

# OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 31st 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

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HIS EXCELLENCY THE PRESIDENT: —Council will resume and continue the debate on the Appropriation Bill.

**Second reading of bill**

**APPROPRIATION BILL 1977**

**Resumption of debate on second reading (30th March 1977)**

*Question proposed.*

MISS KO: —Your Excellency, the debate on the Appropriation Bill this year has a special significance as we are mid-way between Your Excellency's first announcement in this Council in 1972 of the plans for rapid development of social services and the year projected for their completion. This coming year is also the fifth year of the

Five Year Plan for Social Welfare Development which was published together with the White Paper on Social Welfare in 1973. In the social service programmes as in all other programmes we are all aware of the delays caused by economic recession, but besides the obvious economic set-back, we must ask what other factors have prevented us from implementing what we first set out to do. What changes in our policies are necessary now that we have learnt the lessons? In asking these questions, I have in mind not only our development plans on social welfare but also those on education, medical and health services, and housing.

This coming year is also significant because of the policies and programme plans to be introduced in this Council on specific areas of social services development; one, on rehabilitation, has already been debated in this Council and we shall soon consider two more papers, dealing respectively with the care of the elderly and with preventive social work among young people. The ways in which these social service plans should be financed and the necessary changes in the methods of appropriation are issues that we need to consider. I shall concern myself with the question of keeping a balance between the limitations imposed by our economic constraints and the pace of implementation of our social imperatives.

#### *Larger Allocation for Social Services*

In the two years of 1974 and 1975, Hong Kong experienced little growth. Our economic recovery in 1976 was, however, almost unprecedented and the performance of Hong Kong was not only the best in this region of Southeast Asia but one of the best in the world.

With a more buoyant economy, the Government should now rid itself of the conservatism so characteristic of the budgetary exercises in the past two or three years. The Budget for 1977-78 represents a 20.5 per cent increase over that for 1976-77 and the proposed appropriation for social services, comprising social welfare, labour, medical and health, education and housing, in the total Government expenditure stay at about 40 per cent, as they have remained during the past several years. I would ask that Government consider more provisions for social services, particularly for social welfare programmes, to compensate for the cut back in recent years if the economic situation improves even better than projected.

#### *Need for Change in Budgetary Policies for Social Welfare Expansion*

In view of the commitment of the Government to work towards a better quality of life for the people of Hong Kong, and in particular the

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far-sightedness of Your Excellency in initiating the expansion of social programmes, I have some reservations about the method we have adopted to finance these programmes, especially the costs for social welfare expansion. This is important as Hong Kong is now beginning to have social projects and plans which extend over not just 5, but 10 or even more years. The qualification, embodied in the 1976 Review of the Five Year Plan for Social Welfare Development in Hong Kong, "that the inclusion of any particular project or activity in the Plan does not of itself convey any guarantee of implementation" is especially worrying. The Five Year Plan on the expansion of social welfare had to be shelved in 1974 and 1975. It is my contention that we have to change the present practice of looking at only one year at a time. I should not be taken as asking for a larger share of the revenue for social welfare, though I wish it were possible, but for a change in our budgetary policy to ensure that our social goals are not thwarted by the economic vicissitudes or the underspending in a particular year.

I agree with the Financial Secretary that the primary objective of a budgetary policy is "to implement approved Government policies and programmes in such a way as to ensure the public interest, and to the maximum extent that the economy will permit". However, as the ability of the economy to finance programmes or policies varies from year to year, dependent as it is on a number of unpredictable factors, measures should be taken to ensure that development projects are not unnecessarily delayed because of economic constraints over a certain period.

I noted with particular interest the guidelines, spelt out by the Financial Secretary in his speech, governing recurrent and capital expenditures. The principle adopted is that recurrent expenditure should not exceed 80 per cent of recurrent revenue and that if less than 80 per cent has been absorbed, the surplus will be used to finance a larger quantum of capital expenditure. In other words, capital expenditure will depend on the capital revenue collected as well as the surplus accrued from unused recurrent expenditure. However, in a lean year, the revenue from both sources may be insufficient to meet all the demands including capital financing. Since it is our policy not to borrow in order to finance the residual deficit on capital account, we have chosen to delay projects which should be implemented. To avoid such ups and downs and to ensure that steady progress results from our social programmes, I propose that expenditure in regard to

the expansion of social welfare should be tied to a more steady source than the existing arrangement. I would suggest that as we are now drawing up a list of Programme Plans on rehabilitation, on the elderly and on youth, we should ensure their implementation by allocating "block grants" for expenditure, especially capital expenditure, for new projects according to the very carefully considered and practical programme plans. The "block grant" idea has long been practised in financing both capital and recurrent expenditures of the two Universities and the Polytechnic, not for a single year, but for a longer period. We should also draw up a list of desired social welfare services and then vote a definite sum for the expansion over a certain period. In deciding on the size of this vote, we should of course also take into consideration the projected income from the Lotteries Fund.

I must stress that in proposing this, I am not trying to detach our social progress from economic reality. I am proposing a method of bringing the budgetary policy more in line with our social development goals and our determination to implement the social programmes which we have either adopted or are in the process of adopting. Since these services would not be charged at cost, they tend to be neglected in stringent economic situations. Some measures must therefore be introduced to ensure the implementation of what we have committed ourselves to in these areas, to the maximum extent that our economy will be capable of financing, not in a particular year, but over a longer period.

#### *Extension of Infirmity Allowance*

I would now turn my attention to other aspects of the Appropriation Bill. The total estimate for social welfare for 1977-78, including both allocation for the Social Welfare Department and subventions, is only slightly more than the original estimate for 1976-77. This is mainly due to a decrease in the estimate for Public Assistance. The increase in expenditure on Public Assistance for 1974 and 1975 might have been exceptional but since we are now relieved of the pressure from this side, should we not consider a faster expansion of other areas of social welfare? I refer especially to the Infirmity Allowance Scheme. I welcome the proposal of lowering the age limit of eligibility. The suggestion, which I have advocated on several occasions, is to lower it first to 70 and eventually to 65. If the Infirmity Allowance Scheme remains non-means tested, I consider it essential that the allowance should include those under institutional care; at present those receiving Public Assistance can apply for Infirmity Allowance if they reach the age limit, while those under institutional care cannot— and I see no reason for the discrimination.

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The purpose of the Infirmity Allowance is to assist the elderly infirm to meet additional needs which may arise because of their old age. We have yet to define the needs of the elderly, and to assess the ways in which the Public Assistance Scheme, the Infirmity Allowance Scheme and other social services can best work together to help provide old people with a satisfactory quality of life. Furthermore, since the Infirmity Allowance Scheme has now been in operation for three years, it is also time to review its effectiveness and bring it closer to achieving its objectives of meeting the additional needs of the elderly infirm. I hope that the above will be taken into consideration in the review of the social services for the elderly this year.

*Voluntary Agencies and Subvention Policies*

Subvented organizations will continue to play an important role in the provision of social services in Hong Kong, especially in the expansion of services for the disabled, the elderly and the young people. I can envisage an even greater role for them in the future. These agencies strive to maintain a high standard of service and to account for the share of subvention received. However, the Government, on the other hand, must recognize the indisputable value of the voluntary sector and subvent to the full the costs which voluntary agencies incur in expanding their services. The practice of underpaying staff employed by voluntary agencies must also be stopped, not merely because of the injustice of such practices, but in recognition of the contribution these dedicated workers make in promoting the welfare of the community.

*Conclusion*

To maintain a proper balance between economic constraints and social imperatives should be one of the aims of the budget. We should have confidence in the resilience of our society and, in particular, our ability in working towards a better quality of life for the people of Hong Kong.

Sir, with these remarks, I support the motion.

MR TIEN: —Sir, I rise to speak in support of the budget proposals made by the Financial Secretary and shall confine myself to one topic only, namely, our external commercial relations—a matter of utmost importance to the economic well-being of Hong Kong. I should like to speak with particular reference to textiles.

I can certainly understand the reason for the Financial Secretary's cautious remarks in referring to the future of the Multi-fibre Textile Arrangement (MFA) and the multilateral discussions that are currently going on in Geneva on the so-called safeguard measures under the General Agreement on Tariffs and Trade (GATT).

Hong Kong has long been known as a tough negotiating partner but our toughness and tenacity derives not from political or economic strength, of which we have none, but rather as a partner who has the reputation of discharging fully its obligations under international arrangements to which we have acceded. We have a reputation for being fair negotiators.

From the reports we have seen in the press and from statements issued by the Government, it would appear that some of our trading partners are not prepared to play the game by some of the existing rules. The European Economic Community (EEC) is reported to be seeking changes to the MFA. This arrangement is, in the view of textile exporting countries, already a restrictive instrument. The reports have it that the EEC wants to make it more restrictive, thus making the framework for future negotiations even more unfavourable to exporting countries.

I am particularly disturbed from press reports that the United Kingdom, is said to be a party to the proposals for such changes. If these reports are accurate, and there appears to be no reason to suggest that they are not, they would seem to undermine the very positive, helpful and encouraging remarks made by Sir Peter CAREY, a senior civil servant in the Department of Industry in the United Kingdom who visited Hong Kong recently, and who, on departure, emphasized the special relationship between the United Kingdom and Hong Kong and the determination of the UK Government to ensure that in matters relating to commercial relations, regard would be had of this special relationship. I think, Sir, the public in Hong Kong is entitled to re-assurance from Her Majesty's Government that it would play no part in the EEC in matters which adversely, and more importantly, unfairly affect Hong Kong; and indeed it should be expected to go further by defending Hong Kong in such circumstances.

Even the present MFA is not without its faults as evidence, the introduction of tariff quotas on textiles by Australia and the abrogation by Canada of 2 textile agreements it entered into with Hong Kong. These are examples of the lack of teeth in the MFA in controlling the behaviour of the stronger participants. Any further weakening of the MFA and for that matter, the GATT, would create situations

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where developing exporting countries might be placed in an even weaker negotiating position.

In addition, Sir, I should also ask the Government to make a public statement on the position regarding the future of the MFA and an assessment as to what progress will be likely to be made in the discussions in Geneva leading to the renewal of the MFA, which expires at the end of this year. I appreciate, of course, there is an element of crystal ball gazing in making forecasts of this nature, but if the Government has in its possession, facts or information, which could re-assure the trading community in Hong Kong, I suggest the Government should try to spell these out so as to restore and maintain business confidence.

I noted the Financial Secretary's statement that 1977 would be a busy and difficult year for the Commerce and Industry Department, in particular its commercial relations side. I trust that the Department's strength would be brought up to a level sufficient to cope with these difficult and delicate tasks that lie ahead.

The assessment from the private sector is that the garment industry in general is fairly optimistic that 1977 should be a good year. Our order books are filling up and we believe that our markets will continue to grow, and that the slow-down experienced recently is merely temporary. The Clothing Industry Training Centre in Kwai Chung is being built and will become operational in the near future. The industry is, therefore, looking forward to an injection of trained workers from this Centre which will meet demands generated by the production of new items. The industry is by and large confident that it will continue to succeed wherever there are markets abroad. It will certainly endeavour to maintain and improve Hong Kong's position in the forefront as the leading garment exporter.

I feel sure, Sir, that the Council will be interested to hear that Hong Kong's delegate to the 23rd Commonwealth Parliamentary Association Conference to be held in Canada in September of this year intends to propose that a topic entitled "International Trading Agreements" be included in the Agenda for this forthcoming conference, so that the recent events surrounding the Australian and Canadian actions in introducing tariff quotas in one case and superseding bilateral agreements in the other, could be discussed in an open forum.

With these remarks, Sir, I support the motion before Council.

MR CHEN: —Sir, when the Financial Secretary commented on Hong Kong's economic future in his Budget Speech, he struck a note of caution that after the rapid recovery of 1976 the outlook was clouded with uncertainties. We were reminded once again that our economic growth was still very much dependent on external factors over which we have no control, such as the policies of the governments of the countries to which we export. This prompted me to ask myself the question whether we in Hong Kong had any form of strategic economic planning at all, whether we play a deliberate role in deciding our own future, or what direction we should go in order that we have a future. We could not surely afford to be complacent and continue to think that we could always enjoy the good fortune of the past. Let me hasten to add that I do not doubt that our policy of allowing industry to develop freely to take advantage of short-term world market demands has served us well up to now. But, will this always be the case? Should we not make a start, however modest, in planning our own economic destiny?

While we do not appear to have any known economic plans, there seems to be some sort of plans in operation. For example, we often hear of efforts made to attract overseas investments in the way of high technology industries. We have a land policy which decides where certain industries should go. We have established the Hong Kong Industrial Estates Corporation to develop and manage our new industrial estates. We are spending millions of dollars annually on general and technical education, partly as an investment to sustain our economic development. All these speak of planning. But what and where is the master plan which links them all?

The success of any plan for economic development will depend in large measure on the availability of manpower possessing the right skills and knowledge. For example, it would be futile in my view to endeavour to attract overseas investments in high technology industries unless we can assure potential investors that there will be the necessary skilled manpower to support it. It is therefore essential that we have both an accurate assessment of the manpower supply needed to achieve our industrial development objectives and a realistic and practical plan for the development of our manpower which is our only and most valuable asset.

To achieve the first part we must have reliable manpower forecasting to provide our policy makers with a rational basis on which to take decisions on education and other areas of economy, and for industrialists, both local and overseas, to plan their investments and

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expansion. The responsibility for forecasting manpower rests with the Hong Kong Training Council. Hitherto, such forecasts of technical manpower have been made from past employment trends in the major industries, technical services, Government departments and teaching institutions. Such measured forecasts, although reliable as a basis for planning, could be further refined by being compared against not merely the past but also, more importantly, the planned growth rates of the real products for the major industries. As I understand it such breakdown is currently not available, and much effort in this direction is needed if we were to make our forecasts more reliable and accurate than they are at present.

Manpower planning cannot be divorced from education planning, whether technical or general. The former must reflect the needs of the community and the latter must be the outcome of and based on the former. The provision of 3 years subsidized secondary education by 1980 will have a tremendous impact on our future manpower situation. By then there will also be subsidized places in Forms 4 and 5 for 40% of the Form 3 leavers. Therefore from 1980 onwards, the bulk of the 60% of those Form 3 leavers (approximately 50 - 60,000) who do not proceed to further subsidized education, would theoretically speaking enter employment. This, however, is unlikely to happen in practice. What is more likely to happen is that most of the parents would, with the savings resulting from the extra 3 years of subsidized education, do everything to put their children through Forms 4 and 5 in the private sector irrespective of whether or not their children have the ability to benefit from the final phase of secondary education.

The long term effect of such an eventuality would be that most young people would not start working until they reach the age of 17 or over, and many may be reluctant to enter industrial employment merely because having completed secondary education, they would aim at the superficially more prestigious white-collar jobs. The short term effect is that our industry would be starved of fresh manpower for 2 years. It is important that we should bear in mind that the industrial sector alone, with a work force of about  $\frac{3}{4}$  of a million, would need an annual input of about 45 to 50,000 to cover new demand as well as wastage resulting from people retiring or leaving industry for other reasons.

We shall have a situation where industry will be competing with private education for Form 3 leavers and industry will do well to be prepared to meet this eventuality by being ready to offer young people attractive incentives to work in industry. Further educational opportunities such as part-time day-release or block-release studies coupled with proper apprenticeships would be an important incentive to attract youngsters to take up an industrial career. Making industrial work more interesting and satisfying would be another.

We may also have the situation where the technical institutes, which are indispensable to the future economic and industrial development of Hong Kong, will have to compete with private schools for students. Because most Hong Kong parents have traditionally regarded completion of secondary education as being important, the former would lose out. We could therefore have a situation where vital facilities would be under utilized because of the very nature of our education system.

When talking about development of skilled manpower at all levels, technical education and industrial training must be considered and planned as an integral whole and not in isolation one from another. The present situation in this regard, is in my opinion, not very satisfactory. The two important aspects of manpower development, namely technical education and industrial training are out of balance, as can be seen from our annual expenditure where funds provided for technical education far out-proportion that for industrial training. One must not forget that technical education alone cannot produce the skilled manpower we need. It has to be supplemented by adequate industrial training, otherwise we would be turning out only half finished products which would not do either the graduates or industry any good. Here is an area where I would like to see more Government support. However, this is not to say that industry has no responsibility in industrial training.

There is a further point which I would like to add. At present, the work and planning of technical education and industrial training are in the hands of separate Government departments whose views need not always be identical. Therefore, in order to ensure that manpower development, which has a direct and vital bearing on our economic future, would not be subject to departmental differences, I would propose that the responsibility for these two closely related aspects of manpower development be vested in one organization empowered to make policy decisions on technical education and industrial training and to plan them accordingly. This would be in keeping with

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world trend, for example, Singapore has done something similar, and would reflect the importance Hong Kong attaches to manpower development. This would also help to inspire confidence of overseas investors.

Days when all we need for sustaining economic and industrial growth is plentiful and inexpensive labour have long gone. Our future economic and social development will depend on our ability to meet the demand for increasingly sophisticated technical manpower. Such demand must be reliably assessed and when possible, the assessments should be linked with forward economic planning. The development of technical manpower must be regarded as a vital capital investment and planned and executed without let or hindrance. I have proposed means whereby both manpower assessment and development can be improved and I hope that Government will give serious consideration to my proposals.

With these remarks, Sir, I support the motion.

MISS DUNN: —Sir, there can be few territories or countries which can look back with such satisfaction and forward with such confidence as Hong Kong despite our special circumstances. The Financial Secretary, in his analysis of our economic and financial condition, has chosen to look back four years to 1972 and forward four years to 1981. In doing so, he has highlighted the features of 1976 and the prospects for 1977 and, of course, spelt out our financial prospects for the budget year 1977-78.

For 1976 he announced a 16% growth in the GDP in real terms and a 27% increase in exports in real terms. Yet inflation, measured in terms of the Consumer Price Index, was a mere 3.4%. At the same time, as we moved into rapid recovery, full employment was restored; and with a tightening of the labour market, real wages have begun to increase again.

I have some reservations about the Financial Secretary's economic forecasts for 1977. He himself has expressed reservations about 1978 and beyond, but I do not think that the dramatic surge in our export performance over the past twelve months should lead us to be too confident even about the current year. The forecast growth of the GDP in real terms in 1977 of 7% is quite high. At 7% it is equal to our trend growth and depends, inevitably, on a variety of assumptions.

Some of the assumptions about demand in our main markets seem to be somewhat optimistic, given that inflation remains a world-wide problem and is associated, unusually, with excess capacity in the main industrialized countries.

On the budgetary side, we begin the new financial year with strengthened reserves—where else does one find a government with an accumulated balance in the public accounts? So we are able to plan for a 21% increase in expenditure in 1977-78 and to budget for a balance, even after meeting the cost of tax concessions of \$127 million. These concessions will be enjoyed largely by those in the lower income range.

Despite my doubts about even the short term economic outlook, I cannot fault the Financial Secretary's budgetary strategy for 1977-78 and his policies generally have my warm support. I would also like to congratulate him and his hard-working staff on the clarity and presentation of the budget speech and related documents. They take rather a long time to digest. However, the effort is worthwhile and I regard them as an important example of Your Excellency's policy of open government.

But I am afraid my general support for the Financial Secretary's policies and his management of our financial and economic affairs must be tempered by two reservations. In the first place, I feel obliged to take him to task for his failure, yet again, to meet the expenditure he budgeted for on capital account in 1976-77. My senior colleague Mr LI Fook-wo has already spoken at length on this subject and all I wish to say is that I am not satisfied with the rather cursory explanation given in paragraph 72 of his budget speech. In this Council on 21st July last year, the Financial Secretary gave five reasons for underspending on capital account in 1975-76 and indicated the relative importance of each. I should like to have a similar breakdown for underspending this year. In particular, I should like to know what proportion is due to over-estimation of contract prices; whether the Financial Secretary is satisfied that the department mainly concerned—the Public Works Department—is adequately staffed and organized for its vast responsibilities; and whether the Government considers that the bureaucratic system is at fault in any way. I am not suggesting that, when it comes to the spending of public funds, bureaucratic procedures are unnecessary, but is it not possible that some procedures need overhaul? If so, does the Government have it in mind to undertake a review of relevant procedures with a view to improving the performance of the PWD, the Secretariat and other departments concerned, such as the New Territories Administration?

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In asking these questions, I would remind honourable Members that the Financial Secretary himself, in paragraph 138 of the budget speech, has described the Annual Estimates as having two functions, namely, a listing of financial authorities as approved by this Council and a statement of the Government's intentions. Clearly, it is a matter of public concern when authorities are exceeded. This happily occurs very rarely. But it is equally a matter of public concern when those intentions are not fulfilled. And this seems to be happening rather frequently.

I would further like to have an assurance that the expenditure budgeted for in 1977-78 on capital account of over \$2,000 million is more realistic. At several points in the budget speech, the Financial Secretary has claimed that the Estimates are more realistic, but his claims are little more than assertions and I would like to hear from him a more definitive defence of the provision sought for capital expenditure, particularly by the PWD and the Housing Authority.

Finally, on this first reservation of mine, may I ask the Financial Secretary what arrangements exist in the Finance Branch or elsewhere to monitor the progress of public works projects? The Public Works Sub-Committee regularly reviews the Public Works Programme and updates authorities and reports in detail to this Council. It seems to me that too little attention is then paid to the implementation of those authorities. I realize this is an executive matter but, at the very least, I think Unofficial Members ought to be told what the internal monitoring arrangements are and be periodically advised of progress achieved.

My second reservation concerns the Government's adherence to a philosophy of minimum interference or positive non-interventionism as the Financial Secretary has described it (frequently and, I must admit, persuasively, in various speeches). Needless to say, I fully support the view that a free competitive system allocates resources most efficiently and maximizes real incomes. And it has been the engine of Hong Kong's economic success story. But have we not reached the stage in our economic development when the Government should exercise more influence on market forces, especially when they affect the competitiveness of our external trade? To put this question another way: as we move into the late 70s and early 80s, as our economy diversifies and as we become more and more influenced by the destabilizing forces of the world's monetary system, can we afford simply to respond to events?

I realize that our circumstances are different from those of our competitors and that some of the policies adopted by them such as artificially cheap land and special tax inducements would be costly, would put at risk our fiscal policies and, probably, would be damaging to the general environment in which business can be conducted here. But there are two areas where I have genuine doubts about the Government's policies, or at any rate, the practical application of its policies. These are land for sale to the private sector, particularly for industry; and the management of the Hong Kong dollar.

As regards land, some of my colleagues have dwelt on this subject already. I wish, therefore, to make one point only: in paragraph 87 of the budget speech, the Financial Secretary admitted that the Government has been unable so far to devise a land production programme. This means that the Government does not have a programme of production of land for sale. In other words, he seems to have admitted that land for sale is simply equal to what is left over after public uses have been satisfied from clearances, resumptions and reclamations. This left over is then offered for sale for industrial and commercial/residential uses.

What worries me is that this approach implies that the Government regards such land as simply an asset for sale for revenue purposes. Yet land is a vital factor of production. As such the amount available for sale, and the use to which it is put as between various competing possibilities, should be determined on the basis of rational considerations relating to the economic as well as the social development of the community. The Government will, no doubt, reply that the concept of industrial estates meets my point. In view of the restricted user conditions applicable to sites in these estates, and rightly so, I cannot agree. We need a more comprehensive approach to the production and use of land, with the needs of the private as well as the public sectors being properly catered for.

Finally, as regards the Hong Kong dollar: the Financial Secretary's policy, as stated in paragraph 31 of the budget speech, is to use the resources of the Exchange Fund to smooth out what he calls "short-term wayward and erratic fluctuations" in the exchange rate, but not to act against what he calls the "underlying trend". He goes on, in the same paragraph, to admit that sudden changes in the money supply are less disruptive for the economy than sudden movements in the exchange rate.

I am sure he is right, but the question I would like him to consider more carefully than perhaps he has done so far is this: does the

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strengthening of the Hong Kong dollar by some 9% against the US dollar over the past 14-15 months reflect the realities of our trading situation? And even if it does, for there was a substantial reduction in our trade deficit last year, is such a strong currency conducive to our maintaining the growth of our exports in 1977? I ask this latter question because the trading environment over the next 12 months does not look to me to be too favourable. I am worried, therefore, at the prospect of the Hong Kong dollar continuing to be the third strongest currency in the world in terms of the effective exchange rate index. And there are signs that the Hong Kong dollar's strength is now being sustained by monetary factors. If so, then the competitiveness of our exports and our profit margins will be damaged for the beneficial effects on costs of cheaper imports take time to work through the system; and, meanwhile, the Hong Kong dollar could continue to strengthen.

So I would suggest the Financial Secretary should pay more attention to the "underlying trend" or, rather, to the implications of the "underlying trend" for the economy as a whole. He should not rely too heavily on the theory that the flexibility of costs and prices should enable us to adjust to given exchange rate. This may be true in the long run but, meanwhile, the people of Hong Kong have to earn their living. The reserves of the Exchange Fund, described by the Financial Secretary as "substantial", should be deployed more aggressively to modify the "underlying trend" particularly if the trend is over-influenced by technical and monetary factors. In addition, interest rates in Hong Kong should be kept more closely in line with interest rates abroad than they have been, at times, in the past. This is largely a matter for the banks but, to the extent that the exchange value of the Hong Kong dollar is at stake, the Government should encourage the banks to adjust interest rates whenever money flows exert excessive influence on the foreign exchange market.

With these two reservations, Sir, I support the motion.

DR HU: —Sir, I have some comments on the 1977 Budget—from the social perspective.

The Financial Secretary's budget of \$3,243 million for social services for the year 1977-78 representing an increase of \$535 million over the revised estimates of \$2,708 million for the current year and

39.3% of the total budget for 77-78 is indeed reassuring and indicative that our Government is not unaware that we need to spend more on the social development of our community. The Financial Secretary should therefore be applauded in recognizing this need and the proposals he has made for the development of the social services are indeed most welcome. Hence the comments which I have on this subject are not meant to discredit his fine recommendations, but hopefully, these views will further his convictions that the need for the improvement and expansion of our social services is proven and that additional resources for this sector can be readily justified.

### *Housing*

The Financial Secretary has budgeted an initial sum of \$102.5 million for the construction of 7,200 flats under the first phase of the building programme for the Home Ownership Scheme. I fully support this move and agree with my honourable Friend that home ownership should be promoted as a desirable social objective in its own right because it helps to foster a sense of belonging among the people, especially among the middle and lower income brackets which make up the largest portion of our population.

Sir, I am also delighted to learn that the Government is proposing to invite private real-estate developers to join with Government in the promotion of this worthy programme. Home ownership, to many people, means security for the family and hence for the State as well. However I am somewhat concerned about the price for such flats. It is most important that the price should be fixed at a realistic level and in no case should it be a profit-making concern. I would further like to recommend that the land cost for this purpose should be determined at the minimum reserve price level and not its market value, otherwise, the meaningfulness of this scheme would have been defeated.

For those who cannot afford to buy their own flats and have to continue to live in public housing estates the Financial Secretary referred to the possibility of allowing the Housing Authority to have more flexibility in determining rents, having regard to the tenant's ability to pay and to other factors such as the location and quality of the accommodation. I am very much encouraged by this statement because I have always advocated that the rents for our public housing estates should be commensurate with the total family income of the tenants and for this sector of the population, I submit that, Sir, no more than 15% of the total family income should be spent on rent. I have therefore two suggestions for your consideration. Sir, that is, rent payment on a sliding scale according to income level or a rent

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rebate system as practised in the United Kingdom. The administration of such systems call for more manpower in the Housing Department but I do believe that this is worthy of Government's consideration because this will bring social justice a step forward by asking those who can afford it to pay their due share.

*Education*

The Financial Secretary has outlined many laudable developments in the improvement and expansion of our educational programmes in the coming years and I am very pleased indeed that we are making definite progress with these planned provisions, particularly in special education and secondary education. I am however disappointed that the Financial Secretary has again chosen to ignore pre-school education. I maintain that pre-school education is part and parcel of the whole educational system and the education of children in the age group of four to five should not be neglected.

*Medical and Health*

The Financial Secretary should be congratulated on his provision for implementing the first stage of the regionalization scheme for the administration of medical and health services and for his provision for the subvention of the community nursing service provided by the voluntary sector, initially for a period of three years. I have great hopes that the Medical Development Advisory Committee will see fit to plan for the development and expansion of this worthy project because with additional provision for community nursing Hong Kong is another step nearer to the availability of comprehensive health care.

*Social Welfare*

The increased benefits in the social security schemes as announced by the Financial Secretary are much appreciated. The extension of the Public Assistance Scheme to include young persons aged 15 to 17 who are unemployed family members and to able-bodied unemployed adults between 18 and 55 who have been out of work for a month represent Government's recognition of the need for this added commitment.

I am also glad to learn that there is a possibility that some consideration may be given to lowering the age limit of eligibility for the Infirmity Allowance. Statistics show that the average life expectancy is 72 for women in Hong Kong and 69 for men. It would therefore

be more logical, particularly in the absence of a sound pension system, to lower the age limit so that retired people between the age of 65 and 75 can look forward to some benefits.

Furthermore I would also advocate the extension of the Infirmity Allowance Scheme to include people in institutions because their need for a personal allowance is just as great as those living in the community. Since this Scheme is non means-tested, I maintain that age should be the only criterion for eligibility.

Although the Financial Secretary has very wisely provided additional funds for the improvement of our social security schemes, his budget provisions for the other complementary welfare services seem to have fallen below the expressed needs of the welfare sector. I think we are all aware that cash payment is not the answer to all social problems nor is it a panacea to all social ills. The need for the provision of other complementary welfare services for the individual, the family and the community is equally important. The funds provided for welfare services should be regarded as investments in people, investments in building up a healthy and stable community. The provision of \$68 million for subventions to voluntary agencies in 1977-78, although an increase of \$12 million over the current year, is unhealthily inadequate. My estimation is that no less than \$10 million will have to be spent in recurrent expenditure of existing services and in the implementation of the Child Care Centres Ordinance, leaving a meagre \$2 million for expansion purposes. This amount is ridiculously inadequate for the implementation of the committed new projects for the year 1977-78, let alone the resumption of projects which have been abandoned during the years of recession.

I am also concerned about salaries paid to workers in subvented welfare organizations as this is the very area where voluntary organizations find it most difficult to cope with. In order to maintain quality and continuity of service, I urge Government to assume responsibility in paying the full salaries of workers in all subvented voluntary welfare organizations, which should be equal to the salaries of their counterparts in the civil service if their qualifications and duties are comparable. In addition, I would also appeal to Government to make provision for the adjustment of salaries for these workers whenever civil servants are given such an adjustment.

Since the Financial Secretary has budgeted for a \$40 million surplus next year has also given us some reassurance that our economy is in a relatively healthy state, I would have thought that

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Hong Kong would be able to afford to speed up our social welfare programmes a bit more during good times so that social development in Hong Kong could catch up, if not keep pace, with our economic development. The failure to provide adequately for the improvement and expansion of welfare services, whose needs have explicitly been formulated in the Five Year Plan for Social Welfare Development as well as in the Programme Plans now under preparation, is perhaps indicative that our Government has not attached due importance to the welfare services provided by the voluntary welfare sector and has not taken full advantage of the healthy state of our economy to build a healthy community.

Sir, with these remarks, I support the motion.

REV MCGOVERN: —Sir, there are two points concerning the budget which I would like to single out as worthy of favourable mention.

The first is the increase in child allowances as set out in paragraph 214 of the Financial Secretary's speech. The amount is of course not really an increase but merely catches up, more or less, with the cost of living. But anything which helps to ease the burden of those with families and thereby helps to preserve and strengthen family life is an indication of a socially desirable policy.

As I have said before and will no doubt say again, the family as the basic unit of society needs all the protection it can get. Weak or strong family life affects a multitude of other factors in society ranging from education to honesty—the most positive form of anti-corruption. In a budget context a strong family life can save millions of dollars of future expenditure on police, ICAC and prisons to mention only a few areas. It is also the surest guarantee of an honest hardworking workforce which will increase productivity, whether we think of the workforce as at the highest levels of the Civil Service, or management, or the factory floor.

At the risk of confusing you by a lapse into my native idiom—an Irish Bull—the second praiseworthy point in the budget is something which is not in it (*laughter*). For once, the much battered owner of a private vehicle is not the target for a further bashing. In the light of recent history it would be too much to hope that this is an indication of a change of policy, or that Government will abandon its impossible

attempt to tax all private vehicles off the roads to make room for more boneshaking public transport. I presume it is just a respite and that someone is sharpening the claws of the vehicle tax-grab in preparation for a future assault. But at least it is a respite. I do hope that Government will use the respite to rectify the present system of vehicle tax.

It would seem logical to me that two considerations, among others, are important in devising a fair tax system for private vehicles in Hong Kong's crowded conditions. One is the size of the vehicle and hence the amount of our precious road space which it uses. The other is the environmental aspect of the size of the engine and the amount of fumes it emits to pollute our atmosphere. We can lump the two together because usually a bigger bodied vehicle has a bigger engine.

Now, somewhere in a small room off the corridors of power I visualize an unknown little man devising a tax system for vehicles. It makes me sad to think of his working conditions. I can only imagine him as a person who has to spend all the working hours of his life standing on his head looking at the world upside down. The present system which he has devised reflects just that position. At present, the bigger the vehicle the relatively less tax one has to pay. The smaller the vehicle the relatively more tax one has to pay. It would only make sense, not in the corridors of power, but somewhere in the burrows of Alice in Wonderland. Without taking too much time let me illustrate: the present owner of a metal monster of 6,750 cc cylinder capacity pays a tax which works out at 22 cents per cc. On the other end of the scale, the owner of a modest utility, space-saving, small-family car pays from 35 cents for the biggest in the category, to 58 cents for a smaller 600 cc car. Most ridiculous of all of course is the perpetual plight of the most economic of all road users, the plumber or other maintenance man who can only get from A to B in time by using a modest two wheeled vehicle, taking up perhaps one quarter or one sixth of the road space of a small car. In the present upside-down logic this unfortunate at the bottom of the private transport heap pays one dollar seventy five cents tax per cc for a 100 cc motor cycle, that is a ratio of just eight times more per cc than the owner of the metal monster.

During this respite I hope someone in Government will find the little man who is standing on his head, gently put his feet back on the ground again, and give him the job of devising a simple tax system which will favour the small vehicle and discourage the bigger ones. I would suggest a scheme based on arithmetic progression for small

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cars say from 600 cc to about 1,500 cc, and after that perhaps geometric progression to frighten off the space-eating fume-spewing monsters. Obviously the motor cycle should be not more than about a quarter the rate of the smallest fourwheeler.

So far I have praised what the budget contains in tax relief for families, and welcomed the respite for vehicle owners.

There is a final point in the budget on which I am in total disagreement. I have read all the gallons of ink which have been poured out on the subject of the method of assessment of the rateable values of property. I have read it, digested it, but not swallowed it. (*laughter*).

I will try to be brief, as enough has already been said on the subject. As I see it the method of assessment is based on unreality. Two terms keep recurring. One is "free market rent". The other is "fair market rent". A free market presupposes a free play and balance of supply and demand. That does not exist in Hong Kong where the demand for housing far exceeds the supply. Rent control for most ordinary sized domestic premises also excludes the reality of a free market. As regards the so-called fair market, I will restrain myself and merely state what I said several years ago when urging a reluctant Government to introduce rent control. Landlords in Hong Kong, whether of domestic or any other premises, are as a class, by and large, the most rapacious highway robbers in our community. I state flatly that in view of the greed of landlords as a whole, there is no such thing in Hong Kong as a fair rent. Any valuation therefore based on this concept is based on unreality. Even with rent control the situation for the tenant is an impossible one. Rent control merely means a legally built in rate of inflation of 10% per year, compounded so that it becomes 100% in  $7\frac{1}{2}$  years, 200% in less than 12 years—and so on with ever increasing rapidity. In an economy which boasts that we have been more successful than most in containing inflation, the continuance of this inflationary policy in such an essential area as housing seems to my mind to verge on economic suicide. The present rent control legislation, due to expire in 1979, needs to be closely looked at in the interim with a view to halting this sharp inflationary trend.

Even if the new assessment, modified by the reduced poundage and by the 33% limit, happened, temporarily, to come out as the

right answer for the wrong reasons, it is entirely wrong to my mind, that the landlord can pass on the increase to the already overburdened tenant. It is quite clear that rates are now a form of general taxation going into general revenue. They have long since changed from the original meaning of fees for services enjoyed only by the occupier. The tenant occupier should therefore not be singled out to pay this extra tax.

I do not know what can be done this year. But before the next reassessment of rateable values I urgently request Government to find a fairer system based not on imaginary concepts which do not exist, but on economic and social reality, other than the reality of the greed of landlords.

With these remarks and this one strong reservation I support the motion.

MR WONG LAM: —Your Excellency, I shall confine my comments on the budget to a number of problems concerning Salaries Tax.

(1) *Increase of Basic Personal Allowance*—This should hinge on the rise in the cost of living. If there is a big increase in the cost of living, but the basic allowance remains the same, it would amount to increased taxation in another form. Since the Financial Secretary arised the basic allowance from \$7,000 to \$10,000, the cost of living index has risen from an average of 138.8 in 1972 to an average of 195.6 in 1976, *i.e.*, a rise of more than 40%. Therefore the supplementary basic allowance should also be correspondingly increased to at least \$4,000. I said "at least" because my suggestion does not take into account two other factors that should also be considered. Firstly, there must have been a further increase in the cost of living since the end of 1976. Secondly, when the increase of personal allowance to \$10,000 was introduced by the Financial Secretary a few years back, the minimum rate for salaries tax was also raised from 2.5% to 5%, thereby already resulting in some increase in salaries tax. Thus the \$4,000 figure I have suggested for the supplementary basic allowance is still a relatively conservative one.

(2) *Dependent Parent's Allowance*—In the 1973-74 budget debate Government abolished the Dependant Parent's Allowance mainly on the grounds of "abuse" and "inequity due to territorial limitation". I consider that the decision to abolish parent's allowance should now be reviewed. Firstly, "abuse" or misinformation on tax returns is merely a technical problem. The fundamental principle for any kind of tax system is that it should meet actual needs.

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If a measure is slashed merely because of technical problems notwithstanding the fact that it is meeting an actual need, it would be tantamount to fitting it to the Procrustean bed. Under the social services system in Hong Kong today, many people who are aged over 55 but under 75 are neither eligible for pension nor for welfare allowances. They depend solely on their children for support. Their children, of course, support them partly out of filial piety, but, more importantly, because of real need. Thus their children have to scrape up enough to make ends meet. The provision of parent's allowance would therefore be meeting their actual requirements. Of course, certain dishonest people would supply erroneous information on their tax returns merely to get the concession, but I believe that they are, after all, of a limited number. We should look for ways to deal with this small number of bad apples, but should not throw out the baby with the bath water. Besides, with the extensive use of computer services by Government, there should now be better ways to detect cases of misinformation than 3 or 4 years ago. As for administrative difficulties, such as in defining "dependent parents" and in requiring the taxpayer to ascertain whether his brothers or sisters have also made similar claims, they are problems that should not be too difficult to solve.

Secondly, regarding the "inequity due to territorial limitation" I believe that the number of taxpayers affected is very small. Needless to say, our first concern is with the benefit of the majority.

Thirdly, when Government decided to abolish the Dependent Parent's Allowance the personal allowance was raised from \$7,000 to \$10,000. The increase of \$3,000 already took into account the need to support parents. However, since then, the cost of living has risen and it should be obvious that nowadays the personal allowance of \$10,000 would be adequate only for one's personal needs and that the element for parents' support has already disappeared.

Thus I suggest that Dependent Parent's Allowance be reinstated according to the present basic rate of public assistance provided under social welfare. If \$180 per month for a single person were taken as a basis for calculation, the allowance for a dependent parent should be \$2,160 per annum. For the sake of convenience in calculations, the original allowance of \$2,000 could be adopted.

According to data supplied by the Financial Secretary in the second reading of the Appropriation Bill 1977, there were about

230,000 taxpayers in 1975-76. The provision of the supplementary basic allowance should reduce the number of taxpayers to about 185,000. In addition, according to data supplied by the Financial Secretary in the 1973-74 budget debate, less than 20% of taxpayers submitted claims for Dependent Parent's Allowance and on the average each claimant received a parent's allowance of about \$2,240 (for a single person) and \$2,407 (for a married couple). Under present circumstances there has probably been not much change in these figures. On the basis of these statistics, if Government is to reinstate the Dependent Parent's Allowance, the reduction in aggregate taxable income would amount to about \$85 million. If such taxpayers were to pay tax at the average rate of 10-15%, the loss to Government's revenue would be roughly only between \$8 to \$12 million. This should have little significant effect on our balance of payments for the next financial year. On the other hand, it would be of great importance to 20% of our taxpayers and would satisfy the expressed wishes of the general public.

(3) *Child Allowances*—I agree with the Financial Secretary's proposal that Child Allowances be increased. However, to keep in line with the concept of family planning, which is of great importance, I suggest that the scale of allowances be slightly revised, *i.e.*, \$5,000 for the first child, \$3,000 for the second child and \$1,000 for the third child, with the rest of the allowances unchanged. This suggestion does not aim at forcing people to reduce the number of children they would like to have but merely encourages them to have better family planning if possible.

Sir, subject to these remarks, I support the motion.

DR CHUNG: —Your Excellency, this year my Unofficial Colleagues have asked me to sum up as well as to wind up the debate on their behalf. This is certainly no mean task but, as the Senior Unofficial, I feel I ought at least to make an attempt not only for the benefit of my Colleagues and the Government but for the general public as well.

### *Prologue*

Sir, let me begin by saying that tremendous progress has been made in our social and community services during the period of your Governorship. Comparing the budgeted expenditure for 1977-78 with the actual expenditure in 1971-72 when you, Sir, first assumed the office of Governor, there has been almost a threefold increase on education, over a fourfold increase on housing and an eightfold increase on social welfare. Although we have achieved these impressive growth rates which are high indeed by any standard, we have been able at

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the same time to maintain our relatively low level of taxation and to continue to attract substantial foreign investment.

As Mr Q. W. LEE rightly said yesterday, 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. In fact, our gross domestic product per capita is comparable to that of Greece and Spain and is even higher than that of Portugal. I think we all agree with the opening remark in Miss Lydia DUNN's speech that there could be few territories which could look back with such satisfaction and forward with such confidence as Hong Kong despite its special circumstances. In saying this, Sir, I do not imply complacency. Far from it. I know, as we all do, that there is still a long way for us to go in Hong Kong in providing our people with adequate housing, education, welfare and other social services.

Some years ago I expressed the view in this Council that we in Hong Kong should welcome the visits of British Members of Parliament so that they can see for themselves our progress, appreciate our efforts and understand our problems. Today, for the same reason, I join my honourable Colleague, Mr Q. W. LEE, in welcoming the recent visit of two senior officials from the Foreign and Commonwealth Office in London. I hope they will come back from time to time.

Returning to the 1977-78 budget and looking at it as a whole, although some academics and others have described it as dull, unexciting and unimaginative, I believe nevertheless that the vast majority of the general public and specially those associated with commerce and industry welcome it with acclamation. Without exception, all the Unofficial Members are in general support of the Financial Secretary's budget, and I am sure they would like to associate themselves with the sentiment expressed by Mr Q. W. LEE on his fine performance in this Council four weeks ago. Nonetheless, however, many of them have commented, some quite critically, on certain specific aspects of his budget.

Although the subjects covered by the Unofficials are numerous, they can, generally speaking, be grouped together broadly under six major headings, namely, though not necessarily in order of importance as follows:

1. Budgetary strategy and financial policy.
2. Trade, industry and economy.

3. Social welfare and medical services.
4. Housing and education.
5. Control of public expenditure.
6. Taxation.

*Budgetary Strategy and Financial Policy*

Sir, let me first comment on Government's budgetary strategy and financial policy. In my budget speech last year, I made a statistical analysis of expenditure and revenue for the past ten to twelve years. If honourable Members will refer to the graph before them which shows Government expenditure based on last year's analysis, it will be seen that the 1976-77 revised estimate for total expenditure (\$6,843 million) and recurrent expenditure (\$5,401 million), denoted by the two solid black dots on the graph, as well as the 1977-78 budgeted total expenditure (\$8,235 million) and recurrent expenditure (\$6,236 million), represented by the two crosses on the same graph, are almost right on or very near the two trend lines. This implies that the estimated expenditure for next year is well in accordance with historical trends and established budgetary strategy and financial guide-lines.

Last year I also compared the Financial Secretary's 1976-77 revenue estimates with historical trends developed from my statistical analysis and commented on his conservative approach in estimating revenue. I said: "From historical projections, recurrent revenue for the 1976-77 Budget should be around \$7,000 million which is about 10% higher than \$6,370 million estimated by the Financial Secretary." Now, the revised estimate for the 1976-77 recurrent revenue made in early February 1977 is \$6,710 million and at the time when the Financial Secretary delivered his budget speech another unexpected but rather very welcomed sum of about \$200 to \$300 million was coming in making the actual recurrent revenue for 1976-77 very near to the historical trend of about \$7,000 million.

This year the Financial Secretary gave an estimate of \$7,474 million for recurrent revenue for 1977-78 as compared to about \$8,000 million derived from the historical trend. His recurrent revenue again seems conservative. However, as the difference is approximately 6%, which is less than that of last year, I, for one, would not argue with him and would be prepared to subscribe to his prudence particularly when the outlook of the world economy in the near future is not too optimistic.

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It is therefore not surprising that the Financial Secretary's budgetary strategy and financial policy receive general support from the public at large and in particular from the great majority of, if not all the Unofficial Members.

*Trade, Industry and Economy*

Sir, I now come to the area of trade, industry and the general economy of Hong Kong. A number of Unofficial Members and in particular Mr James WU, Mr Hilton CHEONG-LEEN, Mr Francis TIEN and Miss Lydia DUNN have commented on these topics. As far as trade and industry are concerned, the year of the Dragon can best be described as the year of the great leap forward. Compared to 1975, our imports rose by 29%, domestic exports by 43%, total gross domestic product at current prices by 26% and GDP per capita by almost 25%. Such phenomenal economic progress was possible because of the rapid recovery in world trade in 1976. However, the consensus of several economic forecasting authorities is that growth in industrially-advanced countries in the late 1977 would not be too optimistic. Dependent on foreign trade as we are, many of us would therefore agree with the mild warning expressed by both Mr James WU and Miss Lydia DUNN about our trading prospects and economic outlook for 1977-78.

Mr TIEN is particularly worried, with good reason, about our external trade relations. There is always concern in Hong Kong about the increasing restrictions imposed on our exports by a rising number of industrially-advanced countries, particularly on clothing and textile products which account for well over half of our domestic exports. There is now additional concern about the unilateral abrogation of bi-lateral trade agreements by our trading partners. We all recognize our weakness in the field of trade relations because of our lack of political and economic bargaining strength. I am sure that all in Hong Kong would gladly give their support to Mr TIEN's request for a re-assurance from Her Majesty's Government that it should not only play no part in the EEC in matters which adversely or unfairly affect Hong Kong but should do more to defend and safeguard Hong Kong's interests.

Although our domestic exports performance in 1976 was extremely good, Mr Hilton CHEONG-LEEN and Mr James WU have drawn attention to our principal competitors, South Korea and Taiwan, which

have been consistently achieving higher export growth rates than us in recent years. Compared to 1975, the exports of South Korea rose by 50% to US\$8.1 billion and of Taiwan by 52% to US\$8 billion (as compared to our increase of 43% to US\$6.9 billion in domestic exports and 39% to US\$8.8 billion in total exports). If this trend is to continue, it will not be long before both South Korea and Taiwan overtake us in total exports. One can hardly dispute his remark that Hong Kong will have to do its utmost to keep on diversifying its products and markets in order to remain abreast with its competitors.

In the midst of our worries about competitiveness of our manufacturing industry in world markets, it was—to say the least—untimely for the Financial Secretary to make another threat to increase water charges particularly for non-domestic consumers. During the 1975 budget debate, the Financial Secretary and I exchanged words on this issue. Unfortunately, he misinterpreted (I presume unintentionally) my argument (*laughter*) and due to the restrictive standing orders of this Council I have had to wait two long years for this opportunity to clarify my point. With respect to my honourable Friend, I did not ask Government or domestic consumers to subsidize industry. What I did ask was that Government, in calculating the financial return on water supply, should take into account both the direct return, that is, the water charges, and the indirect return which is the chain of economic benefits accruing to both the Government and the community.

Yesterday, Mr James WU founded his argument against the increase of water charges for industrial consumers in a different manner. He said that it would be desirable to maintain the production chain from yarn to garment in Hong Kong if we are not to lose our strength of immediate and flexible response to market demands. This is a very important observation by the Chairman of the Federation of Hong Kong Industries, and I hope that Government will not dispel it lightly.

Another topic raised by Mr James WU is the establishment of an Industrial Development Council which was first proposed in this Council in 1968 and which was rejected outright by the then Financial Secretary. Since then the view of Government has changed, but I must emphasize somewhat, but I doubt, despite the eloquence of my honourable Colleague, that Government, at the present time, is receptive to this idea. On the other hand I shall be only too pleased if the Financial Secretary will prove me wrong. Nonetheless, I am confident that one day this concept of an Industrial Development Council will materialize. I shall be looking forward to that day.

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Miss DUNN has very ably voiced the grave concern of all the local exporters with regard to the continual strengthening of the Hong Kong dollar, particularly when such strength is sustained not by favourable trade balance but by monetary factors. It is hoped that the Financial Secretary will seriously consider her proposal that Government should take some positive steps to modify the underlying trend for the benefit of the economy as a whole.

Mr CHEONG-LEEN has commented that 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. Most of the Unofficials are far from happy with the Government's land sales policy. Although Mr O. V. CHEUNG has not taken part in this debate I know he is a strong advocate for a long-term land sales policy. Mr James WU has again rightly called upon Government to develop more land for industry as well as for public and private sectors for housing.

I cannot agree more with Miss Lydia DUNN when she says: "What worries me is that the Government regards land as simply an asset for sale for revenue purposes. Yet, it is much more than this—it is a vital factor of production." Let me cite one typical example to show the tremendous disadvantage in our export-oriented manufacturing industry as far as capital and production costs are concerned as a result of our unrealistically high land prices. I am expanding my operations and building a new factory. Despite the fact that my capital cost of production equipment is relatively large as the manufacturing operations are very mechanized and in some instances even fully automated, the capital cost of land and building represents over 60% of the total capital cost. This ratio is exceptionally high by any standards which I know. I am sure a large number of Unofficial Members support the call of Mr James WU and Miss Lydia DUNN that we need a more comprehensive approach to the production and use of land with a view to catering properly for the needs of both the public and the private sectors.

*Social Welfare and Medical Services*

Sir, there is a great deal of truth in the saying that the degree of sophistication of a society can generally be reflected by its advancement in social welfare and medical services. Mr Roger LOBO has illustrated our progress in the field of social welfare over the last six years since Your Excellency assumed the office of Governor by comparing the

amount of financial input into it during this period. In the financial year 1971-72 we spent only \$55 million; now, in 1977-78, we propose to spend just over \$430 million or almost eight times as much after only six years, that is, an average increase of about 40% a year compound. To look at this increase in proper perspective, it should be compared with the increase in total Government expenditure over the same period. The corresponding increase in total Government expenditure is about three times or approximately 18% a year. Now, who can say with justification that we in Hong Kong have not been putting sufficient emphasis on the development of social welfare? This rapid growth in expenditure could not have been achieved without a similar expansion in the range of services provided by Government and the voluntary agencies. Mr LOBO, as we all know, is a veteran social worker. He has made a number of pertinent suggestions in the field of social welfare which, I hope, will receive careful consideration by Government.

Miss KO Siu-wah has delivered one of the most thoughtful speeches during this debate. She has argued with considerable force about the need for a change in the provision of capital funds for social welfare expansion. In order to avoid stop-go planning and to ensure steady progress in our social programmes, she proposes that capital expenditure should be tied to a more steady source similar to the "block grant" concept used by the University and Polytechnic Grants Committee. It is a very reasonable request and deserves sympathetic consideration by the Financial Secretary.

During this debate three Unofficial Members have spoken about the present qualifying age for infirmity allowance and, without exception, all have expressed support of the Financial Secretary's suggestion that some priority be given to lowering the age limit of eligibility for this allowance. Mr LOBO and Dr HU hit the nail on the head when they said that it was unrealistic to set the qualifying age for infirmity allowance at 75 when the average life expectancy in Hong Kong today is only 72-73 years for women and 68-69 years for men. An average person would have left Hong Kong and, indeed, this world if he or she has to wait for 75 years to qualify for the allowance. It is more logical, as proposed by Miss KO, to lower the age limit, first to 70 and eventually to 65. All of them would also like to see the removal of the present discrimination against old people in institutional care.

My learned Friend and the medical expert on the Unofficial side, Dr Harry FANG, gave a most valuable insight into the problems of our medical and health services. The general public must be shocked

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by his disclosure yesterday that in Government hospitals during the last two years, 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. The high turnover of doctors in Government service is no secret and if the standard of our medical services is to be improved, a solution to this problem must be found and found quickly. Dr FANG believes that the real causes go deeper than the desire for greater monetary reward and has suggested a number of ways and means to attract and retain doctors in the Medical Department. He also spoke with considerable persuasion on the need for Government to improve its ambulance service and to provide now its own community nursing service. I trust that Government will give his proposals serious consideration.

*Housing and Education*

The two largest items by function on the expenditure side of the budget are housing and education. Between them they share \$2,710 million or nearly 30% of the total consolidated expenditure of \$9,455 million for 1977-78. Despite this, there is still a great deal of public pressure and a real need for more and better housing and education.

It is generally recognized that home ownership fosters a sense of belonging and reinforces social stability in a society. In a place like Hong Kong where many people look at it as a transient centre, these considerations are of paramount importance for our continued survival. It was no surprise therefore that the Unofficial Members who spoke on housing such as Mr Roger LOBO and Dr Henry HU gave full support to the proposed Home Ownership Scheme designed for the benefit of the lower middle-class within our population. However, I share Mr John BREMRIDGE's concern about the apparent lack of marketing considerations by Government in the project and strongly urge that Government takes due notice of his experienced advice.

It is well known that we in Hong Kong are devoid of material resources and that the only resource we have is manpower. It is therefore obvious that we must fully develop this resource and that technical education and industrial training are vital to our future well-being. You, Sir, have done a great deal in the expansion of technical education since you assumed the office of Governor in 1971, but what we in Hong Kong now need is greater sophistication in manpower development. Mr S. L. CHEN, who himself is a prominent

professional engineer and has been involved in this field for many years, gave a comprehensive dissertation on this subject. He stressed the need (with which I fully agree) for more imaginative manpower forecasting, more integrated education planning, and more balanced development of technical education and industrial training. It is hoped that Government will not turn a deaf ear to his wise counsel.

### *Control of Public Expenditure*

Sir, Mr F. W. LI has spoken at some length on the control of public expenditure which is one of the principal functions of this Council and in particular of the Unofficial Members. The establishment of a Public Accounts Committee will no doubt greatly help the Unofficials in carrying out more efficiently and effectively their duties to control the use of public funds after the passage of the Appropriation Ordinance. The task of this Committee, as envisaged by Mr LI, would be in three main areas. Firstly, it is to examine the accounts of Government Departments; secondly, to enforce a system of accountability for subvented organization; and thirdly, to look more closely at specific points raised by the Director of Audit. I know many people in Hong Kong will share Mr LI's frustration about the delay on the part of Government in setting up this Committee.

When it comes to control of budgeted expenditure, particularly capital expenditure, under-spending could be as undesirable as over-spending. A number of my Unofficial Colleagues such as Mr O. V. CHEUNG, Mr F. W. LI, Mr Alex WU and Miss Lydia DUNN are concerned about the consistent under-spending on public works in recent years. Miss DUNN has asked the Financial Secretary three very relevant questions about this under-spending and I believe many people in Hong Kong are anxiously awaiting his answers on 20th April.

In the Annual Debate of this Council in October last, my absent Colleague, Mr Alex WU, said that the time had come to involve the Unofficial Members of this Council with the process by which our programmes are monitored. He also said: "I do not doubt that the Financial Secretary does in fact provide himself with these figures for his own (monitoring). Would it not be simple and sensible to lay the figures of monthly or quarterly progress on essential programmes before the Finance Committee of this Council so as to give the Unofficial Members the opportunity of helping to maintain the momentum which

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is necessary?" It was disappointing that there was no response from Government to this suggestion.

Today, Miss DUNN has virtually expressed the same feeling as Mr Alex WU in this matter of monitoring progress. She commented that the Public Works Sub-committee had paid little attention to the implementation of public works and my Colleague has suggested that the Unofficial Members should be advised periodically of progress achieved in a more definite manner. I sincerely hope that the Financial Secretary who is concurrently the Chairman of the Public Works Sub-committee will, this time, give a positive reply to this suggestion.

*Taxation*

Sir, I now turn to one of the most, if not the most, important subjects in any budget debate. I refer, of course, to taxation.

I said on this occasion last year that the Unofficial Members were of the view that the tax system in Hong Kong should continue to be inducive to foreign investments, be simple and effective, inexpensive to operate, not unreasonably unfair and easy to administer. I also said that the majority of my Unofficial Colleagues were not in favour of the proposed dividend withholding tax and the undistributed profits tax. The Third Inland Revenue Ordinance Review Committee, of which Mr Q. W. LEE was a prominent member, came to the same conclusion and I believe all my Unofficial Colleagues, and particularly Mr James WU, will share Mr BREMRIDGE's delight in acknowledging the grace and good humour with which this reversal has apparently been accepted by the Financial Secretary, so he said. As Mr BREMRIDGE quite rightly said also there is much virtue in simplicity.

Both Mr Q. W. LEE and Mr WONG Lam have commented at length on the proposed supplementary personal allowance for salaries tax. I believe it is now generally recognized that the middle-class in Hong Kong have been somewhat neglected in past years. These people are not poor enough to qualify for public housing and public assistance on the one hand and yet are not sufficiently affluent to take advantage of the low-tax system on the other. I refer to those single men whose annual income is between \$15,000 to \$30,000 and those

married couples earning \$30,000 to \$60,000 a year. I know all the Unofficial Members believe that the proposal for a personal supplementary allowance is a step in the right direction to ease the tax burden on the middle-class in our midst without losing revenue from taxpayers in the higher income bracket.

There are two major elements in the supplementary allowance—first the maximum amount and secondly the rate of claw-back. The Financial Secretary has proposed a maximum allowance of \$2,500 for a single person and \$5,000 for a married person with a claw-back of 20%. The vertically shaded triangular area marked ABC in the diagram before honourable Members represents the supplementary allowance proposed by the Financial Secretary.

The view of the majority of Unofficials, as reflected in the speeches of Mr Q. W. LEE and Mr WONG Lam, is that the maximum amount of the supplementary personal allowance should be pegged to the increase in the cost of living since March 1973 when the personal allowance was last raised (that is, 40% or equivalent to \$4,000 and \$8,000 for a singleton and married couple respectively). The supplementary allowance so increased is represented by the triangle marked ADH in the diagram before honourable Members. The majority of Unofficials realize, of course, that their proposal will incur some loss of revenue but, notwithstanding, feel that it is not unreasonable and deserves sympathetic consideration by the Financial Secretary. Of course, there are other alternatives with varying dimensions, both in respect of the amount of the supplementary allowance and the rate of claw-back, such as the one mentioned by Mr Q. W. LEE yesterday and illustrated in the diagram by the triangle marked ADG. If both the proposals which I have just outlined are not acceptable to the Financial Secretary, I hope that the Government and the Unofficials can get together to work out a mutually acceptable formula.

Both Mr WONG Lam and Mr CHEONG-LEEN have made a strong plea for the re-introduction of the Department Parent's Allowance. We all know Government's arguments for abolishing the allowance in the first place but it should be remembered that the Chinese, both in accordance with tradition and custom, look at the need to support a dependent parent as even more important than supporting a wife. (*laughter*). This is true. The majority of the Unofficials would certainly appreciate sympathetic and favourable reconsideration by Government to the re-introduction of this allowance.

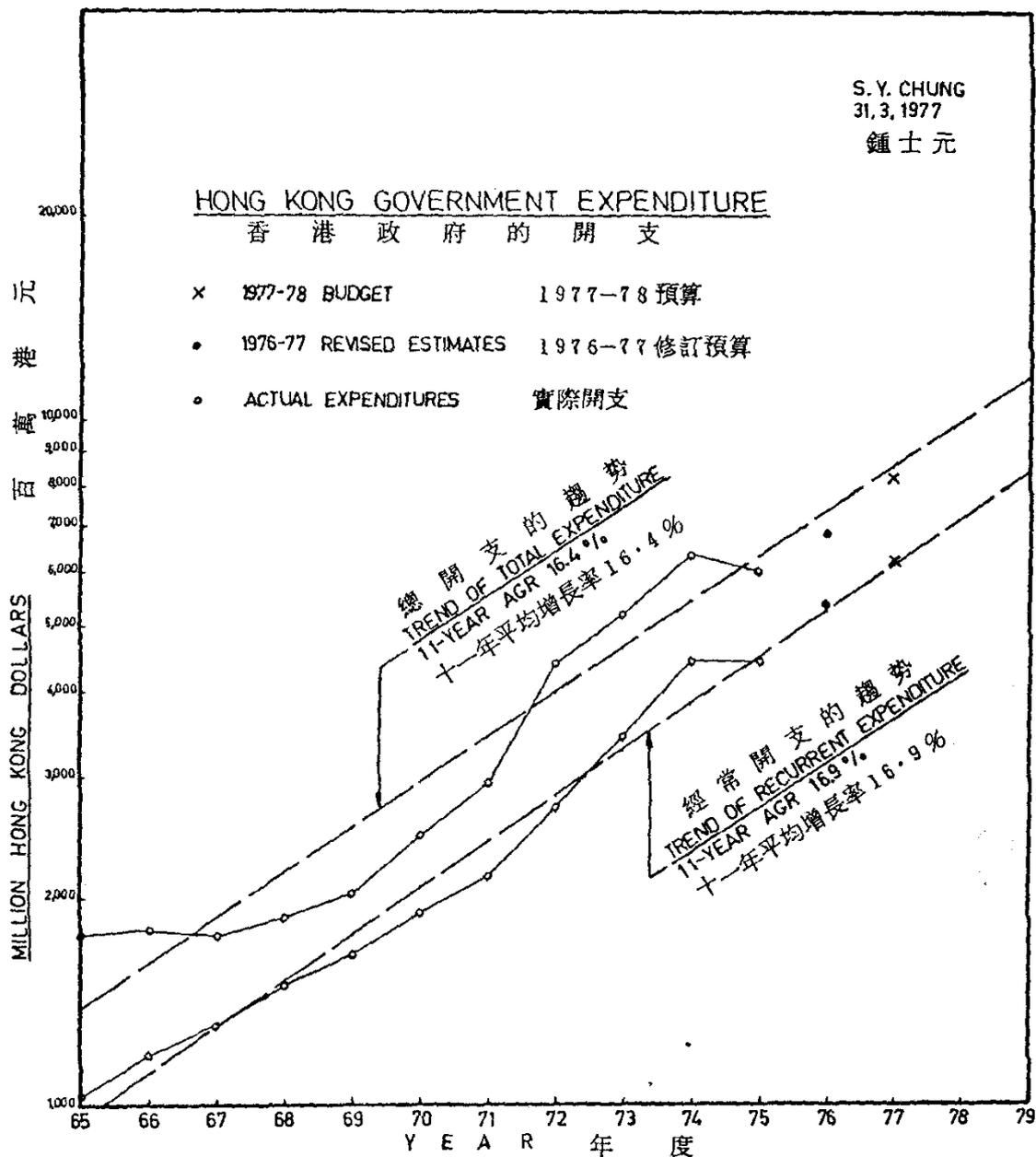
[DR CHUNG] **Appropriation Bill—resumption of debate on second reading  
(30.3.77)**

Finally, Sir, I turn to the question of rates and rateable values. Father MCGOVERN disputes very strongly the basic formula used by Government in the assessment of rateable values. He also argues with considerable logic that, as rates are no longer a payment for services rendered but now a form of indirect taxation, it is not fair to put the burden solely on the occupiers of premises. Mr James WU 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 and continued by saying that a reduction to 25% maximum increase for the first year would provide a measure of relief from hardship and difficulty.

Since the issue was first raised the Unofficial Members have watched developments closely and met frequently to discuss the matter. At their request, the Commissioner of Rating and Valuation provided UMELCO with some fairly typical examples of the various classes of buildings for residential, commercial and industrial purposes showing the relationship between the range of actual rents paid and the rateable values for the last two assessments in 1972 and 1976 respectively. Fifteen such examples are reproduced (with some modification for purposes of better presentation) in a table before honourable Members.

Let us look at the relationship between the rateable value assessed by the Rating and Valuation Department and the mid-range of actual rentals paid at the time of the assessment for the two respective occasions (that is, 1972 and 1976) as shown in columns (7) and (10) in the table. In the 1972 revaluation, this relationship expressed in percentage terms mostly ranged between 60% and 80%. In the recent revaluation this relationship in most cases exceeds 100%. Though there was rent control in 1972 and 1976, the control was confined only to residential premises of less than \$25,000 in rateable value. The increase from between 60% and 80% to over 100% in the ratio of rateable value to actual rental is, in my view, the real basic cause of public resentment over this issue. It is earnestly hoped that clarification will be given by Government on the genuine factors which have led to such a sharp increase in rateable values of premises. This would at least lead to a better understanding by the public of the complexities of this particular exercise.

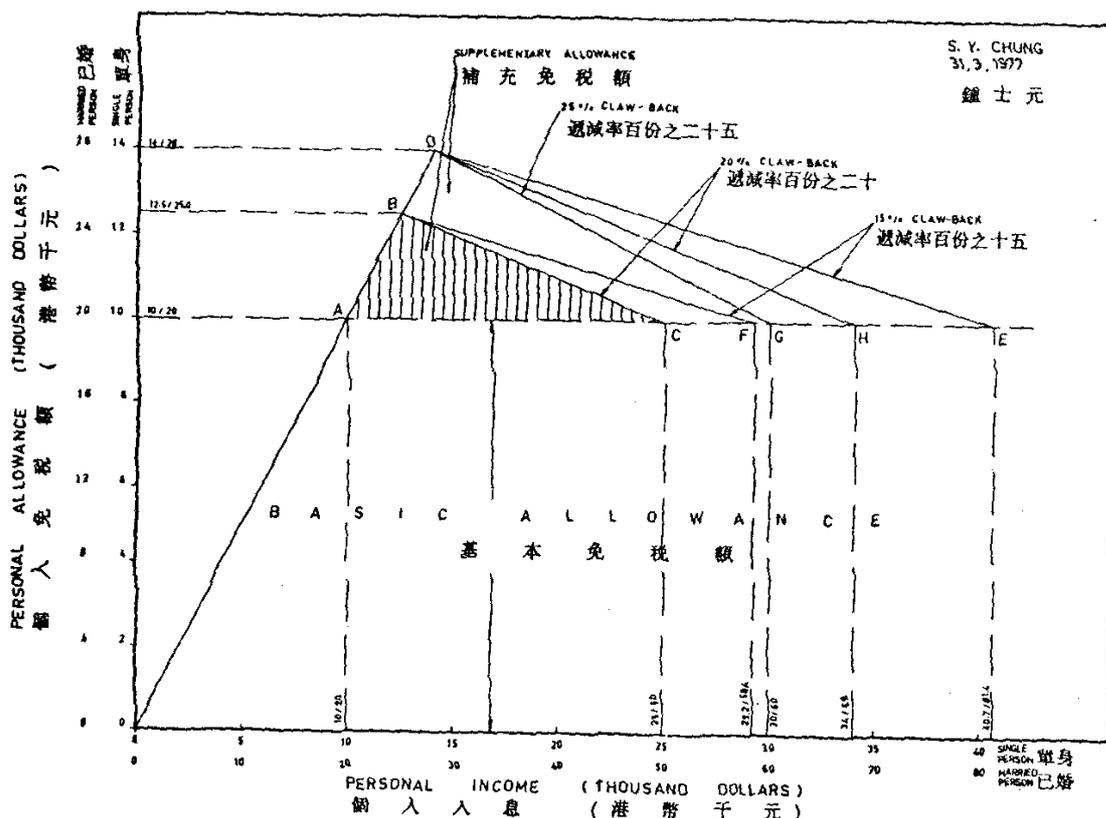
Sir, last year when my learned Friend, Mr O. V. CHEUNG, undertook to wind up the budget debate for the Unofficial Members, he said that he did not undertake to sum up their views for two main reasons. First, he said, to sum up might involve subjective selection on his part. Secondly and worse, he continued, a nutshell of Unofficials' arguments would scarcely do justice to the thought, research and effort that had gone into their speeches.



[DR CHUNG] **Appropriation Bill—resumption of debate on second reading (30.3.77)**

Well, Sir, I am not so cautious and thoughtful as my learned Friend and it seems that I have now already plunged into areas where angels fear to tread. Anyhow, before resuming my seat, Sir, I would like to take this opportunity to ask my Unofficial Colleagues to accept my sincere apologies if I have inadvertently omitted some of their more important points or if I have failed to interpret their views correctly and accurately. I also hope that Government and the public at large will find this summary of help in assessing the general feeling of the Unofficial Members as a whole on the budget.

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



S. Y. CHUNG  
31.3.1977

## RELATIONSHIP BETWEEN ACTUAL RENTS AND RATEABLE VALUES

Type of Premises	Location	No. of Units in Block	Floor Area of Typical Unit (sq. ft.)	1972			1976		
				Range of Rents Excl. Rates, P.A. (\$)	Rent at Mid-Range, Excl. Rate, P.A. (\$)	Rateable Value (\$)	Range of Rents Excl. Rates, P.A. (\$)	Rent at Mid-Range, Excl. Rate, P.A. (\$)	Rateable Value (\$)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Small Tenement Floors	Shau Kei Wan Rd., H.K.	160	445	2,184-6,144	4,164	2,640(63%)	2,784-7,704	5,244	6,720(128%)
Small Tenement Floors	Mei King St., Kln.	218	357	2,220-5,100	3,660	2,520(69%)	2,448-8,724	5,586	5,040 (90%)
Large Tenement Floors	Cheung Sha Wan Rd., N.K.	40	513	3,216-7,416	5,316	3,960(74%)	3,660-9,492	6,576	8,640(131%)
Small Flats	Nathan Road, Kln.	14	853	6,636-12,276	9,456	7,680(81%)	8,352-16,692	12,522	15,000(120%)
Medium Flats	Tai Hang Rd., H.K.	16	1,133	11,376-22,776	17,076	12,000(70%)	13,800-33,960	23,880	25,200(106%)
Medium Flats	Argyle St., Kln.	25	1,356	13,176-27,180	20,178	14,100(70%)	13,920-33,216	23,568	27,600(117%)
Large Flats	Cox's Road, Kln.	20	2,917	44,400-57,600	51,000	42,000(82%)	54,744-72,000	63,372	68,400(108%)
Large Flats	Beacon Hill Rd., N.K.	11	2,155	24,000-48,000	36,000	19,200(53%)	28,800-54,144	41,472	42,000(101%)
Houses	Wilson Rd., H.K.	10	1,740	20,400-49,500	34,950	24,000(69%)	54,000-73,920	63,960	66,000(103%)
Ground Floor Shops	Nathan Rd., Kln.	7	275	84,000-92,400	88,200	66,000(75%)	64,800-84,000	74,400	72,000(97%)
Ground Floor Shops	Castle Peak Rd., N.K.	8	777	8,124-27,324	17,724	12,000(68%)	8,040-30,240	19,140	25,200(132%)
Offices	Queen's Rd. C., H.K.	10	307	10,800-13,284	12,042	9,600(80%)	10,836-22,836	16,836	14,160(84%)
Offices	Salisbury Rd., Kln.	5	585	16,200-28,800	22,500	19,200(85%)	37,400-43,920	40,660	38,400(94%)
Factories	Smithfield, H.K.	5	2,292	26,400-30,000	28,200	22,200(79%)	27,400-36,000	31,700	30,000(95%)
Factories	Choi Hung Rd., N.K.	15	2,982	21,000-37,800	29,400	25,800(88%)	28,956-72,000	50,478	43,200(86%)

Note: The percentages in brackets represent the ratio between rateable value and rent at mid-range.

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

*Question put and agreed to.*

### Motions

#### RATING ORDINANCE

THE FINANCIAL SECRETARY moved the following motion: —

In exercise of the powers conferred by section 18(1) of the Rating Ordinance, that—

- (1) the resolution made and passed by the Legislative Council on the 12th May 1976 and published in the Gazette of 14 May 1976 as Legal Notice No 118 of 1976, which determined the percentages of the rateable values of tenements for the purpose of computing general rates and Urban Council rates, be revoked;
- (2) for every tenement in a specified area set out in the first column of the Schedule, the general and Urban Council rates shall be computed on the basis of the percentage of the rateable value of such tenement set out opposite such area in the second and third columns of the Schedule.

#### SCHEDULE

<i>Specified Area</i>	<i>General Rates</i>	<i>Urban Council Rates</i>
A	$7\frac{1}{2}\%$	4%
BC	$7\frac{1}{2}\%$	4%
D	11%	Nil
E	11%	Nil
F1, F2, F3 and F4	7%	Nil
G1, G2, G3 and G4	7%	Nil
H1, H2, H3 and H4	7%	Nil
J1 and J2	7%	Nil
K1	7%	Nil
L1, L2 and L3	7%	Nil
M1, M2, M3 and M4	7%	Nil
N1	$5\frac{1}{2}\%$	Nil

He said: —Sir, I move the motion standing in my name in the Order Paper.

Sir, in paragraphs 194-195 and paragraph 197 of my Budget Speech, I referred to three proposals intended to benefit ratepayers generally.

The first proposal is for a reduction in the General Rate in the urban rating areas from 12% to  $7\frac{1}{2}$ % from 1st April 1977 that is to say as from tomorrow. This proposal is related to the recent revaluation. Rateable values for 1977-78 will be substantially higher than those in the current valuation list. This is because rateable values are based on market rents and existing rateable values were assessed in 1972 when rents were very much lower than they are today. Given the revaluation, since revenue from rates for 1977-78 seemed likely to be substantially higher than for 1976-77, I came to the conclusion, which I announced on 5th January last in this Council that I was in a position to propose a reduction in the percentage charge. In line with the policy of achieving a steady growth in General Rate revenue, I am satisfied that the 4.5 percentage points reduction in the General Rate is justified and in the public interest.

The second proposal is for a reduction of the Urban Council rate by 2 percentage points from 6% to 4%. Since 1st April 1973 the urban areas have been charged the Urban Council Rate in addition to the General Rate. The Urban Council Rate at 6% was calculated to yield sufficient revenue to meet the Council's budgeted net expenditure in 1973-74. This percentage rate has yielded sufficient revenue for the Council's net expenditure since then. Given the new rateable values from the 1976 revaluation, the Council has recommended and it is proposed by the Government that the Urban Council Rate be set at 4%.

The effect of these two proposals will be to reduce the total rates charge in the urban areas in 1977-78 from 18% to  $11\frac{1}{2}$ % of the rateable values. As a result, the total rates payable will, in some cases, actually be reduced. Reductions will be enjoyed by a proportion of ratepayers in most classes, but mainly by those in small flats, shops and miscellaneous commercial premises, factories and storage premises and by the ratepayers in some 1,000 or so pre-war premises.

The third proposal I mentioned in the Budget Speech is for a reduction in the General Rate in the New Territories in a way and to an extent comparable to that proposed for the urban areas. Accordingly, I proposed that the General Rate percentage for Tsuen Wan/

**[THE FINANCIAL SECRETARY] Motion**

Kwai Chung (that is to say Area D) for 1977-78 should be reduced from 18% to 11% and the corresponding General Rate percentage for the seven additional areas (Areas F—M) brought into assessment from 1st April 1976 should be 7%. The rate charge for the new area (Area N) brought into assessment from 1st April 1977 will be 5.5%.

The total yield from the General Rates for 1977-78, applying these new percentages to the new rateable values, is estimated at \$767 million.

May I take this opportunity, Sir, of mentioning the scheme of relief referred to in paragraphs 202 and 203 of my Budget Speech? To give effect to this scheme from 1st April 1977 (before which date it is not possible to amend the Ordinance) Your Excellency has signed the necessary Revenue Protection Order under the Public Revenue Protection Ordinance.

*Question put and agreed to.*

**Adjournment of next sittings**

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 20th April.

*Adjourned accordingly at twenty-five minutes to five o'clock.*

