular tool;
- (iv) a suitable strong and lockable tool box must be provided for a tool when it is not required; and the tool box must contain a copy of the instruction manual in English and Chinese giving information on the care and operation of the tool;
- (v) the tool must be used in a place which is suitably lit and safe and where there is no flammable vapour; and
- (vi) suitable protective equipment must be provided and worn by the operator when the tool is being used;
- (vii) a proprietor of an industrial undertaking or a contractor in construction work who commits an offence under the regulations is liable to a fine of \$5,000; if an operator commits an offence, he is liable to a fine of \$2,000.

I understand that two local agents of the approved tools listed in the Schedule are prepared to organize training courses for operators, and will issue certificates of competency in an approved form.

The Labour Advisory Board has unanimously endorsed the proposed regulations which I intend to bring into force on 1st July 1977.

Question put and agreed to.

REGISTERED TRUSTEES INCORPORATION ORDINANCE

THE SECRETARY FOR ECONOMIC SERVICES moved the following motion: —

That the Registered Trustees Incorporation Ordinance (Amendment of Second Schedule) Order 1977, made by the Governor in Council on the 15th February 1977, be approved.

[THE SECRETARY FOR ECONOMIC SERVICES] Motions

He said: —Sir, the Registered Trustees Incorporation Ordinance (Amendment of Second Schedule) Order 1977, was made by the Governor in Council on 15th February, increases some of the charges payable under the ordinance to bring them into line with comparable charges payable under the Companies Ordinance. Those affected are items 5 to 10 in the Second Schedule. The new charges will not be a burden on the charitable organizations for which the ordinance makes provision, since with one exception they fall on third parties enquiring about them. The exception involves an increase of \$5 only and is in respect of the appointment and removal of a trustee.

Question put and agreed to.

Second reading of bills**LIMITED PARTNERSHIP (AMENDMENT) BILL 1977****Resumption of debate on second reading (16th March 1977)**

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).

MONEY-LENDERS (AMENDMENT) BILL 1977**Resumption of debate on second reading (16th March 1977)**

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).

LANDS TRIBUNAL (AMENDMENT) BILL 1977**Resumption of debate on second reading (16th March 1977)**

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).

APPROPRIATION BILL 1977**Resumption of debate on second reading (2nd March 1977)**

Question proposed.

MR Q. W. LEE: —Your Excellency, if comments which we hear from vocal members of the community can be taken as a measure of public opinion, there is no doubt that the people of Hong Kong have found the 1977-78 Budget generally satisfactory.

As part of our homework for the October and March debates in this Council, the Unofficial Members have the habit of inviting some editors and representatives of the local press to meet us so that we can have the benefit of their views. This Council may be interested to know that a certain prominent editor, who in the past has usually proved himself a ready and even enthusiastic critic of the Government, opened with the remark that this year's Budget was an excellent one. Indeed, he added ironically that, prone as journalists are to criticize, he found it difficult to be critical of something which was excellent. His feelings seemed to have been shared by most of those present at the meetings, although they did contribute, as usual, some constructive comments for which we are grateful.

The features of this year's Budget are obvious. Increased appropriations for Government services are recommended in all major field on the one hand, and the tax burden for the middle and lower income groups is reduced on the other. These features reflect the efficient way in which the Budget was prepared. Its construction is based on a practical system evolved by the Finance Branch—the Five Year Forecast of Revenue and Expenditure and follows certain budgetary guidelines developed by the Financial Secretary. Those guidelines, when looked at closely, are eminently appropriate to Hong Kong because they have regard for the expected realities of our economic and financial circumstances.

[MR Q. W. LEE] **Appropriation Bill—resumption of debate on second reading (2.3.77)**

Over the past few months concern has every now and then been expressed in various quarters over the influence of some of our critics, both here and abroad, who feel that we are either not doing enough for our own social development or that what we are doing is not being done in the right way. In fact the same concern was again expressed at the press meetings I have just mentioned. When it was first brought up in this Council by Unofficial Members in October last year, the Chief Secretary said and here I quote: "Hong Kong could not and should not close our ears to suggestions and criticisms from elsewhere. In particular we are, by reason of our constitutional status, obliged to pay heed to the views of those who are responsible for our affairs in the UK." I agree with the Chief Secretary. Hong Kong should welcome all views whether they are constructive or critical and whether they come from abroad or here as we do need them for our consideration in order to better serve our people. But I hope those who are responsible for our affairs, seeing what we have already managed to achieve, will take some pride in having Hong Kong under their care because, despite our many problems, we are still able to earn for ourselves among the highest standards of living and per capita income in Asia today. Without being complacent, I think we have indeed done quite well with very little. It would therefore be difficult not to accept that the social policies laid down by Your Excellency to improve the "quality of life" and the financial and economic policies formulated by the Financial Secretary to implement them are those best suited to our present and prospective future circumstances, which are really unique to Hong Kong. If our critics feel otherwise, then the more frequent exchange of visits between London and Hong Kong which Your Excellency initiated should contribute towards reconciling any differences in views for us. On behalf of the Unofficials I wish to particularly welcome the two senior officials from the Foreign and Commonwealth Office who are here recently to acquaint themselves with our up-to-date situation at first hand. We still face many problems in housing and education our people and in providing them with welfare and other social services. We would like more people to know our problems, what we have done, what we are doing and what we plan to do to solve them. Their advice will be welcomed.

Since time immemorial mankind has been looking for a perfect society. The ideal of a UTOPIA seems to exist so far only in literature. The next best thing that statemen around the world have been chasing after is a society as near perfection as reality permits. In doing so,

governments of all shades the world over have been hard put to find a panacea for problems that keep cropping up in society. Often solutions can only be found by striking a balance between realism and idealism. Hong Kong, I believe, has so far been able to strike the right balance. We must agree with the Financial Secretary when he once said that one of the objectives of budgetary policy is to minimize any adverse effects of public expenditure and of the fiscal system on the internal cost/price structure of the economy, on private investment decisions and on monetary environment.

Sir, I would now like to comment on the proposed tax concessions on personal allowances. When the Third Inland Revenue Ordinance Review Committee met last year it received quite a number of representations on the inadequacy of personal allowances. But as the Committee's terms of reference precluded it from considering matters of fiscal policy which were reserved to Government, that particular point was not discussed in detail. However, the Committee still found it necessary to express sympathy and to mention that it had no doubt that Government would keep the severity of the tax burden under review at all times and make appropriate adjustments to the present level of allowances. The public, especially the lower income group, are of course pleased that the Financial Secretary has proposed some adjustments by introducing a supplementary allowance, qualified by a claw-back provision. This is certainly a step in the right direction. However, as in all tax matters, there are quite a few public comments which may be summarized as follows: —

- (1) that the amount of supplementary allowance is not sufficient;
- (2) that the claw-back is too complicated;
- (3) that the supplementary allowance should be made basic and without claw-back.

A tax on certain incomes is a compulsory payment to general revenue to finance the services which Government provides. It is therefore obligatory for members of the public to contribute, by way of tax, a part of their incomes to the general revenue. But in calculating the tax, there should be deducted a tax-free allowance for the taxpayer's subsistence. A clear principle for the tax threshold was laid down in the Second Report of the Royal Commission on the Taxation of Profits and Income—and here I quote—"there should be no income tax levied upon any income which is insufficient to provide its owner with what he requires for subsistence". By subsistence the Commission meant "any income large enough to equip and sustain a healthy and efficient citizen, not merely to keep him alive". This same

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principle was expressed in a different way by the then Financial Secretary in this Council on 25th February 1970. When proposing the introduction of Lower Income Relief, Working Wife Allowance and Dependent Parent's Allowance, he said "The principle by which such allowances (*i.e.* personal allowances) were fixed in most countries was that they should represent the basic income required to support a family in its particular family circumstances."

As to what the appropriate level of allowance is largely a matter of relative and subjective judgment. For the Government, it must take into consideration the social, fiscal, political and economic aspects of the situation, as well as the cost of living. But for the taxpayer, his main concern is the cost of living.

In the year 1970-71, the basic personal allowance was fixed at \$7,000 which was supplemented by a Lower Income Relief of \$3,600, so that if a single person earned up to but not more than \$10,600, he did not have to pay any tax. At that time there was also a working wife allowance of \$3,000, a married couple with a working wife having a total income of up to but not more than \$20,600 also escaped the tax net. This \$20,600 is arrived at by taking \$7,000 each for the husband and his wife plus \$3,000 working wife allowance and \$3,600 Lower Income Relief.

As we may recall, personal allowances were increased in 1973-74 when a single person and a married couple were entitled to basic allowance of \$10,000 and \$20,000 respectively. But the lower income relief, working wife allowance and dependent parent's allowance were withdrawn and consolidated into the basic increased allowances.

Government has now proposed to maintain these basic allowances, but to give a measure of relief by introducing supplementary allowances equivalent to 25% of the basic personal allowances. However, these supplementary allowances will be clawed-back by 20% for any amount in excess of both the basic and supplementary allowances, until the point is reached where the entire supplementary allowance disappears. Public views have been expressed that such supplementary allowances are not much of an improvement in real terms, based on the argument that the General Consumer Price Index has advanced by some 37% from an average of 142.7 for the 12 months ended March 1973 to an average of 195.6 for the 12 months ended December 1976. This is certainly not an insignificant rate of inflation and it is difficult

to dispose of this argument too lightly because of its effect on the value of the basic allowances in real terms.

The suggestion that the supplementary allowance should be a flat increase instead of being clawed-back is less persuasive. The concept of a supplementary allowance with a "claw-back" provision, complicated as it may seem at first glance, is devised to enable the lower and middle income groups to have the full or marginal benefit of the supplementary allowance and to require the higher income groups to contribute their appropriate share to the revenue.

In the light of the above arguments, the majority of the Unofficial Members feel that, while they agree that the present level of basic allowance should be maintained, Government should consider increasing the supplementary allowance for a single person to a level between \$3,500 and \$4,000, instead of \$2,500, and that for a married couple to between \$7,000 and \$8,000 instead of \$5,000. If need be, the claw-back could be increased to a slightly higher percentage of, say, 25%. This percentage still compares favourably with the claw-back of 100% for the Lower Income Relief applicable in 1970-71.

Sir, we realize, of course, the most important factor in deciding the quantum of a tax-free allowance is its effect on revenue yield. We also realize that to fix its level purely on the current level cost of living could give rise to serious and complicated problems. But we hope in considering our suggestion, that Government will bear in mind the weight of indirect taxation on the middle and lower income groups.

With these remarks, Sir, I support the motion.

MR LOBO: —Your Excellency, in rising to lend my support to the Appropriation Bill 1977, I would like to compliment my Friend the Financial Secretary on his budget proposals which leave little for criticism and which seem to have been generally welcomed by the vast majority of our population. This year, though in the comparatively shorter time of exactly 3 hours to the minute, he again gave a very clear and comprehensive account of our finances and economy.

Sir, as the total provision for social welfare absorbs no small amount in monetary terms, I have no doubt that many will share my continued concern about the manner in which this money is spent.

I believe we are perfectly justified in expressing some satisfaction with the progress that has been made in the field of social welfare during the past 5 years—progress that can be simply illustrated by comparing the 1971-72 estimates with the appropriations now under

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debate. In 1971-72 we budgeted for \$55 million: now, in 1977-78, we propose to spend just over \$430 million, representing almost an eightfold increase in only 6 years.

This rapid growth could not have been achieved without a similar expansion in the range of services provided by Government and voluntary agencies and, on looking through the Government Telephone Directory, I find that the Social Welfare Department has now no less than 131 branches, sub-offices and other units, all but a few of which deal directly with the public with many of them responsible only for one particular service.

Though I realize that it is far from easy in times of rapid growth to secure, without undue delay, suitable premises both in terms of size and location, I am somewhat at a loss to comprehend, in the case of the Social Welfare Department, why there does not appear to have been a corresponding strengthening of the Department's central administration in order to provide adequate and effective supervision and management of its many offices in the field.

I would therefore urge that an early step be taken to consolidate and decentralize the Department with a view of offering in each district a comprehensive service for the public under one roof. Not only would such a service greatly help bewildered people seeking assistance but should also lead to improved co-ordination, greater efficiency and, hopefully in the long-term, some savings in annually recurrent charges within the Department.

Sir, during the period of 10 years that I served on the Social Welfare Advisory Committee I noticed as the years went by the increasing workload thrust upon Members in the last one or two months of each year in examining applications from voluntary agencies for subventions, assessing the relative merits of each and deciding how to slice up the subvention cake among them. With the advent of agencies offering more than one service in the field of social welfare the task of the Committee became more onerous.

I understand that since I left SWAC the workload of Members has continued to increase. It may be some consolation to them to know that they have my admiration and understanding.

One may ask, therefore, if it is not timely to review the procedure for dealing with applications for subventions?

Are discretionary grants still the most effective way of helping all types of services.

Now that we have entered the era of programme planning, would it not be more effective to deal with one service at a time, spreading the workload throughout the year?

Would such a system not also allow closer examination of applications and improved efficiency in the spending of the money allotted?

Whilst I applaud the decision to establish a new branch in the Audit Department specifically to cover the larger subvented organizations, I sincerely hope that there will be a stricter measure of control over all such organizations. Not only should they be financially accountable but they should also be accountable for the quality of the services they provide. Where unnecessary duplication exists an intelligent approach must be adopted to ensure that the best value for money is obtained in meeting genuine demand. In all fairness, however, one must also bear in mind that a large percentage of the subventions is used to pay salaries: hence, late subventions or a shortfall in donations raised by the voluntary agencies themselves may lead to failure on their part to maintain an acceptable standard of service at all times.

I am pleased with the remarks made by my Friend the Financial Secretary which in fact echoed your statement, Sir, that studies are being conducted to cover several aspects of assistance, in particular to the vulnerable groups which the community has a duty to assist.

While it is not easy to determine priorities in welfare work and professionals in this field are seldom satisfied even though they are generally able to make good use of the money allotted to them, I would like to join the chorus of the many welfare workers in their plea for more aid to a particular sector of our community.

I refer to the elderly.

I think it is true to say that many elderly people at the moment are not given any assistance even in the widest sense of the word.

We should perhaps first of all consider whether the present qualifying age for infirmity allowance is realistic today when statistics show that the average life expectancy in Hong Kong of the weaker sex is 73, and of the so-called stronger sex only 68.

To set the qualifying age for the allowance at 75 does, I believe, defeat the purpose for which it was designed, namely, to meet at least

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part of the financial needs of the elderly so that they may have some degree of financial independence and thus be encouraged to remain in the community rather than opting for institutional care. In any event most, if not all, institutions caring for the elderly have no vacancies. It is also relevant to note that because the elderly living in institutions are not eligible for the allowance, only 72% of the total number of those who have reached 75 do in fact receive it.

The 1971 census showed that there were almost 300,000 persons aged 60 and over. According to a survey conducted in 1976, of the 808 elderly persons interviewed, only about 72% could generally be considered adequately housed. That survey also showed that roughly 25% of elderly married couples are in need of public housing because of the unsatisfactory housing conditions in which they live. All in all, it is estimated that about 10,000 individual units will be required for the elderly population. Assuming that 30% will opt out for personal reasons, some 7,000 individual units will still be needed, not including units for hostels.

I have spoken before on hostels for this vulnerable group. Indeed, we have such hostels today but the occupants must be capable of fending for themselves, that is to say, cooking their own meals, doing their own shopping, *etc.* Nevertheless, hostels for the elderly are a happy half-way house between the regimentation of the old people's homes and the loneliness and insecurity of living on their own.

There is yet another group to which I would like to refer, namely, the real Hong Kong belongsers comprising persons of all races and creeds who have lived in Hong Kong all their lives like their fathers and forefathers before them. Some have received retirement gratuities and others still have small pensions, many cannot today even meet their rentals. Some of them live on the charity of their families and friends at this late period of their lives.

Many such individuals and married couples have given long and loyal service to Hong Kong. Indeed, some took up arms in defence of the Colony in 1941 while others lost children and relatives in that cause.

I urge, therefore, that consideration be given to assisting all such "senior citizens" by way of extending support to existing homes and hostels for them and financing similar new institutions so that they

may be able to enjoy their declining years in reasonable comfort and under good care. Consideration should also be given to assisting the aged in institutions with some form of allowance for their personal needs. The voluntary agencies are performing splendid work in this field but are unable to expand due to lack of funds.

One may, of course, argue that it is a filial duty to look after one's parents. Indeed, many do but what about those who do not see eye to eye with their old folk? Nor should we forget that some old people are not blessed with children or grandchildren.

I hope that in the study which is being conducted this vulnerable group will be given the consideration and attention it so rightly deserves.

Finally, Sir, I turn to the subject of housing.

Being personally involved in Housing Authority matters and as Chairman of the Management Committee of that Authority, I am happy with Government's decision on the new financial arrangements to relieve the Authority of its large debt. No doubt this will be widely welcomed as a realistic move towards a sensible pattern of rents in public housing estates.

Experience over the four years since the Authority was formed has shown that the old arrangements for making land and funds available to it has to be changed, and now is the time to do it, when Government's input into the public housing programme in terms of land and capital funds is rapidly increasing.

The present position of mounting indebtedness is unrealistic. Painful as it may be to those in charge of our coffers, the proposed solution is both realistic and sensible and will show at a glance the real value of Government's contribution to the provision of decent housing for all.

A major advantage of the new proposals is that the Authority will be able to abolish the traditional practice of relating rents in each new estate specifically to the cost of building the estate. The Authority will be free hereafter to establish a sensible relationship between existing estate rents and those for the new estates, thus reflecting without forgetting the income level of its tenants, the real value of the accommodation provided, particularly in terms of its geographical location.

From time to time we come across the thorny subject of means test. Here, I believe, I am skating on thin ice but even taking into account the realistic approach that in Hong Kong we do not penalize

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prosperity, ways and means must be devised before long to assess whether a person, having lived in public housing, say, for 15 to 20 years, should not be required to apply for home ownership or move out, thus releasing badly needed accommodation for those who are genuinely in need of a home. Under present conditions, no one seems willing to take this step even though many today are very prosperous high executives and, in some cases, even landlords. I hope this matter will be closely studied as plans for home ownership is no longer a figment of the imagination.

The objective of the Home Ownership Scheme will no doubt serve to reinforce social stability.

How the scheme is going to help the big, the middle and the not too small man remains to be seen. I feel, however, that as we are getting off the ground, we should set our goals higher.

Since the risks are small, plans for 30,000 flats over a six years period seem somewhat too conservative. Why not, therefore, extend this imaginative scheme to include existing flats of, say, 400/600s sq. ft., in the private sector or in buildings in the main Public Housing programme?

This would expedite home ownership and bring Government and private enterprise together in resolving what remains the major problem in Hong Kong.

Sir, I support the motion.

MR JAMES WU: —Your Excellency, the Financial Secretary won loud acclaim with the 1977-78 Budget presented in this Council early this month. The budgetary policy and the flexible guidelines as pronounced by him are difficult to fault. It could also be said that, by and large, public opinion had been given some consideration when Government formulated its budget proposals. This can only help to encourage better communication and to promote better understanding between Government and the community. One is pleased to observe, Sir, that substantial progress has been achieved in this direction in recent years under Your Governorship.

Sir, as legislators, we are naturally concerned with all aspects of the Budget. However, time will not permit each one of us to speak on every subject. I would therefore confine myself to the following:

(1) *Rates and Rateable Values*

Sir, whilst Government might not have succeeded in convincing most people on the fairness of its method of assessment of rateable values for premises, its proposal to reduce the poundage, from a total of 18% to $11\frac{1}{2}\%$, at least alleviated temporary disgruntlement if not long term fear. For whilst an average 15% increase in rates to be paid would be very palatable, it is speculated that the percentage would creep up in future years, as hinted by the Urban Council. There was also the great shock where the rateable values had been increased dramatically, many to 250-300% of the original figure. For what concerns the ratepayer, whether he be a tenant or a factory owner, is his ability to bear a sudden and substantial increase in rates. In this regard, it may be argued that since Government had allowed landlords a 10% increase in rentals per year, why should it allow itself an increase of as much as $33\frac{1}{3}\%$ in rates? It would therefore seem that a reduction to a 25% maximum increase for the first year would be necessary as a measure of relief from hardships and difficulty. It has to be noted that rental is the single most important factor in the inflation of cost of living and production in Hong Kong and rating premises on the basis of vacant possession only aggravates the situation.

(2) *Dividends Withholding Tax (DWT) and Undistributed Dividends Tax (UDT)*

Honourable Members will remember the very strong opposition expressed in this Council, as well as by the public at large, when the DWT and UDT were first suggested. The main objections were that the DWT and UDT would interfere with judicious and sound financial management by company directors, and discourage re-investment for growth and provision of new jobs. It is gratifying to see that the Report of the 3rd Inland Revenue Ordinance Review Committee, of which my Unofficial colleague Mr Q. W. LEE is a member, concurred with and supported these views. It is hoped that the considered wisdom of such a prestigious panel will convince our Financial Secretary to put the matter to rest.

(3) *Water Charges*

The Financial Secretary again mentioned the future necessity to raise water charges. However, earlier on The Federation of Hong Kong Industries had warned of the dangers of increasing the cost of water for industrial use. It has demonstrated the significance of water as a product cost-factor in major industrial sectors, such as in the dyeing, bleaching and finishing, knitting, weaving, metal finishing, and food processing industries.

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Some 80% of industrial water is consumed by the dyeing and finishing industry, which is a vital link in the vertical set-up of our textile and garment industries. The combined exports of these industries account for more than 50 per cent of our export revenue and therefore play an essential role in the economy of Hong Kong as a whole. The chain from yarn to garment would be broken if the dyeing and finishing industry was adversely affected by a decision to increase water charges, as many factories might find it necessary to move elsewhere. Thus that kind of immediate and flexible response to market demands which is so vital to the well-being of this community could be lost, remembering how the various sections of the textile and garment industries worked together closely during the "denim boom" that heralded our economic recovery in late 1975. I would therefore suggest that the whole matter be thoroughly examined as to its effects and possible alternatives, before a decision is made to increase charges on water for industrial use.

(4) *Industrial Land*

Sir, I have spoken on several occasions in this Council on the need to provide for more industrial land for auction to meet urgent demands and to absorb the huge sums of speculative hot money that have driven prices beyond the reach of many genuine users. For example, the average price for industrial land auctioned in 1975 was \$139 per sq. ft., but that for 1976 had risen to \$389 per sq. ft., rising 2.8 times in one year. Also, whilst the total area auctioned in 1975 was 23,392 sq. metres and in 1976 27,946 sq. metres, the area scheduled to be auctioned from 1st April to 30th September 1977 is a mere 1,200 sq. metres in the urban area.

I understand that this last figure does not include the Industrial Estates for special industries. But we must accept that, for the foreseeable future, Hong Kong would still depend heavily on exports of light industrial consumer goods, commonly manufactured in high-rise general-purpose industrial buildings, which are still under-provided. According to the Industrial Census, rental and rates worked out to be some 3% of the total manufacturing costs. Considering the phenomenal increases in rents and land prices, as compared to the less significant increases in wages and material costs, I would estimate that some 5% to 6% of our present manufacturing costs is attributable to rents and rates, an unacceptable figure by any standard. I submit also that it is this heavy increase in overhead costs that would offset

any gain in productivity, and that the effect of land prices on our industrial development must be fully assessed and contained. The Federation of Hong Kong Industries has set up ad-hoc committee to study this matter and we hope that Government will also not overlook the seriousness of the problem and seek to provide immediate remedies.

(5) *The Economic Outlook*

Sir, the honourable Financial Secretary has presented his Budget at a time when Hong Kong appeared to be riding on the crest of the economic wave. There would be a surplus for the current year, our exports are higher than ever, there is full employment with little inflation, with the level of bank deposits at an all-time high and the Hong Kong Dollar ranking with the Swiss Franc and the Deutschmark as the world's three strongest currencies. He has also given us an account of his glance in the crystal ball, of our economical outlook in the short, medium and longer terms, extending to the mid 1980s. I for one greatly appreciate his cautious and pragmatic assessment of our economic prospects and contingencies in the years ahead.

Indeed, there is little to be complacent about. There are signs to show that our growth in the first quarter of 1977 is slower than that of last year, and that, with the exception of a 5% increase in exports to the United States compared with January last year, there are reductions in our exports to West Germany, Japan, and particularly to the UK, Canada and Australia. The decrease for the last three countries is 20%, 18% and 14% respectively. With growing protectionism in our markets and severe under-cutting from our competitive neighbours, our manufacturers and exporters are finding it increasingly difficult to obtain enough orders to sustain increasing overheads. We are losing many orders at the lower end of our production lines. The opportunities for us to take full advantage of our flexibility in utilizing the factors for increased production such as labour, plant and other facilities (as was the case in the last "denim boom") do not present themselves too often. Indeed, as soon as our competitors catch up with our innovations, we immediately suffer from the disadvantages of higher wages and other overheads. And the gap for them to close is fast narrowing. With the benefit of a much larger industrial base, and a much larger and less restrictive labour force, they have become formidable competitors.

In a recent issue of an international news-magazine, there was a comparison in real GNP growth forecasts of Asian countries, with South Korea having the highest at 10%, Taiwan 8.5%, with Japan the 7th at 6.5% and Hong Kong following at 6%. It is also interesting to

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note that in 1976, with a total of over US\$8 billion in domestic exports, South Korea has overtaken Taiwan which, in turn, with the value of its domestic exports close to US\$8 billion, has overtaken Hong Kong at US\$7 billion.

(6) *An Industrial Development Council*

Sir, in business and industry we take stock of our position from time to time. In particular, we want to know how and what our competitors are doing. Whilst I do not have first hand information, I understand that the phenomenal growth of Korean exports in the last few years has been achieved only with great push and encouragement by its government. Along with measures such as the 20% depreciation of their currency, credit finance and government-imposed quality-control programmes, they are making solid progress, and having exceeded their 1976 export target of US\$6.5 billion by more than 20% at US\$8 billion, they are looking forward to even greater growth ahead as their industrial machine gathers momentum. They have certainly greatly impressed Sir Peter CAREY, the Permanent Secretary of State for Industry who visited South Korea recently and who remarked that it was like Japan fifteen years ago.

Sir, in Hong Kong, our Department of Commerce and Industry has achieved an excellent and enviable record in the field of trade negotiations to facilitate the entry of our exports, particularly textiles, into important overseas markets. But this aspect of its work, vital as it is, is essentially passive, compared with the active promotion of industrial development which we must pursue with full vigour to ensure our continued prosperity and stability. For this purpose, the Senior Unofficial Member Dr the honourable S. Y. CHUNG and subsequently myself, advocated the establishment of an Industrial Development Council. I feel that, at this moment, the time is right and opportune to proceed with such a proposal.

Sir, Government in the last few years has begun to deny that it was pursuing a course of *laissez faire* in its attitude to our economic development. Indeed, it appears to be participating directly in this respect, instead of just playing a supporting role as in the past. The Department of Commerce and Industry, the Secretariat for Economic Services, the Trade Development Council, the Labour Department and the Training Council, the Productivity Council, the Export Credit Insurance Corporation, the Industrial Estates Corporation, plus the

industry and trade associations, the Universities and the Polytechnic *etc.*—all have their important roles to play, with the help of the community and the relevant Government department.

However, in my opinion, a high-powered co-ordinating, planning and perhaps essentially advisory body in the form of an Industrial Development Council needs to be established, to research into economic trends, market conditions, industrial development, provision of land and infrastructure, man-power needs and training, technological innovations and productivity improvement, export promotion and credit finance, *etc.* Programmes of study and planning proposals on all aspects of industrial development should be pursued, for the information and advice of Government, the Executive and Legislative Council Members who will still have the executive, legislative and financial control decisions to make as to how best we can benefit from such proposals—all prepared in a co-ordinated manner and executed with concerted efforts for the best results. Such information and advice, when made available to the public eventually, might also help to channel the large amount of speculative money normally present in Hong Kong into more productive use and investment, instead of allowing it to play havoc in our land, stock, and foreign exchange markets. Needless to say, such a step could only be of help in our continuing efforts to woo foreign investments into industries of greater sophistication and higher technological content.

Sir, with these remarks, I support the motion

MR CHEONG-LEEN: —Sir,

Trade

We in Hong Kong have every reason to rejoice that in 1976 the value of our domestic exports exceeded that of 1975 by 43% in absolute terms. This was the highest yearly increase recorded since 1950.

However, in view of the warning by the Financial Secretary that there is the danger of a slowdown in world trade towards 1978, we should not complacently assume that our 1977 trade performance will be as good as last year. We must continue to work hard, be as competitive as we can on the world markets, and not let our guard down.

Compared to 1975, the exports of two of Hong Kong's main competitors, South Korea and Taiwan, rose by 50% by 52% to US\$8.1 billion and US\$8 billion respectively.

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Furthermore, South Korea is aiming for a higher export target in 1977 of US\$10 billion, partially through utilizing its low wage structure to produce goods similar to those of Hong Kong for distribution in our key export markets. This target is expected to move up to US\$20 billion by 1981 under South Korea's fourth five-year economic development plan which was launched this year.

Hong Kong will therefore have to do its utmost to keep on diversifying its products and markets to remain abreast with its competitors.

Government's land utilization policy will have to be continually geared to the needs of industry for more land and to the curbing of excessive land speculation.

Industry should be encouraged to install more capital intensive and up-to-date machinery, and Government should provide more generous depreciation rates for new machinery.

The Committee for Scientific Co-ordination could be re-modelled into a Science and Technology Council with a wider representation from industry so as to take a more active part in meeting the technological needs of industry through research and development programmes.

Government might also encourage or even initiate more surveys to evaluate expanding or potentially new industries, such as the electronics industry, and to project the future of such industries into the early 1980's.

It is such kind of positive effort and co-operation that Government should unstintingly give to the industrial sector if it is to expect higher export targets which in turn will provide Government with more revenue to pay for expanding social services.

On the face of it, Hong Kong is not doing too badly, especially since we expect to end this year with a budget surplus of \$850 million or even more. On the other hand, the question may well be asked whether there is still a balanced expansion in capital projects for social and community development in the face of serious under-spending by the Public Works Department.

Housing

We have allocated \$1,019 million to be spent on public housing, or 12.4% of our 1977-78 budget. Yet Singapore, with half our population, has budgeted HK\$1,960 million or 18% of its 1977-78 budget for the same purpose. If there is again heavy under-spending by the Public Works in the coming fiscal year, the amount actually spent on public housing could be well below the 12.4% mark.

The redevelopment of the Mark I and Mark II blocks built over 20 years ago, should be accelerated and if possible completed within a 10-12 year period and not 15-20 years from now or by 1992-1997. There are 460,000 persons living in these sub-standard blocks, where there is severe overcrowding, and where only communal toilets and washing facilities are provided, with cooking having to be done on open balconies.

I support the Government's Home Ownership Scheme which of course will have to be put on a practical and effective basis.

A point which has been made is whether the five year period recommended by the Working Party during which the owner wishing to sell his flat would be required to resell it to the Housing Authority should not be extended to 7 or 8 years to avoid abuse and speculation?

Medical Services

As to medical services, especially the shortage of hospital beds and the long queues at Government clinics, the seriousness of the situation is all too obvious.

Apart from the Medical Development Plan, I wonder whether the Director of Medical and Health Services has given thought to introducing management development programmes so that hospital staff at the appropriate levels can consciously look for ways to reduce costs, save money, improve performance and give better service to the public.

I am concerned that patients who are members of the public attending Government dental clinics comprise only 15% of the total number of patients, the other 85% being Civil Servants and their families.

When will it be possible to expand the dental service so that at least 50% of the persons seeking dental care are outside patients?

Also, for those who qualify for Public Assistance, can arrangements be made to reimburse them with a portion of the expenses incurred in buying spectacles and obtaining private dental care?

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Education

In regard to the amount spent on education, I would have liked to see a statement by the Financial Secretary concerning the financial implications of 5 years of post-primary education for all children in Hong Kong by the early 80's. However, we shall have to be patient and await the report on the future of secondary and tertiary education which is expected to be completed before the end of this year.

Allowances

On the subject of allowances, I maintain, as I did at this time last year, that the Financial Secretary should reinstate the dependent parents allowance. He could easily reduce the possibility of abuse by requiring the dependent parent to sign a statutory declaration disavowing the more common abuses to the scheme. As Government provides little by way of social security for the aged, the dependent parents scheme is in line with the best in Chinese tradition and custom and should be accepted and preserved by the Government.

Civil Service

Finally, on the subject of personal emoluments and allowances I note that the Financial Secretary still uses 40% of the total budget as a guideline. Perhaps this percentage figure could be lowered in time as Government departments become more mechanized and larger sums of money are spent on computerization.

Hong Kong expects and deserves the highest standards of efficiency and courtesy in the public service. Within guidelines and regulations which are reviewed regularly, Civil Servants are to be encouraged to take the initiative in improving their work.

In the past few years there has been increased expenditure on the Police Force to cope with violent crime. As the Force is expected to arrive at full establishment this year, it is necessary to progressively raise the educational standard of new recruits, and to achieve better results in reducing the crime rate through more citizenship participation. Close co-operation between the public and the Police will most assuredly contain the level of crime, and strengthen the confidence of the average citizen in the processes of law and order.

As to the "deadwood" in the Civil Service, the total number of Civil Servants who were "voluntarily" or compulsorily retired on grounds of inefficiency from 1971 to April 1976 was 29, or an average of 6 a year.

Quite often, it may take as long as a year to have a Civil Servant retired on grounds of inefficiency. The question is how much room for improvement in efficiency is possible under the existing complex system of "voluntary" or compulsory retirement?

Sir, I support the motion.

MR F. W. LI: —Your Excellency, I should like to congratulate the Financial Secretary on his announcement that the outturn of the Revised Estimates is from an approved estimated deficit of \$431 million to an actual surplus of \$224 million for the year 1975-76, and from an approved estimated deficit of \$355 million to a revised estimated surplus of \$557 million for 1976-77. His own prediction of the final outturn being a surplus of \$850 million has not only brought joy but has also won the acclamation of all sectors of the community.

Sir, when I spoke on the Appropriation Bill two years ago, I expressed concern over the erosion of our reserves because of the anticipated deficits, and the uncertainties which prevailed at that time.

Last year, on the same debate, I said that an examination of the Draft Estimates of Expenditure revealed that the five items of Public Works Non-recurrent Expenditure for 1975-76 would be underspent by some \$440 million. I ventured to surmise whether the real cause was due to over-reaction to the recession, resulting in a deliberate slowdown in the programme purely for fiscal reasons. This was sharply refuted by the Financial Secretary in his speech concluding the debate, and again on 21st July last year when answering a question in this Council.

The "disappointing underspending" due to the inability of the departments concerned to carry out the items in the Public Works Programme in the current financial year was once again referred to by the Financial Secretary in his budget speech earlier this month, when he stated that capital expenditure for the Public Works Programme was likely to fall short by \$428 million.

The figures from the printed Estimates of Expenditure for the Public Works Programme show that approved estimated expenditure for 1975-76 was \$1,601 million while the revised estimate was \$1,160 million and the actual expenditure was only \$1,147 million. For 1976-77, the approved estimate was \$1,602 million and the revised estimate was only \$1,174 million. For the coming year, however, the estimated figure is \$1,464 million, which is a little lower than the original estimate for the current year.

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For the year 1975-76, it was stated that expenditure was much lower than anticipated because of a substantial reduction in contract prices and other costs, together with abnormal rainfall during 1975. There has also been a sharp decrease in the various components except in the case of Waterworks for 1976-77. The reasons given are that contract prices were lower and there has been difficulty in clearing sites and acquiring land.

Having miscalculated for two years the ability of the departments to spend on Public Works items, Government has now produced more modest figures for the next financial year. Unless it is possible for the departments concerned to reorganize the phasing of the works programmes, I would anticipate that the 1977-78 estimated figures may still prove to be too high. If this should be the case, once again the outcome in the General Revenue Account will, with a further wave of the wizard's wand, become another huge surplus.

In its forecast for future years, Government has estimated certain of its expenditure figures on the assumption that there would be deficits in the preceding years. Whilst I have no doubt the Financial Secretary has already adjusted these figures to take into account the fact that his previous deficits have turned into surpluses, I suggest that he should also review his budgetary strategy, and perhaps revise some of the guidelines he has adopted to achieve the objectives of budgetary policy. To my mind, the proposed four tax concessions can only be viewed as a means to reduce the budgeted surplus from \$167 million to a nominal surplus of \$40 million.

Sir, for several years I have spoken at length on the Annual Reports from the Director of Audit. My comments were not always well received, and it appears that there were and no doubt will be, valid reasons to explain away virtually every item reported on by the Director. The only real response from the Financial Secretary was the possibility of the establishment of a Public Accounts Committee, which he disclosed last year. I felt, frustrated however, to learn that no definite plans had been formulated for such a committee when the Financial Secretary replied to my question in this Council in January this year. Whilst I can only assume that this is still under consideration by Government, I urge that immediate and positive action be taken.

I believe that it is a common practice in the British parliamentary system, and adopted in many dependent and independent territories,

for such a committee to be set up by Parliament, with the object of scrutinizing the Report, questioning the Director and the heads of departments, and drawing their own conclusions for follow-up action. Could not a similar procedure be followed in Hong Kong, to use the Financial Secretary's own words, namely "to complete the process of this Council's control over the use of public funds which begins with the passing of the Appropriation Ordinance"? I fully realize, Sir, that this would involve the amendment of the Audit Ordinance in some respects and possibly also the Standing Orders of the Council, so that instead of the Director of Audit's report going direct into Your Excellency, it might be presented to you, Sir, in your capacity as President of this Council. It could then be passed to a Public Accounts Committee made up of Unofficial Members with the attendance of Official Members. Its task would be the examination of Government accounts and those of subvented organizations, as well as looking more closely at specific points raised by the Director of Audit. The Public Accounts Committee's report could then be sent with the Director of Audit's report to the Secretary of State, whose duty would be to ensure that the Director's comments and criticisms are acted on. I would envisage that the committee would in time build up a body of fiscal case precedents which should help to bring about improved and more consistent administration of public funds.

Sir, I had not originally intended to refer again to the Director of Audit's report this year, but when the Director has stated that lack of staff resulted in the suspension completely the audit of five major departments with a combined annual revenue of \$900 million and annual expenditure of \$300 million, I cannot help but voice my disappointment. I am, however, somewhat relieved to note, Sir, from your comments to the Secretary of State for Foreign and Commonwealth Affairs, that the Director has since been provided with additional staff to enable him to recommence full audit. Could not this deplorable situation have been avoided at all?

At this point, I should like to turn to other aspects of the Public Accounts. Where the Estimates of Expenditure have shown an increase for a particular Head over the current year's Estimates, the Financial Secretary has generally mentioned the increase in monetary terms. It would be most helpful if this could also be stated in real terms. For example, he has referred to the sum of \$68 million for social welfare subventions in 1977-78 as being an increase of 22% on the revised estimate for 1976-77. I think that it would be of great interest to all concerned, if the percentage increase is shown in real terms.

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Irrespective of the increase in real terms, voluntary agencies in the social welfare field in receipt of subventions have a duty to account for their funds, and here I would go so far as to say all their fund, whether received from the public purse or private donors. The Director of Audit has already begun to examine the expenditure of a number of large subvented organizations, and he will no doubt expand his activities in this field, which covers, of course, social welfare agencies, medical institutions, and educational establishments wholly or partially subvented by Government. It is essential that each agency must be able to account for all funds, because I believe that the ability of Government departments to spend has reached a saturation point, and that in the near future it will be necessary for Government to rely more on the voluntary sector to carry out a greater proportion of the new commitments in our social programmes.

Whilst I do not advocate spending money simply for the sake of spending, I would, however, commend to Government the allocation of more funds to organizations in the voluntary sector, where such organizations have shown that they are capable of exercising sound financial management. Indeed, I would go a step further and suggest that if the Financial Secretary is convinced that he has been overcautious in his proposals for the coming financial year, he might consider whether some of the voluntary agencies could be entrusted with additional commitments where the relevant policy has already been formulated and approved.

Finally I wish to say a few words on the subject of industrial estates. The Hong Kong Industrial Estates Corporation was recently established by ordinance, and I deem it an honour that Your Excellency has appointed me Chairman of the Corporation.

I realize the heavy responsibilities involved in this challenging assignment. You, Sir, have stated in your address at the opening session of this Council in October last year that you are convinced that for our industry to expand so as to diversify and achieve higher levels of technology, the principal stimulant the Government can inject is land. Sir, I fully agree that the concept of industrial estates is a right one for Hong Kong.

As the Financial Secretary has already indicated, and a sum of \$136 million remains to be allocated to the Corporation from the Development Loan Fund for the completion of the first estate at Tai Po. In

his speech, he has also referred to the construction of a coastal road from Sha Tin to north Tai Po. This road is essential to the development of the Tai Po Industrial Estate, where a gross area of 79 acres of land will have been formed in another twelve months' time.

I recognize the magnitude of this sum, but I wish to reiterate that Government's objective in setting up the Corporation is to broaden our industrial base to provide for those industries which cannot operate in ordinary multi-storey industrial buildings. Already, the response to the first estate at Tai Po is quite encouraging. Plans are now under way for the second estate near Yuen Long and, to enable construction work to commence this year, a further substantial loan from the Development Loan Fund will be sought. As for the other future estates, it may well be that the demand will be such that the Corporation would have to approach Government for additional funds much earlier than anticipated. If that should be the case, the situation could only be viewed as exceptionally auspicious for our economy. I trust that the Financial Secretary will then press for the submission to be accorded a high priority by the Chief Secretary's Committee.

Sir, with these remarks, I support the motion.

MR BREMRIDGE: —May I first, Sir, congratulate the Financial Secretary on the brevity of his serpentine speech. A saving of 20 minutes over last year represents some 10%—a figure of some significance to our broadly based frozen assets. By nature some are broader base than others. Let us hope for improvement next year. (*laughter*).

Taxation: In my speech on this occasion last year I said that I did not believe that the Third Inland Revenue Ordinance Review Committee would accept the Financial Secretary's views—fair and logical though they undoubtedly were—on dividend withholding tax, undistributed profits tax, and accompanying esoterica. They did not. I am delighted to acknowledge the grace and good humour with which this reversal has, at any rate, apparently been taken. (*laughter*). It is, I am sure, a wise decision. There is much virtue in simplicity.

Securities Commission: I also spoke on the need to strengthen the Securities Commission, and I believe that subsequent events have underlined my comments. In the estimates for this forthcoming year I am pleased to see that the staff of the office of the Commissioner of Securities is to increase from a total of 21 to 31, of whom 19 are however non-executives. In view of the large and growing financial importance of Hong Kong, the huge turnover of the four Stock Exchanges,

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and the need for higher standards, I believe that we should have more than 12 officers actually engaged in this important field. Recruitment is undoubtedly difficult, but I would welcome an assurance that the increase in establishment will continue. Do not let us forget also that legislation on insider dealing lies bleakly just over the horizon.

Financial Management: I was sad but not surprised to hear no clarion calls about increased Government management efficiency. I shall not wave the McKinsey cape again. But I think that it is a pity that despite progress particularly by the under-staff Management Unit with the first development plan, more has not been done over the production of annual operating plans, over management by objectives, over introduction of more modern systems of budgetary control, over the recruitment of more fully qualified accountants—many more—, over better job definitions; and so on and so forth. I do however welcome Government's recent apparent willingness to consider my Friend Mr LI Fook-wo's proposals for a Public Accounts Committee of this Council. And let me add—to be fair—that I am not one of those who join in the annual witch hunt over the Director of Audits' regular sharp comments good for discipline though they undoubtedly are. With some personal experience of large budgets I wish to pay tribute to Government's unremitting care for the taxpayers' money. In fact their extreme care often leads to delay. My own concern is not with minor—and very human—errors of commission or omission, but with basic management methodology.

Housing: Finally let me touch briefly on the very important issue of housing—a field in which, Sir, your own unremitting pressure has achieved noteworthy success already. It is to me really remarkable that by the mid 1980's the great majority of our population (in other words the less well off) may reasonably expect adequate low cost Government housing. What a significant lesson this will be for those critics both internal and external who constantly berate us for not paying enough attention to social affairs.

Let me however sound two mild warnings. Firstly by the early 1980's it will clearly be necessary for Government and the Housing Authority to be more imaginative about rental levels, standards, and various options. Much more variety will be needed, and many new experiments will become not only possible but necessary once the sad waiting lists finally shorten.

Secondly I welcome the decision by Government to build up to 30,000 flats for sale—starting slowly of course. I have myself spoken earlier elsewhere on the need to provide cheaper mortgage arrangements, and I wholeheartedly welcome Government's moves towards better and cheaper mortgage facilities. This is clearly a better concept for Hong Kong than my own suggestion of major housing societies. My worry however is that Government may forget that production without marketing (and all that marketing means) is only a partial process. Governments are not good at marketing except on a seller's market. In the sale of flats landscaping, finish, security, position, amenities, and even face, will be of major importance to buyers, for the purchase of a home is almost certainly the largest financial decision in the lives of most men and women. Cost is by no means the only criterion, though it is a large one.

Nothing that I have said will detract in any way from my admiration of the Financial Secretary's stewardship, and for his Budget (from eric nods and all) which seems well suited to all Hong Kong at this juncture.

With these honey words, Sir, I support the motion. (*laughter*).

DR FANG: —Your Excellency, may I congratulate my Friend, the Financial Secretary, on achieving another budgeted surplus at relatively little additional cost to the taxpayer. Indeed, our record of only two actual deficits since the War underscores the strength and resilience of our economy, and long may this continue. With the recession now firmly behind us, I hope we can make bigger strides in our social programmes to achieve a real measure of improvement in the quality of our life. My remarks today will be confined to regionalized medical services and the manpower involved, our ambulance service, community nursing and subvention policy.

My Friend, the Director of Medical and Health Services, has made known on several occasions Government's intention to provide medical and health services on a regional basis. The average man in the street, however, has not fully appreciated what this means, in terms of services for himself and his family when they are unwell or injured. I am sure the public would appreciate a further statement on this policy, its implications and how it is to be implemented in stages. I must confess that the draft Estimates of 1977-78 have left me somewhat confused over the standard of service we are hoping to achieve. Government's declared aim is to provide for a ratio of 5.5 hospital beds per thousand population. This year we hope to achieve the

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ratio of 4.18, as compared with 4.11 last year; but next year, the ratio drops to 4.14. I am sure that the general public would welcome clarification on this point.

Government's regionalization proposals must be a plan of action rather than a paper exercise. In my view, each regional hospital must have a full complement of staff and facilities to discharge its role as a major hospital. This should include, in addition to the general set up, a 24 hour laboratory service, a burns unit, a neurosurgical unit, an intensive care unit and an accident service with full x-ray facilities. In connection with the last, I understand that Government called in an expert in 1971-72 to advise on accident service and that a report was produced. Will Government say whether it intends to implement any of the recommendations contained in this report?

There is no doubt that considerable resources will be required to carry out the regionalization policy but I believe that the crux of the problem lies not so much in money as in the manpower resources required in the way of doctors, nurses and para-medical staff. These are the people who must be trained. They do not come off the production line overnight. The chronic shortage of experienced doctors in the Government service is a particularly worrying problem and one which must be resolved early if we are to fulfil our programmes. Even now, the actual strength of doctors is well below the approved establishment. This means that we are unable to keep up with present commitments, let alone any future expansion on the scale we have set ourselves. A quick analysis of the figures over the past few years shows a high annual wastage. In the past year alone, there were as many as 87 resignations, which is over 10% of the total strength. It is easy to dismiss the high rate of resignations by saying that Government cannot compete with the earnings in private practice. My feeling is that the real causes go deeper than the desire for greater monetary reward.

For instance, in 1974 and 1975 those were difficult years for everyone. Conditions in the Medical Service within Government were particularly critical and services then being provided appeared to have been cutback, which I do not believe was Government's intention. Thus, drug supplies were limited, laboratory tests were curtailed, worn out equipment was not replaced, much needed new equipment was not ordered and there was an acute shortage of nursing and other para-medical staff. Even now, conditions are not much better and it

will take some time to get back into gear. For example, a patient has to wait $2\frac{1}{2}$ months for an appointment for barium meal examination, and 6 months for a myelogram investigation of the spine. This state of affairs must be demoralizing for both doctors and patients. It is imperative for Government to explore ways in attracting qualified and experienced local doctors to stay in the Civil Service if we are to improve our standard of health care. I suggest that the following possibilities be explored: contract terms, better training and better career prospects. On the first, I understand that contract terms are offered only in cases where there is particular difficulty in recruitment, *e.g.* skin specialists, Prison Medical Officers, Pathologists, *etc.* There must be many qualified doctors who do not wish to make a career in the Civil Service but who would be willing to serve on contract for, say, 5 to 10 years. Contract terms would attract such people and should be freely offered to doctors joining all branches of the Medical Service. It is also in line with our localization policy. In this connection, I would like to suggest that the same terms be offered to doctors who have retired from Government service but who wish to be re-employed by Government, without the need to have their pension frozen as at present.

Secondly, I am convinced that inadequate training opportunities coupled with poor career prospects lie at the root of many resignations in the Medical Department. The resignation figures over the past five years show that the majority of those who resigned had many years of experience. These doctors form the backbone of the medical and health service and we cannot afford to see them go.

In the past there was a scheme of overseas training for local doctors to obtain post-graduate qualifications overseas. However, since the introduction of local examinations for such qualifications, the scheme has by and large been abolished. At present, officers in the major specialties, *e.g.* medicine and surgery are required to shoulder their own expenses for training overseas without any paid leave and passage, *etc.* They are refunded the amount only if and when they are successful in their examinations. This is a very shortsighted policy and does not help to promote their sense of loyalty.

If all doctors on the permanent establishment were to be offered paid study leave overseas after, say, three years of service, this would be a real incentive for local doctors to join and remain in the Civil Service. Although examinations are now held locally for a number of post-graduate qualifications this cannot replace overseas training, the aim of which is to broaden the doctor's horizon and to enable

[DR FANG] Appropriation Bill—resumption of debate on second reading (2.3.77)

him to keep abreast with modern trends. All branches of medicine are living sciences and they need regular nurturing if our standard of health care is to move ahead.

For doctors who have obtained post-graduate qualifications, either locally or overseas, I suggest that they should proceed automatically to Senior Medical Officer rank which gives a substantial increase in salary and additional fringe benefits, such as housing, overseas education allowance, leave, *etc.*, thus encouraging them to make a career in the Civil Service.

I fully appreciate that in matters of Government salary scales and gradings, the cardinal rule is to avoid disturbing internal relativities and setting off a chain reaction, but I think that the doctor's situation is serious enough to call for exceptional arrangements as we have done with the ICAC. Under the 10-year plan for medical improvement, Government has committed itself to a programme of improved services. This programme must not flounder because of failure to come to grips with the problem of recruiting and retaining sufficient qualified and experienced doctors to see us through.

I wish now to say a few words about our Ambulance Service. On this issue, Sir, I am expressing also the views of my colleague the honourable Mr LOBO that although this service is very ably operated at present, it is still by and large essentially a transport service. Ambulance orderlies are trained primarily on first-aid and to a very limited extent on the knowledge of resuscitation. During the past year, 2,811 cases were certified dead on arrival at the hospitals. Even assuming that 50% of these cases were already dead when the ambulance arrived, this still leaves some 1,400 cases or about four a day whose lives might have been saved if emergency treatment could have been given at the scene and en route to the hospital by more adequately trained ambulance staff. Such staff should be able to contact regional hospitals direct by radio so that they can seek a doctor's advice as necessary on how to deal with the patient on the spot. The cost involved in providing the necessary telecommunications equipment and clinical diagnostic training should not be too great and should be well worthwhile in terms of lives saved.

On community nursing I welcome Government's recent move to subvent a number of voluntary agencies providing this service. There is no doubt in my mind that such a service is essential, particularly

when hospital beds are still in short supply. I am confident that the ultimate evaluation of this service will prove this. I urge Government to consider now plans for taking on this service itself, in partnership with the voluntary sector, so that action can be taken as soon as a decision is made to continue with the service. There is no need to wait for the result of the evaluation in 1979 to map out a plan of action.

Finally, Sir, on the matter of subventions for voluntary agencies I should like to draw attention to the existing rule that salaries for staff of voluntary agencies must not be more favourable than Government salaries for comparable work. The voluntary sector in general cannot compete with Government in terms of fringe benefits and career prospects, so that they have real difficulty in recruiting high calibre staff. On occasions, it may be necessary to offer a higher salary to compensate for limited fringe benefits and career prospects. I do not suggest that the rule should be relaxed completely but it would seem sensible to allow some flexibility in its application so that voluntary agencies can function more efficiently. Perhaps the Heads of Departments concerned could be given some discretion in this area.

Sir, I support the motion.

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

Question put and agreed to.

Committee stage of bills

Council went into Committee.

LIMITED PARTNERSHIP (AMENDMENT) BILL 1977

Clauses 1 to 7 were agreed to.

MONEY-LENDERS (AMENDMENT) BILL 1977

Clauses 1 to 3 were agreed to.

LANDS TRIBUNAL (AMENDMENT) BILL 1977

Clauses 1 to 6 were agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that the

Limited Partnership (Amendment) Bill 1977

Money-Lenders (Amendment) Bill 1977

Lands Tribunal (Amendment) Bill 1977

had passed through Committee without amendment and moved the third reading of each of the bills.

Question put on each bill and agreed to.

Bills read the third time and passed.

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 fifteen minutes past four o'clock.