
OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 10th August 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 (*Acting*)
MR CHARLES PHILIP HADDON-CAVE, CMG, JP
THE HONOURABLE THE FINANCIAL SECRETARY (*Acting*)
MR DAVID GREGORY JEAFFRESON, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, CMG, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR LI FOOK-KOW, CMG, JP
THE HONOURABLE DAVID AKERS-JONES, JP
SECRETARY FOR THE NEW TERRITORIES
THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP
SECRETARY FOR SECURITY
THE HONOURABLE GARTH CECIL THORNTON, QC
SOLICITOR GENERAL
THE HONOURABLE THOMAS LEE CHUN-YON, CBE, JP
DIRECTOR OF SOCIAL WELFARE
DR THE HONOURABLE THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE ERIC PETER HO, JP
SECRETARY FOR SOCIAL SERVICES
THE HONOURABLE PETER BARRY WILLIAMS, JP
COMMISSIONER FOR LABOUR
THE HONOURABLE RONALD GEORGE BLACKOR BRIDGE, JP
SECRETARY FOR THE CIVIL SERVICE
THE HONOURABLE WILLIAM DORWARD, OBE, JP
DIRECTOR OF TRADE, INDUSTRY & CUSTOMS (*Acting*)
THE HONOURABLE COLVYN HUGH HAYE, JP
DIRECTOR OF EDUCATION (*Acting*)
THE HONOURABLE DONALD LIAO POON-HUAI, OBE, JP
SECRETARY FOR HOUSING (*Acting*)
THE HONOURABLE DAVID T. K. WONG, JP
SECRETARY FOR ECONOMIC SERVICES (*Acting*)
THE HONOURABLE WILLIAM COLLINS BELL, OBE, JP
DIRECTOR OF PUBLIC WORKS (*Acting*)
THE HONOURABLE GRAHAM BARNES, JP
SECRETARY FOR THE ENVIRONMENT (*Acting*)
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, 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 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 LYDIA DUNN, JP
 DR THE HONOURABLE HENRY HU HUNG-LICK, OBE, JP
 THE HONOURABLE LEUNG TAT-SHING, JP
 THE HONOURABLE PETER C. WONG, JP
 THE HONOURABLE WONG LAM, JP

ABSENT

THE HONOURABLE EDWARD HEWITT NICHOLS, OBE, JP
 DIRECTOR OF AGRICULTURE AND FISHERIES
 THE HONOURABLE LEE QUO-WEI, CBE, JP
 THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP
 THE HONOURABLE MRS KWAN KO SIU-WAH, OBE, JP
 THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP
 THE REV THE HONOURABLE PATRICK TERENCE MCGOVERN, SJ, JP

IN ATTENDANCE

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

Oaths

Mr R. G. B. BRIDGE and Mr G. BARNES took the Oaths of Allegiance and assumed their seats as Members of the Council.

HIS EXCELLENCY THE PRESIDENT:—May I welcome Mr BRIDGE and Mr BARNES to this Council.

Papers

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

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<i>Subject</i>	<i>LN No</i>
Factories and Industrial Undertakings Ordinance.	
Factories and Industrial Undertakings (Cartridge-operated Fixing Tools) (Amendment of Schedule) (No 2) Notice 1977	198

Sessional Papers 1976-77:

No 57—Sir David Trench Fund for Recreation—Trustee's Report 1976-77 (to be published).

No 58—Annual Report by the Commissioner of the Independent Commission Against Corruption 1976 (to be published).

No 59—Report on the Administration of the Immigration Service Welfare Fund for the year ended 31st March 1977 (to be published).

Reports:

First Report of the Construction Industry Training Authority

First Report of the Clothing Industry Training Authority

Oral answers to questions**Pleasure craft owners—third party insurance**

1. MR PETER C. WONG asked:—

Will Government consider introducing legislation to require all pleasure craft owners to insure against third party risks?

THE FINANCIAL SECRETARY:—Sir, the Director of Marine has already consulted the Committee on Boating and Yachting and the Marine Association of Hong Kong on the desirability of requiring pleasure craft owners to take out third party insurance. These organizations have recommended such a step and provision accordingly is being included in the Merchant Shipping (Amendment) Bill which will be introduced into this Council in the next session.

TV Programmes

2. MR CHEONG-LEEN:—

Has the Government provided the Television Authority with adequate resources to monitor prerecorded TV programmes before they are screened in order to ensure that they do not contain excessively violent scenes?

SECRETARY FOR HOME AFFAIRS:—Sir, the Television Ordinance requires a licensee to conform with the standards established by a Code of Practice governing programme standards. This Code includes provision against excessive violence.

Where it appears that a licensee has misinterpreted or has not followed the provisions in the Code, then the Television Authority takes the necessary steps to preview further material in the same series. There have been four instances in the last twelve months where such previewing has been felt necessary and two of these concerned the depiction of violence.

With the increase in the amount of locally-produced programmes material over the last two years and the increasing sophistication and complexity of this material, there is an increasing need for more guidance from the Television Authority to the television companies relating to programme standards. The Commissioner for Television and Entertainment Licensing has recently reviewed his staff resources and has come to the conclusion that his establishment of six Television Standards Control Officers needs to be strengthened and he is preparing a submission to Government accordingly.

MR CHEONG-LEEN:—Sir, does the Code of Practice contain guide lines regarding triad practices and signs?

SECRETARY FOR HOME AFFAIRS:—Not specifically, Sir, but the Commissioner is empowered under the ordinance to issue directives to licensees with regard to programme standards. He has in fact written to one licensee about the use of triad languages on television.

New Territories—cultural services

3. MR LEUNG:—

In view of the growing population of the New Territories, will Government establish as soon as possible within the New Territories Region of the Urban Services Department a separate Cultural Services Section?

Oral answers

SECRETARY FOR THE NEW TERRITORIES:—Sir, the Director of Urban Services' recommendation to establish a separate Cultural Services Division within the New Territories Region of his Department is being examined by the relevant Secretariat Branch, with a view to making a recommendation to the Finance Committee of this Council. If approved, such a separate New Territories Cultural Services Division will be responsible for the implementation of plans and policy for the provision of cultural facilities such as libraries, auditoria, exhibition halls, and so on, to the same extent as that provided in the urban area. If all goes well, the new staff for the New Territories Cultural Services Division will be in post by the end of this year.

Legislative Council proceedings—live broadcast

4. MR LOBO:—

Why is it that, in its round up of the proceedings of Legislative Council, RTHK seldom gives credit to the large part played by Unofficial Members of this Council in its proceedings, particularly insofar as questions and supplementary questions are concerned?

THE SECRETARY FOR HOME AFFAIRS:—Sir, a preview of questions for oral answer in this Council together, when time permits, with the names of the Members asking these questions is included in the news bulletins broadcast on the day before and on the morning of Legislative Council meetings. The actual meeting is broadcast live without interruption though I am afraid we, in this Chamber, do not normally have an opportunity to listen. A round up of the proceedings in this Council is included in the news bulletins transmitted in the late afternoon, in the evening and on the following morning.

All these broadcasts are carried on both the Chinese and English channels of Radio Television Hong Kong.

Sir, I have described briefly all Radio Television Hong Kong broadcasts relating to the proceedings of this Council so as to illustrate that the situation should be assessed as a whole. In so far as the round up of the proceedings is concerned, I acknowledge that we have not achieved the position whereby individual Members are always associated with the questions they have asked although this is often done, as I have mentioned, in respect of the pre-Legislative Council news bulletins

and always of course in the live broadcast. The problem of a round up is that the news editor has to walk a tight rope between the appropriate length of each individual item to be included in the news bulletin and the need to avoid repetitive introduction to those items which cover Members' questions.

Sir, the Director of Broadcasting is aware of the need to give credit to the large part played by Unofficial Members of this Council in its proceedings and would be delighted to increase this coverage. Last year, Radio Television Hong Kong did carry a programme which included interviews with both Unofficial and Official Members. Though this did not turn out as well as we had hoped, I shall ask him to consider its re-introduction or perhaps produce a completely new programme along similar lines.

MR HILTON CHEONG-LEEN:—Sir, will my honourable Friend consider a new programme along different lines?

SECRETARY FOR HOME AFFAIRS:—Yes, Sir.

Professional partnership

5. MR BREMRIDGE:—

In order to avoid a disincentive to professional partnerships to expand, will Government take early steps to exempt such firms from the limitation of twenty partners at present imposed by section 345 of the Companies Ordinance (Chapter 32)?

SECRETARY FOR ECONOMIC SERVICES:—Sir, the amendment of section 345 of the Companies Ordinance, which prohibits partnerships with more than twenty members other than for the business of banking, is one of the many recommendations made in the Second Report of the Companies Law revision Committee. Some of these recommendations have already been passed into law. Work on an omnibus bill to implement most of the rest of the recommendations is now in progress. That bill will include a provision which would lift the prohibition for partnerships of solicitors, professional accountants, members of a recognized stock exchange and members of such other bodies as may be prescribed by the Governor. It is hoped that that bill will be introduced into this Council early next year.

Oral answers**Chai Wan Temporary Housing Area**

6. DR HU:—

When will the environment of the Chai Wan Temporary Housing Area II Extension be improved by the provision of:

- (a) an adequate drainage system;
- (b) proper access for fire appliances and ambulances; and
- (c) adequate street lighting and police patrols?

SECRETARY FOR HOUSING:—Sir, Chai Wan II Extension is a new Temporary Housing Area with part-built structures, house electricity and water supply and recreational facilities. It was completed exactly a year ago and is built on a reclaimed site. Although there is an adequate drainage system there has been some silting and blockage recently. The drainage channels have been cleared out on a number of occasions over the last few months and will be regularly checked in future. Some minor improvements to the drainage channels have also been decided upon and will be carried out to reduce the likelihood of future blockages.

There is adequate access over the reclamation for fire appliances, ambulances and other essential vehicles. Although there is no proper road as yet, vehicles have no difficulty in reaching the Temporary Housing Area.

There are in total 162 lights fixed to the outside of the buildings which light the common passage ways. In addition there are 12 mercury vapour street lamps within the area. These provide good lighting for this Temporary Housing Area.

There is a 24-hour security service within the area in addition to normal police coverage.

DR HU:—Sir, does the Secretary for Housing consider the drainage system in this area satisfactory?

SECRETARY FOR HOUSING:—Yes, Sir, as I said it is a question of routine maintenance rather than the actual provision of the drainage.

Water supply—Yuen Ling Village

7. MR CHEONG-LEEN:—

What is the present position in regard to the supply of mains water for domestic users in Yuen Ling Village at Diamond Hill?

DIRECTOR OF PUBLIC WORKS:—Sir, following investigations into the demand for individual metered supplies, the Water Supplies Department has received earlier this month some 2,000 applications from the Chairman of the Yuen Ling Kaifong Association who had been approached to assist in this matter. These applications are now being specially processed by the Water Supplies Department staff and demand notes for meter deposit and connection fees will be issued over the next few weeks.

Materials for the work have already been drawn and individual connections will be provided following completion of the usual formalities. In this regard it is intended to post a House Service Inspector at the Kaifong headquarters to assist residents and licensed plumbers to complete these formalities while the sub-mains are being laid, in order to speed up the connection of individual services.

Navigation lights

8. MR LO:—

Will Government install navigation lights in the following channels to reduce the danger to small crafts using them at night:

(a) Fat Tong Mun;

(b) Sor See Mun;

(c) Fan Tsang Mun, a local name given to the channel to the north-west of Conic Island?

SECRETARY FOR ECONOMIC SERVICES:—Sir, the Marine Department, through its Standing Committee on Navigational Aids, has in fact already been investigating the need for navigation beacons at Fat Tong Mun and Sor See Mun for the past few weeks and a conclusion is likely to be reached within two weeks.

As for Fan Tsang Mun, no study has yet been initiated but because of Mr LO's question one will be undertaken by the Standing Committee.

Oral answers**Accidents—public omnibuses**

9. MISS DUNN:—

Will Government provide details on:

- (a) the number of accidents involving public omnibuses this year;
- (b) the causes of these accidents;
- (c) the number of deaths and serious injuries as a result of these accidents;
and
- (d) whether the trend in the number of accidents over the past five years is a cause for particular concern?

SECRETARY FOR THE ENVIRONMENT:—Sir,

- (a) Between 1st January 1977 and 30th June 1977, there were 784 traffic accidents involving public omnibuses.
- (b) Causes of all traffic accidents are determined and recorded by the Police, but to attribute causes for any particular class of vehicle will take some time. An analysis of the 784 bus accidents is now being carried out. I understand, however, that the pattern of accidents involving buses is not significantly different from the general pattern of traffic accidents; nor is there any obvious single factor to which any significant proportion of these cases could be attributed.
- (c) Of these 784 accidents, 38 involved deaths and 257 serious injuries.
- (d) In purely arithmetical terms, accidents have increased by 55% since 1973, and this increase must of course be a cause for concern. But bus mileage has also increased during this period by almost exactly the same percentage, and the relative percentages of total accidents show far worse increases in other forms of public transport. I doubt, therefore, whether there is cause for particular concern about omnibus accidents as such.

MISS DUNN:—Sir, in view of the large number of people who use public buses, shouldn't bus accidents be subject to a public inquiry as a matter of routine?

SECRETARY FOR THE ENVIRONMENT:—Sir, bus accidents are traffic accidents, and although they have the additional feature of being vehicles which are publicly enfranchised, that is the same judicial procedure will follow any offences committed, and the same judicial procedure for claims will follow. For this reason, it might be prejudicial to subsequent judicial inquiries if a public inquiry was called too early.

MISS DUNN:—Sir, does the Government lay down standards of driving, maintenance and passenger safety, and how are these enforced?

SECRETARY FOR THE ENVIRONMENT:—The brief answer, Sir, is no. Government standards are not specifically laid down. The companies' standards are agreed and enforced, or rather not enforced so much, as monitored.

MISS DUNN:—Sir, is the Government satisfied in that case with the companies' safety standards?

SECRETARY FOR THE ENVIRONMENT:—Sir, the Government is at present looking into the whole question of safety standards and it would be more appropriate to make a statement later.

MR BRMERIDGE:—Sir, it has been reported, correctly or not, that one bus driver who had an accident the other day, worked a 13-hour day. Will Government at least discuss with the bus companies what a reasonable manager might expect from a reasonable employee?

SECRETARY FOR THE ENVIRONMENT:—Government has already discussed this matter with the bus companies, and will continue discussion, Sir.

Housing Authority Flatted Factories—shortage

10. MR CHEN:—

What is being done by Government to overcome the extreme shortage of factory accommodation in Housing Authority Flatted Factories for operators of permitted trades who opt for reprovisioning in a flatted factory rather than for an ex-gratia cash allowance when cleared from the original location of their businesses?

SECRETARY FOR HOUSING:—Sir, in January this year, the Housing Authority decided to continue building flatted factory blocks to relocate small workshops displaced by Government clearances. Sites in various

[SECRETARY FOR HOUSING] **Oral answers**

districts have been earmarked and a building programme has been drawn up. An improved design incorporating lifts, higher loadings and ample parking facilities has been prepared by the Housing Department and will be used for the first new factory block at Kowloon Bay. It will contain about 600 units (of 25 square metres each) and have a total floor area of over 26,000 square metres including circulation areas. This block will be completed in early 1979.

The Authority's current stock of factory space stands at 500 units or a total of 11,900 square metres (or 128,000 sq. ft.). Every effort will be made to use this stock economically and to postpone clearances which would not upset development plans, until the first of the new Kowloon Bay factory blocks is completed. Nevertheless, it is likely that some operators may have to accept cash compensation in 1978.

Lok On Pai Desalter—staff

11. MR F. W. LI:—

When will Government be able to recruit sufficient local engineers to operate the Lok On Pai Desalter fully without further recourse to the employment of overseas contract staff?

DIRECTOR OF PUBLIC WORKS:—Sir, the approved establishment for the operation and maintenance of the Desalter includes 26 posts for which professional engineers with good working experience, preferably in desalting plant or alternatively in steam power plant operations and maintenance, are required. Because of the specialist nature of the duties and responsibilities, not unexpectedly, the first local response was very limited. Consequently in order to meet the minimum staff requirements for the commissioning and subsequent operation of the plant, overseas recruitment was initiated. As a result, 10 expatriate engineers were appointed in 1973-74. This number was subsequently increased to 15 in 1975-76, and with wastage, the number now stands at 13. This number represents some 4% of the total approved establishment of 325.

Of the remaining 13 posts, 10 have now been filled by local officers, and there are three vacancies at a senior level. These vacancies are currently being advertised locally, but in case no suitable local candidates are available, and because of the pressing need to fill these posts, an overseas indent has also been placed.

ADDENDUM

Official Report of the Legislative Council sitting
held on 10th August 1977

Page 1193 After the reply of the Secretary for the Environment to Question 12 "KMB AND CMB BUSES—BREAKDOWN" asked by Miss DUNN.

Add:

(The following information was provided subsequently)

From January to September 1977 inclusive, there were 23,552 bus breakdowns, 16,826 of KMB buses and 6,726 of CMB buses. At first sight, this seems an incredibly high figures, but it has to be looked at in relation to the enormous number of miles covered by the two companies' buses. Thus, during the same nine months, KMB operated 54,469,718 bus miles and CMB 19,218,887, a total of 73,688,605 miles. This means that, overall there were 3.2 bus breakdowns for every 10,000 bus miles operated. This, I feel, is on the whole a very satisfactory record and certainly better than the average private car.

A table is at appendix, giving the figures in detail for each month of the year. Three points may be noted in amplification:—

- (a) The categories "repaired on the road" and "towed in" cannot be taken as the division between minor and major breakdowns. Those repaired on the road are likely to be mostly minor, but the repairs could be by way of first aid and the vehicles could still require further work back at the depot. Those towed away, obviously, are likely to have rather more serious faults, but again the vehicle may be moved solely so that it does not disrupt traffic. The difference in numbers towed in between CMB and KMB demonstrate that this factor cannot be used as a criterion of seriousness. It is more a matter of company policy on how faults are treated.
- (b) Unfortunately we do not have further details on the causes of the breakdowns. These would have to be obtained from the Companies who in turn would need to go right through all their individual records in individual depots, a most time consuming process which would hardly be productive other than for inquest purposes. It is known, however, that many of the breakdowns, inconvenient and disrupting as they may be, are mechanically not serious. As with any other vehicle, there may be a number of trivial reasons why it cannot be driven—a puncture is the most obvious example—which do not reflect on its basic roadworthiness.

- (c) The Government has been getting these figures only since January 1977 and it is a little too soon to be drawing conclusions on trends. All that can be said at present is that there would appear to be an increase in breakdowns during the hot summer months with their more intensive recreational traffic. The returns will continue to be monitored and trends may become apparent when we have comparable figures for 1978.

Turning now to the second part of Miss DUNN's question, the Government, in conjunction with the Companies, is taking steps to reduce the incidence of bus breakdowns through the programme of inspection of franchised omnibuses to ensure their mechanical road-worthiness and safety. The Companies operate two sorts of maintenance schedules. The first covers the maintenance items necessary for the safe operation of the buses and include daily checks and fortnightly inspections. The second schedule comprises short and long dock overhauls to prepare vehicles for examination for Certificates of Fitness and Certificates of Roadworthiness. The former certificate covers such items as body work, compliance with legal requirements and mechanical fitness, and it may be valid from one to five years. The latter, as its name implies, is concerned with mechanical safety and is valid for one year only.

The inspection programme for these two certificates was introduced in January 1974 and it is being progressively implemented in three stages. Under Phase I, which commenced on 1st January 1976, all buses manufactured prior to 1958 were required to be inspected by Transport Department inspectors before licensing or relicensing. This phase has been completed on schedule. Phase II started on 1st February 1977, with the same requirement for all buses manufactured before 1962. This phase is proceeding reasonably well. From 1st March 1978 the requirement will be extended to buses manufactured before 1966. No date has yet been fixed for the implementation of Phase III which will cover all remaining buses.

I can assure Miss DUNN that I will continue to keep a close watch on this inspection programme and on ancillary matters, such as the provision of new garage and workshop facilities, through regular reports from the Commissioner for Transport.

APPENDIX

Bus Breakdowns

January - September 1977

		<i>CMB</i>	<i>KMB</i>	<i>Total</i>
January 1977	(a) breakdowns repaired on the road	616	856	1,472
	(b) vehicles towed in	59	803	862
	(c) total breakdowns	<u>675</u>	<u>1,659</u>	<u>2,334</u>
	(d) vehicles operating	598	1,238	1,836
	(e) miles operated	2,282,663	6,128,980	8,411,643
	(f) number of breakdowns per 10,000 miles travelled	3.0	2.7	2.8
February 1977	(a) breakdowns repaired on the road	631	843	1,474
	(b) vehicles towed in	<u>33</u>	<u>689</u>	<u>722</u>
	(c) total breakdowns	664	1,532	2,196
	(d) vehicles operating	608	1,246	1,854
	(e) miles operated	2,055,713	5,698,143	7,753,856
	(f) number of breakdowns per 10,000 miles travelled	3.2	2.7	2.8
March 1977	(a) breakdowns repaired on the road	693	862	1,555
	(b) vehicles towed in	<u>41</u>	<u>835</u>	<u>876</u>
	(c) total breakdowns	734	1,697	2,431
	(d) vehicles operating	598	1,248	1,846
	(e) miles operated	2,174,392	6,224,189	8,398,581
	(f) number of breakdowns per 10,000 miles travelled	3.4	2.7	2.9
April 1977	(a) breakdowns repaired on the road	641	779	1,420
	(b) vehicles towed in	<u>46</u>	<u>834</u>	<u>880</u>
	(c) total breakdowns	687	1,613	2,300
	(d) vehicles operating	620	1,252	1,872
	(e) miles operated	2,102,871	5,976,426	8,079,297
	(f) number of breakdowns per 10,000 miles travelled	3.3	2.7	2.8
May 1977	(a) breakdowns repaired on the road	766	1,032	1,798
	(b) vehicles towed in	<u>53</u>	<u>838</u>	<u>891</u>
	(c) total breakdowns	819	1,870	2,689
	(d) vehicles operating	612	1,260	1,872
	(e) miles operated	2,167,996	6,138,408	8,306,404
	(f) number of breakdowns per 10,000 miles travelled	3.8	3.0	3.2

APPENDIX

		<i>CMB</i>	<i>KMB</i>	<i>Total</i>
June 1977	(a) breakdowns repaired on the road	832	1,072	1,904
	(b) vehicles towed in	<u>44</u>	<u>976</u>	<u>1,020</u>
	(c) total breakdowns	876	2,048	2,924
	(d) vehicles operating	610	1,260	1,870
	(e) miles operated	2,082,901	5,944,636	8,027,537
	(f) number of breakdowns per 10,000 miles travelled	4.2	3.4	3.6
July 1977	(a) breakdowns repaired on the road	854	1,013	1,867
	(b) vehicles towed in	<u>45</u>	<u>990</u>	<u>1,035</u>
	(c) total breakdowns	898	2,003	2,902
	(d) vehicles operating	614	1,260	1,874
	(e) miles operated	2,159,635	6,181,114	8,340,749
	(f) number of breakdowns per 10,000 miles travelled	4.2	3.2	3.5
August 1977	(a) breakdowns repaired on the road	792	1,050	1,842
	(b) vehicles towed in	<u>44</u>	<u>1,125</u>	<u>1,169</u>
	(c) total breakdowns	836	2,175	3,011
	(d) vehicles operating	615	1,280	1,895
	(e) miles operated	2,131,891	6,221,166	8,353,059
	(f) number of breakdowns per 10,000 miles travelled	3.9	3.5	3.6
Septemb er 1977	(a) breakdowns repaired on the road	452	1,081	1,533
	(b) vehicles towed in	<u>84</u>	<u>1,148</u>	<u>1,232</u>
	(c) total breakdowns	536	2,229	2,765
	(d) vehicles operating	623	1,287	1,910
	(e) miles operated	2,060,825	5,956,656	8,017,481
	(f) number of breakdowns per 10,000 miles travelled	2.6	3.7	3.4
Total	(a) breakdowns repaired on the road	6,277	8,588	14,865
	(b) vehicles towed in	<u>449</u>	<u>8,238</u>	<u>8,687</u>
	(c) total breakdowns	6,726	16,826	23,552
	(d) vehicles operating	5,498	11,331	16,829
	(e) miles operated	19,218,887	54,469,718	73,688,605
	(f) number of breakdowns per 10,000 miles travelled—average	3.5	3.1	3.2

ADDENDUM

OFFICIAL REPORT OF THE LEGISLATIVE COUNCIL SITTING HELD ON 10TH AUGUST 1977

Page 1190 After the reply of the Secretary for the Environment to Question 9
"Accidents—public omnibuses" asked by Miss DUNN.

Add:—

(The following written reply was provided subsequently by the Secretary for the Environment)

When I attempted to reply to Miss DUNN's question in the Legislative Council on 10th August about accidents involving public omnibuses, I was unable to state the causes of the 784 accidents involving buses because the accident figures had not been analysed in this way. Accident causes are notoriously difficult to establish in any case, involving as they often do, parties each of whom wishes to establish his own innocence, in a situation where reliable disinterested evidence is particularly hard to obtain. The figures with which I have now been supplied, and which are contained in this written reply must therefore be qualified by the following:—

- (a) "Cause" is the cause attributed by the police officer on the spot at the time of the accident. It is thus an opinion and no more.
- (b) There is a substantial proportion of cases which are attributed to "other causes" which may mean:—
 - (i) more than one factor causing the accident;
 - (ii) outside causes, e.g. weather;
 - (iii) mechanical causes;
 - (iv) that the police officer cannot attribute a cause.
- (c) —And most important—"driver error" may be the error of the driver of either the bus or another vehicle involved.

Causes of Accidents Involving Buses January—June 1977

Driver error (either party)	
driving too fast for road conditions	204
following too closely	34
Speeding	2
opening door negligently (driver or passenger)	32
Other driver error	<u>66</u> 338
Pedestrian negligence	164
Other causes	222
Cause not determined	60
	<u>784</u>

As this does not provide an answer to the question: "Are buses or bus drivers causing an unreasonably large number of the accidents and could anything specific be done about this, bearing in mind Government's special relationship with the companies?", I intend to seek analogous tables for goods vehicles, taxis, PLBs and private cars. The problem of which driver was at fault will remain but I think that the figures will give us *some* guidance which I will pass on to Miss DUNN.

However, as I said in the Legislative Council, the increase in bus accidents is in line with the general increase in accidents on the road, and we believe that it is the latter question on which we should be concentrating our attention. The Transport Advisory Committee, which meets at the end of the month will be examining this problem and I hope that it will be possible to identify the fields into which more effort should be put in order to reduce the accident rate.

With regard to the future progression of local officers, steps are being taken to train those with potential to fill the more senior posts on the completion of the contracts of expatriate staff. In this connection, the contracts of 10 expatriates will expire between 1978 and 1981 and it is hoped that most, if not all, of these posts can be filled progressively by promotion of local officers by this latter date. The remaining three expatriate officers are on permanent and pensionable terms.

KMB and CMB buses—breakdowns

12. MISS DUNN:—

Will Government state:

- (a) the number of times KMB and CMB buses have broken down so far this year; and
- (b) what steps are being taken to reduce the incidence of such break-downs in view of the inconvenience caused to passengers and the traffic congestion that inevitably builds up, particularly in those areas affected by works projects?

SECRETARY FOR THE ENVIRONMENT:—Sir, the questions which Miss DUNN has posed in this Council are very similar to those which Government put recently to the bus companies because it appeared that breakdowns of buses were becoming more frequent and it was certain that they were causing greater problems of congestion on the roads. Unfortunately, this information is not yet in hand as it is part of compendious maintenance records kept at the individual bus depots and Government has not yet had time to extract the records of the faults which caused break-downs on the roads from those identified in the depots or termini. When this analysis has been done, I will table an answer to Miss DUNN's first question.

The answer to her second question will depend very largely on the results of this analysis and the view which is taken of the figures in relation to the overall operation of the utility. I should emphasize that at this stage I have no reason to believe that anything is seriously amiss, or that any specific action by the companies or the Government is necessary.

MISS DUNN:—Sir, would it not be sensible to monitor the trend on a continuing basis by requiring the bus companies to report all breakdowns and their causes to the Government?

Oral answers

SECRETARY FOR THE ENVIRONMENT:—Sir, I have instructed that this should be done.

MR CHEUNG:—Sir, has Government visually observed that if a road is blocked, at least once out of two times it is caused by breakdown of a CMB vehicle?

SECRETARY FOR THE ENVIRONMENT:—No, Sir. The Government has not specifically observed that.

Countryside paths—signposts

13. REV JOYCE M. BENNETT:—

Now that the series of maps showing paths in the countryside has been published, will the Government initiate a programme of signposting these paths for the guidance of hikers?

DIRECTOR OF PUBLIC WORKS:—Sir, the Director of Agriculture and Fisheries has already initiated a system for indicating popular walks in the Country Parks by means of coloured posts and this has been successfully introduced at Tai Po Kau, Aberdeen and Shing Mun, and will be introduced in future Country Parks as these are designated. Some paths are already signposted and a system is under consideration to indicate the remaining paths that are not within the Country Parks. The system will be related to the countryside maps and I am most grateful to Miss BENNETT for drawing attention to this useful idea.

New Territories Taxis

14. DR CHUNG:—

- (a) Will Government make a progress report on the operation of the New Territories Taxis since October 1976; and
- (b) Is Government aware of the need to extend the area of operation from 11 M.S. to Tsuen Wan along Castle Peak Road and from Ma Liu Shui to Sha Tin along Tai Po Road?

SECRETARY FOR THE ENVIRONMENT:—Sir, the Road Traffic (Amendment) Bill 1976 which introduced a new class of vehicle called "New Territories Taxis" became law on 23rd June 1976. Applications for

the 750 New Territories taxi licences were balloted in three batches in September 1976, December 1976 and January 1977. The majority of the new taxis were inspected and licensed by April 1977.

The purpose of introducing the New Territories taxi was to provide a legal taxi service in those parts of the New Territories where urban taxis do not normally operate, and to replace the "pak pai che" which previously provided an illegal service. The scheme appears to be achieving these objectives well.

In creating the New Territories taxi, the Governor-in-Council ordered that a report on their progress should be made six months after the scheme came into full operation. This report, which will be ready in about October, will include a review on the operational boundaries of the service. The present boundaries were drawn up to exclude the new towns of Sha Tin and Tsuen Wan since they are areas reasonably well covered by urban taxi services, and because the trade in these areas could well draw away numbers of the New Territories taxis operating with lower fares and licensed fees than their urban counterparts from the rural areas which they are intended to serve. These factors are still important and tend to indicate that, although I am bound to review the operational boundaries, the "need" to extend them may well be over-shadowed by other considerations.

DR CHUNG:—Sir, does not the Government realize that for a person in the New Territories who wishes to go to Kowloon by taxi, he cannot make use of a New Territories taxi to go to 11 $\frac{1}{2}$ M.S. on Castle Peak Road nor to Ma Liu Shui on Tai Po Road, as he is unlikely to locate an urban taxi at these two places? And does not Government realize that it is also very unlikely that one can find an urban taxi in the New Territories?

SECRETARY FOR THE ENVIRONMENT:—Sir, all these points were taken into consideration when the Governor-in-Council approved the regulations.

DR CHUNG:—Sir, when the Secretary for the Environment said in his reply to my original question and I quote "the trade in Sha Tin and Tsuen Wan could well draw away numbers of the New Territories taxis operating with lower fares and license fees than their urban counterparts from the rural areas", does he mean that the taxi trade within the boundaries of Tsuen Wan and literally within the boundaries of Sha Tin respectively?

Oral answers

SECRETARY FOR THE ENVIRONMENT:—Sir, if I have understood the question rightly, I think the answer is "yes". A lower fare is bound to be more attractive in Sha Tin or Tsuen Wan, and the New Territories taxis would be very likely to take over any business that was in those towns and drive the urban taxis entirely away.

REV JOYCE M. BENNETT:—Sir, can we be told how long a person would have to wait for an urban taxi in the area between Ma Liu Shui and Sha Tin?

SECRETARY FOR THE ENVIRONMENT:—I can't possibly tell you. Sir, I cannot possibly say, but there are two other forms of public transport available to him.

DR CHUNG:—Sir, does the Secretary for the Environment imply that a taxi could survive if the taxi is restricted for operation within Sha Tin itself?

SECRETARY FOR THE ENVIRONMENT:—Sir, I had not intended to imply that. I intended to imply that the New Territories taxis would probably take over most of the business in the New Towns if they were allowed to enter them.

MR CHEONG-LEEN:—Sir, will my honourable Friend give an indication whether urban taxis are easily available in Sha Tin?

SECRETARY FOR THE ENVIRONMENT:—Yes, urban taxis are available in Sha Tin, but just as they are scarcer in the less busy parts of the urban area than they are in the centre of the urban area, they are also scarcer in the less busy parts of the New Towns.

Rainfall reports

15. DR CHUNG:—

In the light of greater interest and increasing sophistication of the local population in the interpretation of rainfall reports issued by the Royal Observatory, will Government provide three separate average rainfall reports, namely, one for the Hong Kong Island, one for the Kowloon urban area and one for the reservoirs catchment area?

SECRETARY FOR THE ENVIRONMENT:—Sir, it would not at present be possible to provide separate daily average rainfall reports in respect of Hong Kong Island, Kowloon, and the reservoir catchment areas.

The daily rainfall measurements used in weather reports are taken at the Royal Observatory itself. These are supplemented, where necessary, by reports from a limited number of other stations, and where there is a significant difference between the amounts reported, reference to this is occasionally included in weather bulletins. However, not enough stations can produce daily reports of rainfall to allow meaningful separate average rainfall figures to be produced in respect of broader areas.

There is however a system of reporting from over 100 rainfall stations around Hong Kong manned by volunteers who mail the results of their observations to the Royal Observatory monthly. This data is checked and analyzed by the Royal Observatory, and a chart showing the geographical distribution of rainfall is published in the observatory's Monthly Weather Summary. The Summary is available on subscriptions, and is supplied to the press.

DR CHUNG:—Sir, the Secretary for the Environment said in his reply and I quote "not enough stations can produce daily reports of rainfall to allow meaningful separate average rainfall figures to be produced in respect of broader areas", will Government establish more stations so that meaningful separate average rainfall figures can be produced and reported?

SECRETARY FOR THE ENVIRONMENT:—Sir, I would be prepared to examine the mechanics of broadening the spread, but I think that Dr CHUNG might wish to know that the monthly rainfall reports which are published are considered very useful by serious students in meteorology, that the interest of the man-in-the-street for meteorological details tends to fluctuate, and that a broad spread of daily reports would certainly involve considerable organization and some public expenditure.

DR CHUNG:—Sir, in my original question, I said "in the light of greater interest and increasing sophistication of the local population" I do not mean very sophisticated students.

HIS EXCELLENCY THE PRESIDENT:—There was no question, I think. (*laughter*)

Oral answers**Outdoor recreation facilities**

16. MR LEUNG:—

For the benefit of the general public, will Government provide or encourage to provide more outdoor sports and recreation facilities similar to the Sai Kung Outdoor Recreation Centre run by the Recreation and Sports Division of Education Department?

DIRECTOR OF EDUCATION:—The general public should be happy to learn that a second Government Outdoor Recreation Centre is well into the planning stages at Tso Kung Tam Park in Tsuen Wan. This second Centre, which will provide sports and recreation facilities similar to those at the very popular Sai Kung Outdoor Recreation Centre, should be ready in 1979.

MR LEUNG:—Sir, will Government also consider making use of those established engineers' quarters near completed high works schemes and which have become vacated for purposes of recreation facilities for the benefit of the public?

DIRECTOR OF EDUCATION:—We should certainly be happy to consider the suggestion, Sir.

Textile negotiation with the EEC

17. MR TIEN:—

Having regard to the visit to Hong Kong of the EEC's Chief Textile Negotiator, will the Government make a statement on the forthcoming textile negotiations with the community?

DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS:—Sir, I have in fact little to add at this stage to the statement I made to this Council in the adjournment debate two weeks ago. At that time I said that it was already apparent that forthcoming negotiations with the EEC would not be easy.

As my honourable Friend Mr TIEN has mentioned, we have just had a two day visit from the chief textile negotiator for the EEC, Mr TRAN Van Think. I hasten to say, Sir, the visit had nothing to do with

the state of my voice. Mr TRAN's visit was not for the purpose of negotiation, but rather for discussion of a possible basis for negotiation later this year. From our point of view, this was a useful exercise. We believe Mr TRAN found it so as well.

Mr TRAN said publicly yesterday that he found our reaction to his tentative proposals to be tough; but he also expressed himself optimistic that there had emerged the possibility of a negotiated agreement. For our part, we have not moved from our basic position that we are ready to negotiate flexibly a reasonable bilateral agreement within the framework and the terms of the GATT Multi-Fibre Arrangement.

We are encouraged by Mr TRAN's optimism in the face of a very explicit statement of our position and are now ready to open negotiations in Brussels, probably in early October. Given that this is now a matter for serious negotiation, I do not feel I can reasonably be more explicit in respect of the posture we shall be adopting; other than to say we shall not lose sight of the fact that damage to the Hong Kong textile industry would be, in social and economic terms, a relatively much more serious matter than the consequences of similar problems faced by the textile industries of the EEC.

Flights between London and Hong Kong

18. MR CHEUNG:—

- (a) In the last eighteen months, what percentage of scheduled passenger flights to and from London departed or arrived in Hong Kong on schedule? and
- (b) As regards those that did not, will Government give a breakdown as to the length of delayed arrivals and departures?

FINANCIAL SECRETARY:—Sir, I take Mr CHEUNG's questions to refer only to those flights which link Hong Kong and London with a same-plane service and not to the innumerable flights which can carry passengers between the two places through one or more connecting flights at different parts of the world.

Of these same-plane services, British Airways carries 95% of the passengers between Hong Kong and London. This is because British Airways operates what are regarded as domestic flights between two British points and can charge lower fares than other airlines that have to charge tariffs specified by the International Air Transport Association.

[FINANCIAL SECRETARY] **Oral answers**

The Director of Civil Aviation keeps a record of the arrival and departure times of all flights using Kai Tak Airport. But he maintains the record on the basis of individual movements and not on the basis of particular airlines or particular routes. I regret that in the time available for preparing this answer it has not proved possible to extract the information necessary to give members a summary of British Airways' performance on their Hong Kong-London route over the full eighteen months.

But information is available on their performance since the beginning of this year. Because of the number of complaints about the unsatisfactory nature of the services concerned, the Director of Civil Aviation has started keeping separate records of time-keeping on the Hong Kong-London route.

Before I provide the actual statistics, I must perhaps explain that airport authorities and airlines adopt a number of different definitions as to what constitutes a delayed flight. For the purposes of his own study, the Director of Civil Aviation has chosen to regard only flights that arrive or depart more than one hour later than their scheduled times as being delayed.

Now to answer the first part of Mr CHEUNG's question. The percentage of British Airways' scheduled passenger flights to and from London which have been delayed, on the basis of the definition I have just described, during the first seven months of this year is 34.7%.

As to the second part of the question, the average delay has been 4 hours and 45 minutes.

In addition, British Airways cancelled 10 flights.

MR CHEUNG:—Sir, what percentage of flights were delayed respectively 8 hours and 16 hours? I did ask for a breakdown.

FINANCIAL SECRETARY:—Sir, I am afraid that I cannot provide these exact statistics, but I can say that between January and June, 9 flights were delayed for 24 hours or more, and that the longest delay was 5 days and the second longest 32 hours. (*laughter*)

MR LO:—Sir, is it not true that international airlines generally regard a flight as being delayed if it is more than 15 minutes off schedule, and if so, why has the Director of Civil Aviation chosen a lower standard to measure the performance of British Airways?

FINANCIAL SECRETARY:—Sir, the answer to the first question is no. The answer to the second question is that it just seemed to the Director of Civil Aviation that given the length of the flights from Hong Kong to London, and in some cases connecting from Hong Kong down to Australia, an hour's delay either in departure or arrival was not unreasonable.

MR CHEUNG:—Sir, what is the cause of this serious delay between London and Hong Kong on BOAC's part?

FINANCIAL SECRETARY:—Sir, the question actually is out of order because the Government has no means of finding out in its own right what the causes are, but I understand that there are troubles with the engines of the aircraft, there is obvious industrial trouble at London airport, and there is obvious industrial trouble as well in the airports in Australia.

MR LO:—Sir, apart from the abysmal record of delays and cancellations, does the Government consider the performance of the British Airways, as cabotage operator between Hong Kong and London, otherwise satisfactory?

FINANCIAL SECRETARY:—I am now being required, Sir, to answer the next question. Do you wish me to do so?

(The following is the text of Question 19 which Mr CHEUNG proposed to ask in accordance with Standing Order 17(2):—In the light of the answer to the previous question, will Government state whether it is satisfied with the punctuality of such scheduled flights, and if not, state what action, if any, it proposes to take?)

The answer is no, Sir. If I might anticipate also the second half of the next question, the Government has repeatedly taken up this matter with the top management of the British Airways, but no sustained improvement has resulted, but I am pleased to be able to report that I have just been assured by the top management of the British Airways, in fact by the Deputy Chairman himself, the British Airways management has been treating as a matter of top priority the question of solving the dispute at the London Airport, and that I believe the situation, at least as far as those difficulties are concerned, will improve.

DR CHUNG:—Sir, is the Financial Secretary aware that the usual statistics of delay for the Trans-Atlantic flights is well less than 15% as compared to some 35% between London and Hong Kong?

FINANCIAL SECRETARY:—Yes, Sir.

Statement**The first annual report of the Clothing Industry Training Authority and the first annual report of the Construction Industry Training Authority**

MR TIEN:—Sir, laid before this Council today are the first annual report of the Clothing Industry Training Authority and the first annual report of the Construction Industry Training Authority. The reports cover the period ending on 31st December 1976.

The Clothing Industry Training Authority was established on 5th September 1975 under the Industrial Training (Clothing Industry) Ordinance. The Construction Industry Training Authority was established on the same date under the Industrial Training (Construction Industry) Ordinance. The main functions of these Authorities are to establish training centres and to provide training courses for these industries.

The clothing industry is one of Hong Kong's largest manufacturing industry both in terms of the total value of export and the number of workers employed. In 1976 the total value of clothing items manufactured in and exported from Hong Kong was about fourteen thousand million Hong Kong dollars (\$14,000 million) representing about 45% of the total value of Hong Kong's exports. The clothing industry employs about 180,000 workers. But for some years its development has been hindered by a shortage of workers at the operative level. Many manufacturers have been unable to provide proper training, which is mainly on the job, for the large number of operatives required because of the general shortage of space and the consequential disruption to actual production.

Today I am very pleased to inform this Council that construction of the Clothing Industry Training Centre at Kwai Chung will soon be completed. As the Chairman of the Clothing Industry Training Authority, I am most grateful to you, Sir, for having accepted my invitation to officiate at the opening of the Training Centre in October this year. The Training Centre will initially be able to train about 3,600 operatives each year.

The construction industry has for many years been experiencing an acute shortage of craftsmen, resulting not only in increasing inefficiency within the industry but also in a rapid increase in construction cost. Unlike the skilled workers in other industries, most skilled

workers in the construction industry are employed on a casual short term basis and almost all work is carried out under special contract by loosely knit temporary groups of workers. Under such circumstances, the provision of craft apprentice training based wholly on on-the-job training in the construction industry has always given rise to insurmountable problems.

As the Chairman of the Hong Kong Training Council, I am pleased to inform honourable Members that under the able leadership of a member of the Training Council, Mr Geoffrey YEH, the building of the Construction Industry Training Centre at Kowloon Bay has already been completed. Mr YEH is the Chairman of the Construction Industry Training Authority and he is also grateful to you, Sir, for having accepted his invitation to officiate at the opening of the Construction Industry Training Centre on the 17th of this month. The Training Centre will initially have the facilities to train some 660 full-time trainees each year in the major construction trades.

Sir, the idea of setting up the two Training Authorities was originated by the Industrial Training Advisory Committee which was the predecessor of the Hong Kong Training Council. The Training Centres are the tangible result of years of joint efforts of the clothing industry, the construction industry and the Government, in particular the Labour Department. These Training Centres are a mile-stone in the history of human resource development in Hong Kong.

Government Business

Motions

MASS TRANSIT RAILWAY SYSTEM—EXTENSION TO TSUEN WAN

Resumption of debate on motion (27th July 1977)

DR CHUNG:—Your Excellency, in March 1973 and April 1975 when I spoke in support of the motion to set up a Mass Transit Fund and a bill to establish the Mass Transit Railway Corporation respectively, I said that there was a need for an underground railway system in Hong Kong in order to encourage people to shift their homes to nearby suburban areas so as to relieve the extreme congestion in the main urban districts and also hopefully to ease vehicular traffic on the roads. I also said that the mass transit railway would not really be serving its purpose if the remainder of the nine stages of the full system were not eventually built. Today, this is still my view.

[DR CHUNG] **Motions**

Sir, whilst I support the eventual construction of the full mass transit system, I wish to raise three basic points with regard to the Tsuen Wan extension. They are (1) economic viability, (2) financing and Government guarantees and (3) timing.

Economic viability is a question of income and expenditure and, in the case of the Mass Transit Railway, its main income must come from its fares. Both my Unofficial Colleagues, Mr James WU and Mr S. L. CHEN, have expressed concern about the very high level of fares to be charged by the Mass Transit Railway as compared to those now being levied by public omnibuses and public light buses. They feel that, if these public transport companies were allowed to compete freely and fairly, the MTR would not necessarily be competitive enough to attract such a large percentage of commuter traffic, for example, 1.8 million passengers a day by 1986 as projected by the Corporation. On the other hand, my two Unofficial Colleagues believe that it would be totally unacceptable to the community at large if surface public transport fares, routes and services were revised and manipulated by Government with a view to making the MTR viable.

The subject of MTR fares attracted six editorials in the Chinese press in the first week after the last sitting of this Council and all of them shared the concern of my two Unofficial Colleagues. One editorial urged Government to assure the public that the fare structure of the MTR would be based on the principle of free and fair competition. Another said that public transport fares should be kept low and that it would be against the principle of providing cheap public transport services if the MTR were allowed to take the lead in increasing fares. A third editorial said that the Government should not create a transport monopoly for the MTR or force other forms of public transport to increase fares in order to make the MTR viable.

The other side of economic viability is expenditure. During the first ten years of the operation of the Tsuen Wan extension, operating costs are estimated at HK\$1,669 million and replacement costs at \$103 million, giving a total operating expenditure of \$1,772 million. For the same ten-year period, that is, from 1983 to 1992 inclusive, total income from fares and advertising is estimated at \$11,993 million. Thus the gross profit before depreciation and profits tax comes to \$10,221 million. The total construction costs including escalation are given as \$4,085 million. Since the majority of the construction costs are for civil engineering works, the overall depreciation rate for a project of this nature, based on the straight line method, may fairly be taken

at 5 percent per annum. This means that the whole construction costs are to be written off in 20 years. Hence, the net profit after depreciation but before profits tax for the first ten years works out to be \$8,178 million with a net profit after profits tax of \$6,746 million.

The total fixed assets for the MTR Tsuen Wan extension amounts to \$4,255 million which is the sum total of crown land premia (\$170 million) and total construction costs including escalation (\$4,085 million). If we use the usual Government formula for controlling profit of public utilities in Hong Kong, the average return on fixed assets over the first ten years would be about 16 percent per annum which is quite attractive as compared to $13\frac{1}{2}$ percent per annum for the China Light and Power Company. At this juncture, Sir, I declare my interest as a director of China Light and Power.

If the capital financing were all coming from shareholders (that is, without any borrowing), the average return on shareholders' funds would also be 16% per annum which is comparable to the permissible return now being enjoyed by the Hong Kong Telephone Company.

If the fare income were reduced by 25%, as a result of either less passengers or a fare reduction or a combination of these two factors, the average return on investment would be reduced from 16 to 10 percent per annum—a return which is still quite attractive. As a project, therefore the Tsuen Wan extension seems to be economically viable.

My two Unofficial Colleagues, Mr James WU and Mr S. L. CHEN, in their speeches made in this Council two weeks ago nevertheless questioned the reliability of the high MTR passenger volume forecast in the light of the proposed high level of MTR fares. They are doubtful whether the assumption made by the MTR Corporation and accepted by Government that the speed, regularity, comfort and convenience of the MTR would amply compensate for the fare differential and would attract the bulk of commuters. I for one, as a layman, would not dare to speculate on this at this juncture. Only time will tell which side is correct.

Honourable Members, however, may wish to note that for the first ten years the estimated total operating expenditure of \$1,772 million represents only 15% of the forecast total fare income of \$11,993 million. This indicates that the MTR is a very capital-intensive and not an operating-cost-intensive enterprise. In the inflationary era of today, capital-intensive ventures have a better chance of success than operating-cost-intensive ones. This, of course, is in the MTR's favour.

[DR CHUNG] **Motions**

My second point, Sir, is financing and Government guarantees. First, I would like to thank the MTR Corporation for the supply at short notice of a projected cash flow and financial plan for the combined Modified Initial System and Tsuen Wan Extension. According to this financial plan, the total loan outstanding will peak between HK\$9,500 to \$10,500 million during the five-year period from 1981 to 1985. This is a vast sum of money by our standards.

At this moment, we in Hong Kong are enjoying a very favourable political and economic environment and it is true that it is an opportune time at present to negotiate loans to finance the cost of the Tsuen Wan extension. However, as far as I know, the loans, whilst they are for fixed periods of time, are not at fixed interest rates which are to be reviewed from time to time, some as frequently as every six months. We cannot rule out the possibility of interest rates rising in the future as they did in 1973 and 1974.

With such extremely highly geared loan financing (which is 90% loan and 10% equity), any moderate upward movement in interest rates would significantly and adversely affect the economic viability of the whole MTR project. Honourable Members may be interested to note that during the first and critical five years of operation of the Tsuen Wan extension alone, the estimated total outlay on interest amounts to \$1,981 million which is very much higher—in fact 200 percent higher—than the estimated total operating expenditure of \$668 million. Let us not forget the classic and tragic example of the Hong Kong Telephone Company in 1974. In the late 1960's and early 1970's when the Company was making about 14% annual return on investment on the one hand and paying an annual interest rate of 6 to 8% on fixed period loans on the other, who could have had the foresight to question the wisdom of the then General Manager of putting the Company into such highly geared loan financing? Even then the Telephone Company's loan-equity ratio was very much less than the 9:1 proposed by the MTR Corporation. Fortunately, the Government acted swiftly and rescued the Telephone Company from bankruptcy. Should the Hong Kong Government find itself in a similar situation as the Telephone Company, who would come to our rescue? This is my gravest concern and cause of apprehension which, I believe, is shared by many of my Unofficial Colleagues. I only hope that the incumbent Financial Secretary will still be in office during the early 1980's. (*laughter*)

Sir, I now come to my third and last point which is the timing of the Tsuen Wan extension. The Financial Secretary, in his speech two weeks ago, gave five major reasons as to why the Government and the MTR corporation have elected to proceed with this extension at this point in time. One of the major reasons was that very competitive bids would probably be received from contractors already employed on the construction of the MIS since the necessary heavy equipment is already in Hong Kong. The other important reason was that the MTR Corporation would be able to continue to utilize the knowledge and experience of the 700 or so technical and engineering staff which it has built up to supervise the construction of the MIS. With respect, Sir, if these two reasons were accepted as major criteria for the Tsuen Wan extension there would be perpetual construction of the MTR system and only God knows when and where it would end. In this regard, I am voicing the view of a number of Unofficials who wish to put on record that these two factors should not be used as reasons for proceeding with the construction of the Tsuen Wan extension nor in any future extension.

It is with these observations and reservations, Sir, that I give my cautious support to the motion before Council.

MR CHEONG-LEEN:—Sir, I welcome the decision to extend the Mass Transit Railway to Tsuen Wan.

Many people regard the MTR which will link Kowloon, Hong Kong Island and the New Territories as a symbol of confidence in the long-term future of Hong Kong.

By the end of the century, Hong Kong's population will have risen to 5 million or more persons, and the MTR would be carrying well over 2 million passengers a day.

The MTR should become the backbone of a territory-wide public transport system. Without the Modified Initial System and the proposed extension to Tsuen Wan, we would require a few thousand more buses and PLBs, with the consequent severe road congestion, the added cost of expanding existing roads, building new roads and car parks, plus the heavy recurrent maintenance cost.

If the MTR extends into the New Territories, land values are bound to appreciate, and Government stands to derive much benefit to the public treasury therefrom, even though hopefully Government does not attempt to "kill the goose that lays the golden egg" by encouraging speculation in land values.

[MR CHEONG-LEEN] Motions

The Government's equity in the Modified Initial System is a total of \$1,230 million, or 20% of the estimated cost of \$6,000 million.

For the Tsuen Wan Extension, costed at a total figure of about \$5,000 million, it is the Government's intention to invest only \$181 million by way of land and deferred rates.

Therefore for the MIS plus the Extension, Government's equity of \$1,381 million will be reduced from 20% to 12.8% of the total cost of about \$11,000 million.

The Government has so far rejected the proposal of the Mass Transit Railway Corporation to inject an additional \$500 million equity. This may well be a short-sighted policy that is particularly detrimental to the community interest if the Corporation is forced to charge initial fares which are beyond what the travelling public can afford.

The Corporation's cash flow projection (assuming there is no Government injection of the additional \$500 million equity requested), shows a surplus of \$469 million by 1990, with an accumulated surplus of \$2,155 million with all loans fully paid up by 1992.

In other words, for a total equity of \$1,381 million, consisting of \$800 million in cash and the rest in land and delayed rates, Government through the Corporation will be owning by 1992 a debt-free Mass Transit Railway System plus a surplus of \$2,155 million.

Furthermore, the figures I have just given do not include an estimated \$800 million which might probably be saved through refining the costing process, plus an additional \$600 million in profits tax which Government will probably collect between 1990 and 1992. In addition, the extra profits of the Corporation arising from its property development operations have still to be taken into account.

I must make it clear at this stage that the profit picture I have just outlined is on the major assumption that the fare structure for the MIS/Tsuen Wan Extension would range from \$1 to \$2.50 at 1975 prices, with an average increase of 7% a year, equal to the Corporation's assumed rate of inflation.

For ease of reference, Sir, of honourable Members I have prepared a table showing what the fare structure could be by 1980 and 1982, which would then be in the range of \$1.40 to \$3.50 and \$1.60 to \$4.00 respectively for those two years.

MIS/TSUEN WAN EXTENSION FARE STRUCTURE

WITH 7% AVERAGE ANNUAL INCREASE

	HK\$1.00	HK\$2.50
1975		
1976	1.07	2.68
1977	1.15	2.86
1978	1.23	3.06
1979	1.32	3.28
1980	1.41	3.51
1981	1.51	3.76
1982	1.62	4.02
1983	1.73	4.30
1984	1.85	4.60
1985	1.98	4.92

Arising from such a projected fare structure by 1980 and 1982 (when the Tsuen Wan Extension will be operational), the following questions are pertinent:

- (1) Will the MTR fares in 1980 (when the MIS will have become operational) be compatible with the fares of buses and other forms of public transport, so that the public can expect overall an efficient, economical and reasonably comfortable public transport system?
- (2) Will the very large number of people who will daily be using the Mass Transit System be able to afford the fare structure of \$1.40-\$3.50 in 1980 and \$1.60 to \$4.00 in 1982 without seriously affecting their living standards?
- (3) To what extent will such fare structure escalate production and wage costs, thus adversely affecting Hong Kong's export-oriented economy?

These are some of the questions which Government has to give serious consideration from the point of view of travelling costs and the effect on the living standards of MTR commuters.

I understand that Government will have to make more detailed studies during the next two years of the full implications of the impact of the MTR on the public transport system, which would have a direct bearing on fare structures as well as on the reshaping of the bus and PLB services.

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In so doing, I would urge Government to keep in mind the following points:

- (A) Apart from providing an efficient public transport service, the MTR fares should be what the public can reasonably bear, even though it might well require Government to inject the additional \$500 million cash equity as proposed by the Corporation.
- (B) The fares of the MTR should be low enough so that it is utilized to capacity with minimum discomfort to the travelling public.

Since the fare structure of the MTR does not require approval by this Council, as is presently the case with the bus and ferry companies, we shall have to monitor carefully whether or not it is in the public interest to allow the Corporation to retain such a special status.

Sir, with these remarks I support the motion.

DR FANG:—Sir, to deny the disabled the use of the MTR is to segregate them from the rest of the community. If they are not to regard themselves as inferior to the able-bodied it is essential that they be integrated as far as possible into every facet of the community's daily life. To do otherwise would be contrary to accepted principles.

Many handicapped people, willing and able to work, are prevented from accepting jobs offered to them through the lack of a suitable means of transport. Tsuen Wan is an important manufacturing town, hence provision for the handicapped on the Kowloon—Tsuen Wan section of the MTR would open up greater opportunities of employment for the disabled.

I hope therefore that I may be excused if I take the opportunity of this debate to reiterate my plea for access lifts to be installed for the disabled so that, like any other member of the travelling public, they too can make use of the speedier and more reliable mode of transport which the extension of the Mass Transit Railway to Tsuen Wan will provide.

I do not advocate that access lifts should be installed at every underground station along the Tsuen Wan route but only at the beginning and end of the sector. And if the terminal at Tsuen Wan West is to be above ground and therefore easily made accessible then

a lift would only be required at Prince Edward Station. Moreover, since I understand that the terminal at Kwun Tong is to be above ground the provision of access lifts at Prince Edward Station should mean that the disabled could also use that sector of the MTR thus increasing the opportunities for employment of the disabled in that heavily industrialized area.

To sink one or even two lifts at Prince Edward station and, if necessary, at the terminal at Tsuen Wan West for the use by the disabled is surely not beyond the competence of the many experts now in Hong Kong working on or associated with the MTR. Nor should it be beyond our financial resources. If, for any reason, the MTRC is unable to accept the financial commitment involved I would suggest that Government increases its equity in the MTR to meet the cost which, in relation to the total outlay on the project, would be negligible.

The question may rightly be asked as to how the disabled are to get to the MTR stations with access lifts? The answer is that this must be by surface transport, and I therefore earnestly hope that complementary to the provision of access lifts to the MTR, feeder buses, modified for the use by the disabled will also be brought into operation as part of the long-term plan to provide more adequate and suitable transport facilities for them.

Finally, let us not forget that access lifts could also be used by the travelling public generally, particularly in an emergency or the sudden illness of a passenger.

Sir, I very much hope that my plea will not again fall on deaf ears. I support the motion.

MR LO:—Sir, I am fortunate to have had the opportunity of listening two weeks ago to the speeches of Mr James WU and Mr S. L. CHEN as well as to the Financial Secretary and I would like first of all to deal with the Financial Secretary's defence of the Tsuen Wan West Extension. I hope I am not being unfair when I give headings to his defence as firstly on transport grounds that there is a lack of kerb space for public transport to set down passengers and that the roads will become over congested for vehicular traffic such as container lorries, secondly on financial grounds that it is cheaper now to build the extension than later and thirdly on human grounds that the MTR will provide a higher quality of living.

As regards the lack of kerb space, I wonder if Government has considered the possibility of resuming pieces of land along bus routes

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and on resale requiring the purchaser to redevelop in such a way as to create sufficient space for bus bays. The difference between resumption costs and resale prices should be minimal at any rate when compared to MTR costs and perhaps to preserve the equities existing owners could even be given rights of first refusal.

As regards the financial argument that it is cheaper to build now than later, I will say that this is no argument for building it at all unless it is established, which I maintain it has not been, that it is necessary and that we can afford it. A Rolls-Royce today is certainly less expensive than a Rolls-Royce tomorrow but for most of us that will hardly be a winning argument to buy one today. I need hardly add that the Mass Transit Railway is no Rolls-Royce which brings me to the Financial Secretary's argument that the MTR will for its higher cost provide a higher quality of life. I suppose it is a matter of personal judgment but I find it hard to agree that most people prefer to stand in a tube than to sit on a bus unless it is both cheaper and faster.

Of course, the real justification argued for the extension is that it is necessary for the maintenance of the flow of traffic both for passengers and for goods and that it will be viable as a commercial proposition. As regards the transport argument, I don't agree with the experts when they say that the best way to solve road congestion is to build a Mass Transit system to move people allowing the roads to service mainly the moving of goods. I am of the view that road congestion in a developed city should be solved by having bigger and better roads with all the necessary flyovers for intersections. Although both London and Tokyo have a lower population density than urban Hong Kong and although both London and Tokyo have a large underground railway network, traffic congestion is nonetheless worse in both cities than it is here. One reason is that so far we have a much better system of flyovers than either city and another is that improvements to roads can be done far more flexibly to meet changing demands than building Mass Transit systems. And probably a lot cheaper. I realize in saying this I am in essence rejecting the CTS Report and I acknowledge that I am advancing this argument purely as a layman. I should have been interested in the views of the Transport Advisory Committee which I understand Government has not seen fit to consult on the extension. This seems to be a pity.

A compelling argument against the extension relates to fares. On Mr S. L. CHEN's figures that bus fares have been increasing at the rate

of 2% per annum or less and on MTR projection that its fares will increase by 7% per annum compound, by 1986 to travel from Kwun Tong to Tsuen Wan West, it will cost by bus 60¢ and by the MTR \$5.25. For a person travelling to and for each day, the difference will thus amount to \$9.30 a day. Assuming that the average wage per month today is \$1,000, and if the MTRC is right in assuming that inflation will be 7% per annum compound the average wage per month by 1986 will be \$1,838. Assuming further that there are 300 working days a year for the average worker the difference between going by bus and by MTR from Tsuen Wan to Kwun Tong in 1986 would be \$2,790 per year or $1\frac{1}{2}$ months' pay.

However, these costs would only apply to those who both live and work within walking distance of the MTR stations because those who do not will have to take additional transport which naturally will not be free. If members of the public were to be given a free choice, a genuinely free choice, I would find it very hard to believe that they would choose to take the MTR daily in preference to taking a bus for the privilege of losing one and a half months' pay every year.

However, the MTRC's case is that they will. Indeed, according to an assessment made by the Director of Mass Transit Studies that although there are around 400,000 passenger trips today going by bus between Tsuen Wan and Mong Kok there will be by 1986 almost 800,000 passenger trips per day on that route using the MTR.

The interesting question therefore is how will the Government induce, as it assuredly must induce, members of the public to take 800,000 trips a day on a system of transport nine times the cost of going by bus for the long trips and 5.8 times the cost for the short haul. The only method that I can see is for Government to eliminate in one way or another other forms of transport competing on that route so that Government's captive customers in Tsuen Wan, Kwai Chung, Tsing Yi and Tuen Mun will have to pay whatever fare the MTRC will have to charge to make the extension viable. Indeed, instead of planning a transport system to serve the population Government will have to plan how to force the people to pay for its extravagant venture. I don't think that this is fair and I can only hope that the MTRC's captive customers will be able to adjust their family budgets sufficiently and absorb the increase in travel cost without undue suffering and without unduly lowering their quality of living in other respects.

On the macro aspects will loading the dice in this way ensure that Government will win the MTR gamble? This is of course a separate question and the answer would depend on whether any of the major

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assumptions made by the MTRC and Government would go wrong. For example, what if interest rates rise dramatically before the hump year 1982? Although the MTRC's loans are for fixed periods, their interest rates are subject to revision sometimes every six months. What if Hong Kong's growth rate declines? What if our exports suffer setbacks? Have the down-side risks involved been fully examined and analysed?

When I last debated the issue I said that the Government was launching on a huge gamble that Hong Kong could not afford to lose. To build the extension is merely to increase the stakes, it does not increase our chances of winning but merely the extent of our potential loss. Accordingly I oppose the motion.

But before I resume my seat, Sir, I would like to mention one point to those who despite everything I have said are in favour, for one reason or another, of the Government taking this gamble. The Government's fiscal reserves are already fully committed to cover their short term difficulties, the financing of seasonal deficits and to meet existing liabilities. Although only 50% of the MTRC's additional borrowings for the extension are expected to require Government's guarantee even so Government's reserves will still have to be increased to cover the contingent liabilities involved unless Hong Kong achieves unexpected financial growth, and this can only be done in the coming years by reducing public expenditure or by increasing taxation.

Those in support might consider it wise therefore to ask the Government to withdraw the motion, at any rate, until the full extent of this is known for otherwise their position might be interpreted as being in favour of extending the Mass Transit Railway at any price.

MR TIEN:—Sir, more than five years ago, it was already becoming clear that traffic congestion on some of our roads was becoming severe and that unless all practical steps were taken to alleviate the position, congestion in the urban areas in the 1980's would reach unacceptable levels.

This unacceptable congestion would affect Hong Kong's economy most disadvantageously, if goods could not be moved speedily on the roads. Indeed, the quality of life in Hong Kong would also suffer and the evils of pollution would multiply.

Although much thought had been given to schemes of alleviation and many such schemes involving flyovers, double-decked highways

and similar structures have been considered and planned—some have already been implemented in order to ease points of serious traffic pressure and dislocation—nevertheless, we must remember to look ahead to the next decade when the actual congestion is such, that practical measures must be taken now to plan public transport for large numbers of people without adding to existing congestion.

The main feature of this railway will be that it will move large numbers of people continuously below the most congested areas of Hong Kong without adding to congestion on the roads.

It is important to ponder upon the fact that no other measures which we could take would enable so many people to be so rapidly conveyed, as additional surface transport facilities, competing for road space, could only slow down the transport system generally.

Hong Kong will be getting a system which employs not only the most up-to-date techniques but most important of all, a system whose reliability and safety features are those which are proven beyond doubt. I have heard other honourable Members refer to the expected speed, regularity, comfort and convenience of the MTR System and to this I should like to add the vital consideration of safety. It is my belief that the travelling public will appreciate these features of the system and be prepared to travel on it.

The opportunity to do just this below ground to relieve pressure on the surface seemed to me to be an opportunity it would be wise to take and I welcomed the Government's decision in 1975 to construct the Modified Initial System of the Mass Transit Railway.

Turning to the extension to Tsuen Wan in particular, the Financial Secretary has outlined the reasons which have persuaded the Government to approve the extension now and they are all cogent ones.

I have always held the view that it would be illogical not to extend the system to Tsuen Wan, a rapidly growing township which includes the industrial area of Kwai Chung and the container terminal and to take in at the same time, Cheung Sha Wan which is a large garment producing district. The system would be incomplete and, sooner or later, such an extension will have to be built and this will certainly cost much more at a later date.

The backbone of a system with an enormous potential is now being laid before our very eyes and I am convinced that we should take the opportunity to enlarge it while the financial and practical capability to do so are within our grasp.

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The Report on the Comprehensive Transport Study which was published last year made it clear that, if the extension is not built, buses and PLBs in the Tsuen Wan corridor would find it increasingly difficult to manoeuvre to pick up and set down passengers along this vital corridor and the operation of lorries and container vehicles to Kwai Chung would be severely curtailed and suffer as a result.

As I said earlier, something urgent must be done to reduce this unacceptable congestion in the Tsuen Wan corridor. We are already spending large sums of public money on the West Kowloon corridor and on the Tsuen Wan by-pass in order to alleviate the position but these measures alone cannot take sufficient pressure off the main access route to Cheung Sha Wan, Kwai Chung and Tsuen Wan.

There is an effective remedy we can employ to save the situation. With careful budgeting and prompt application it will be within our means. If we hesitate to extend the MIS to Tsuen Wan now, the increasing congestion on the roads may make its implementation well nigh impossible and certainly much more expensive at a future date.

I recall that on 8th December 1976, I asked a question in this Council in order to have an early decision on the proposed extension of the Modified Initial System of the Mass Transit Railway to Tsuen Wan.

That question was asked mainly because, if an early decision was not made, the heavy engineering equipment specially brought into Hong Kong would be removed once the present engineering contracts have been completed.

I am glad, therefore, that a decision has now been made to extend the MIS to Tsuen Wan. The extension, when completed, will not only deal effectively with the overcrowding on existing transport modes and the avoidance of congestion along both the West Kowloon and Tsuen Wan corridors but also enable the urban area of Kowloon to be extended to include Tsuen Wan and its environs.

A person living in the outskirts is thus able, within a few minutes ride on the underground, to step out into the very heart of the city itself, as if they were themselves residents of the urban area. Conversely, a person who lives in the urban area but who has to work in the industrial areas of Tsuen Wan and Kwai Chung can do so, in a matter of minutes, on a fast, safe, regular and dependable service and in reasonable comfort.

Sir, contrary to the impression given in one of this morning's English newspapers, I strongly support the motion. (*laughter*)

CHIEF SECRETARY:—Sir, seven honourable Members have expressed their views about the recent decision to extend the Modified Initial System (MIS) of the Mass Transit Railway (MTR) to Tsuen Wan. I am as gratified by the expressions of support for the decision, particularly by Mr TIEN who knows the Tsuen Wan area so well, as I am dismayed by the arguments supporting some of the doubts and reservations; and puzzled by the curious inconsistency in Dr CHUNG's speech. On the one hand, he began his speech by reiterating his long held view that "the Mass Transit Railway would not really be serving its purpose...if the full system were not eventually built" and on the other hand, he ended his speech by misinterpreting what I said about the timeliness of the decision to extend the MIS to Tsuen Wan, the transport and financial case for the extension having been established.

Sir, I shall deal with the doubts and reservations expressed under 8 headings:—

- (1) The case for an MTR
- (2) The MTR as an investment
- (3) Future of bus and PLB services
- (4) Public transport fares and the viability of MTR
- (5) Trends in public transport fares in recent years
- (6) Demand for public transport in the future
- (7) The MTR and the disabled, and finally
- (8) Financing strategy of the MTRC

The Case for an MTR

I must begin, Sir, by taking issue with Mr LO on the question of whether there is a need for a Mass Transit Railway. Even now he persists in putting forward what he considers to be preferable options and in such a way as to suggest that the Government and its advisers have never even considered them let alone examined them in depth. He doubts, for example, whether there need be a lack of kerbside space for public transport to set down passengers for he suggests that such a lack could be overcome by constructing bus bays. However, this would not overcome the problem because of the interference to moving traffic entering and emerging from these bays.

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Mr LO also argues that road congestion in a developed city could be halved by having bigger and better roads with all the necessary flyovers for intersections. As has been amply demonstrated from the very outset of the protracted discussions leading up to the decision to proceed with the construction of a Mass Transit Railway, other options such as a surface Mass Transit System, double decking the main roads in the urban area, building more and wider roads, and so on would either not be sufficient to deal with the problem of congestion, or would be more costly (in financial and land terms), or both. Furthermore, most of these options would need to be paid for from general revenue, whereas the greater part of the cost of the Mass Transit Railway will be met from loans which will be repaid from the Corporation's revenue stream.

Mr LO has also drawn comparisons with London and Tokyo, stressing that congestion in those cities or alleging congestion in these cities is severe despite the existence of extensive mass transit systems. However, he is quite wrong. I would remind him that car ownership as measured by the ratio of registered private cars to the population in those cities is ten times higher than in Hong Kong and the proportion of passengers carried by public transport in those two cities is less than half of that in HK. It is for these reasons, and not Mr LO's that congestion is so serious in London and Tokyo.

The MTR as an Investment

I also feel obliged, Sir, at the outset, to dispose of Mr T. S. LO's claim that the MTR is one huge gamble. He first made this claim nearly two years ago and privately much earlier than that. Even if it was a gamble, and I deny this—for a decision to proceed with the project was taken after years of study by transport and engineering experts and financial analysts—if it ever was a gamble the odds have shortened. International bankers have backed the MIS by providing all the medium and long term finance required for construction and more recently have expressed a willingness to finance the Tsuen Wan extension on more favourable terms *and* are prepared to dispense with a Government guarantee in respect of that portion (about 50%) not covered by export credit guarantee arrangements. In other words, the open market is confident that the Corporation's debt commitments are well secured by the project itself. One reason for this expression of confidence must lie in the Corporation's success in letting MIS contracts at prices within the original budget; another must lie in the

fact that, as the MIS civil engineering works are now over 30% complete, the Corporation remains confident that trains will begin running on the planned date, and that, therefore, its cash flow projections remain valid.

Mr LO not only reiterated that the MTR project is a huge gamble, but also alleged that the proposed extension to Tsuen Wan was tantamount to increasing the stakes and, therefore, the extent of "our potential loss and suffering". I have just explained that the odds on success for the MIS have shortened but, even if they had *not*—and they *have*—all the carefully assembled evidence clearly indicates that the extension to Tsuen Wan will *further* shorten the odds. The rate of return for the MIS alone has been calculated at $13\frac{1}{2}\%$. On the same basis of calculation, the additional of the Tsuen Wan line will increase the rate of return for the combined system as a whole to 15%. Put another way, the Corporation considers that, conservatively, it will be in a position to repay all loans for the MIS and the Tsuen Wan extension 10 years after the opening of the extension compared with 12 years for the MIS alone. I might add for Mr Hilton CHEONG-LEEN's benefit that the cash surplus of HK\$2,155 million in 1992 after all recurrent costs and debt service charges have been met over the previous years and loans outstanding at that date have been paid off. This figure is a consequence of the profitability of the railway; and without this profitability it would not have been possible to borrow from external financial sources for the MIS and to generate the present interest in further borrowings for the Tsuen Wan extension.

Future of Bus and PLB Services

Messrs T. S. LO, S. L. CHEN and James WU referred to the question of the so-called "reshaping" of bus and PLB services. They expressed a natural desire to know how this "reshaping" will affect the travelling public. Concern has also been expressed that the idea may be to create a monopoly situation by administrative decisions being taken to alter surface public transport fares, routes and services in such a way as to ensure in a way officially to ensure the viability of the MTR.

"Reshaping" there will have to be, but the precise details of this "reshaping" have yet to be determined. In general terms, "reshaping" means that we shall have to plan for the provision of new feeder services to link MTR stations to areas away from the stations and also for changes in existing routes in MTR corridors as the MTR affects surface travelling patterns in these corridors. And let me remind, Sir, Dr CHUNG and Mr WU at this point that it is the bus companies which will not be competing "freely and fairly" with the MTR for they do not

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pay for the equivalent of their own permanent way and stations, that is to say, they do not pay for the use of the roads on which they operate or even for the terminal facilities specially built for their free use by the taxpayer.

At this stage it is not possible to tell Mr WU and Mr Hilton CHEONG-LEEN precisely how "reshaping" will affect the travelling public. Those passengers who select feeder services and the MTR will benefit from the speed of the railway and their total travelling time by these two modes will be reduced. However, as MTR fares are expected to be generally higher than fares for other public transport modes, the fares paid by these passengers will, generally, be higher than those for the equivalent journeys by surface public transport.

Those people who travel entirely by surface public transport will, it is true, experience greater comfort, as overcrowding is reduced, but the lower patronage of surface public transport implies lower revenues and, therefore, fares higher than at present. Nevertheless, as we decided to construct the Mass Transit Railway in order to alleviate congestion it is inevitable that the cost of all public transport will be a little higher. In particular, the comfort and convenience of a modern transport system which reduces waiting times and increases the speed of travelling must be paid for. The alternative is a very rapid deterioration in travel conditions generally with all that that would involve for the quality of life and economic efficiency.

To sum up: Sir, the intention is that a range of public transport services, differing in comfort, convenience, speed and cost will be made available to the public. Bus, PLB and ferry services are expected to continue to operate in MTR corridors, after the MTR opens, as there will still be a major role to be played by surface public transport modes. For example, in the opening year of 1980 the MIS is expected only to reduce patronage of all other public transport modes *combined* by 15 per cent. Furthermore, in the same year, it is predicted that ferries and cross-harbour buses will cater for more than 50 per cent of passengers crossing the harbour by public transport. In other less competitive corridors the MTR is expected to capture only 35-40 per cent of all public transport passengers. These figures, and they are consistent with the estimated figures of daily passengers to be carried on the MTR, certainly do not indicate in any way that the MTR will have any sort of monopoly. The most that can possibly be said at this stage is that in some corridors the MTR will probably become the major public transport carrier.

It cannot, Sir, be stressed too often that the MTR is being constructed to relieve ever-growing traffic congestion on the surface and we must hope that it will achieve its purpose. We recognize that travel on this particular transport mode will not be everyone's cup of tea and that many people will prefer trams or buses or ferries. There is absolutely no intention on the part of the Government to deprive the travelling public of such services where the demand exists. Our intention is to provide a fully integrated system to cater for the needs of all. But it is important for those who prefer trams and buses to recognize that the speed with which they will be able to travel on those modes in the eighties will be largely dependent upon the MTR attracting large numbers of the travelling public.

Public Transport Fares and Viability of MTR

So much, Sir, for the monopoly argument: I should now like to make it quite clear to Mr WU and Mr LO that there has never been any intention of revising surface public transport fares, routes and services solely to make the MTR viable, and no such assumption was made in the calculations of passengers and revenues for the MTR, which have shown the MTR to be viable. These calculations have been based on the assumption that the MTR will be operating in a competitive environment with buses, PLBs and ferries.

As in the past, surface public transport fares, routes and frequencies will continue to be revised only when the interests of the travelling public as a whole are thus best served. But the mere presence of the MTR carrying about one million passengers a day in 1981 on the MIS and, 1.8 million passengers on the combined MIS and Tsuen Wan system in 1986, will necessitate nevertheless some "reshaping" of existing public transport. Let me stress again, however, the rationale for this "reshaping" will be to improve the overall level of service provided for the public.

As I said earlier, the *precise* nature of the "reshaping" that will be most appropriate can only be determined by a detailed public transport study. To this end, the relevant Government departments have recently started examining the full implications of the likely impact of the MIS on travel patterns and hence on other public transport modes. An earlier start on this study would have been pointless as bus routes are constantly changing within overall travel patterns. This study will be completed by the end of next year and will be followed by consultations with the public transport operators, after which Executive Council will be consulted. It will be necessary, at a later stage, to

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gauge the impact of the Tsuen Wan extension on travel patterns, as then prevailing, and formulate similar set of proposals as for the MIS.

Turning now, Sir, to Mr Hilton CHEONG-LEEN's arithmetic: he has asked whether people will be able to afford a fare structure of \$1.40-\$3.50 in 1980 and \$1.60-\$4.00 in 1982. He has worked out these fares by increasing the Corporation's estimated fare structure of \$1-\$2.50 at 1975 prices by 7% p.a., which is the assumed future rate of increase in the general price level. The danger of doing this is the temptation to compare these fares with wages as we know them today. This, of course, ignores two points: *first*, wages are themselves a price—the price for labour services—and wages will tend to inflate at the same rate as the general price level; *second*, and more important, wages will benefit from increases in productivity and the trend rate of increase in output per head is between 3% and 4% p.a. Indeed, the growth of real wages is one of the main factors behind the growth in demand for transport which makes a major investment in public transport by the Government so necessary. So the answer to Mr Hilton CHEONG-LEEN's question is that a fare structure of \$1-\$2.50 would probably be in reach of wages current today and a fare structure lifted to allow for the assumed rate of inflation will certainly be in reach of wages in the early 1980's. By 1980 we can expect real wages to have increased by at least 16% or thereabouts when compared with their 1975 levels.

Mr T. S. LO's rather frightening calculations are misleading in at least two ways: not only does he not allow for any increase in real wages, but also he bases his calculations on the highest possible fare to be paid by the long haul traveller whereas the Corporation estimates that the average journey will be for a fare of \$1.25 (at 1975 prices).

Mr Hilton CHEONG-LEEN has also asked whether the fare structure he has derived from the Corporation's assumptions will affect industrial costs. With or without the MTR the relative cost of transport is going to rise. It will rise because it becomes increasingly expensive to move a growing population about in a limited space. Whether this higher relative cost will be a causal factor in increasing Hong Kong's general price level will ultimately depend on whether the financing of the railway becomes a burden on the general revenues of the Colony. Because we believe that the railway will be self-financing in the sense of being able to meet running costs and generate a surplus to pay off its loans relatively quickly this possibility is negligible; and, if this had not been our view all along, and we had thought the MTR might

represent a serious risk to the stability of the public finances, the decision to proceed with the MTR would never have been taken. So here I interject to reassure Mr LO and Dr CHUNG and I interject, as Financial Secretary, I am confident our fiscal reserves will be adequate to secure our contingent liabilities over the next decade whether or not I am here to tell you "I told you so." (*laughter*)

Of course, fares for given journeys cannot be compared without reference to the time factor and I think Mr WU has understated the speed of MTR services. Route studies show that the average timing of a direct cross harbour bus service from Central to Kwun Tong is about 45 minutes, whereas the equivalent journey on the MTR would only be 28 minutes. So the saving in time here would be almost 20 minutes. Other significant examples are a journey from central Tsuen Wan to Tsim Sha Tsui (including walking and waiting times) taking one hour by bus as opposed to half an hour on the MTR; and a journey from central Tsuen Wan to Kwun Tong taking 75 minutes by bus as opposed to 45 minutes on the MTR.

Trends in Public Transport Fares

So far I have dealt with the two charges that bus and PLB services are to be reshaped in order to confer a monopoly on the MTRC and that bus fares will be manipulated upwards in a sequence sort of way in order to safeguard the MTR's competitive position. But as Mr CHEN, in particular, has used historical material in such a way as to derive quite false conclusions I feel I must defend the Corporation's assumption that fares can increase in line with inflation.

Between 1946 and 1970 there was very little change in public transport fares for a combination of comparatively low inflation and increasing passenger volumes meant that fares remained steady. However, between 1970 and 1976 the situation changed radically and fares on buses, trams and ferries have increased markedly. Fares on CMB have increased by about 150%, on KMB by 110%, on the Tramways by 100% on HYF by over 160% and on the Star Ferry by 33% over this period 1970-1976. These percentages represent average annual rates of increase of 16.7% for CMB, 13.3% for KMB, 12.2% for the Tramways, 17.8% for HKYF and 4.9% for the Star Ferry Company respectively. Although it is difficult to project rates of increase into the eighties with any accuracy it surely is reasonable for the Corporation from a commercial point of view to assume a rate of increase of 7%. The increase will obviously not be exactly 7% each year even if, in fact, inflation turns out to be 7%. Rather, fares have been assumed

[CHIEF SECRETARY] Motions

to increase by an *average* of 7% *per annum* over the period and not to increase by 7% in each and every year. Thus the MTRC will not "force the pace" to use Mr CHEN's words for other public transport fares, but rather will be dictated by fare increases on other public transport. Indeed, because of the very concept of a mass transit railway and its relatively low direct labour content, MTR fares should be able to contain the inflationary pressures of higher energy and higher labour costs more efficiently than the more labour intensive buses, taxis and ferries. I was glad to hear Dr CHUNG made this very point.

The MTR fare structure assumption has been based on an analysis of what passengers would be prepared to pay for the service offered by the MTRC as compared with that offered by the MTR's competitors and, in saying this, I hope I have met Mr Hilton CHEONG-LEEN's point that MTR fares will be what he terms "compatible" with other public transport fares. As regards Mr CHEN's doubts about the competitiveness of MTR fares, I would say that the "capital" element in the assumed fare structure is derived from these "competitive" fares. The pay off date for all the capital investment was thus calculated to be the early 1990's. Were the MTRC to have a monopoly or if other public transport fares were "boosted" upwards then the Corporation would be in a position to charge higher fares than so far assumed and, therefore, pay off its debt in a shorter period than that assumed. But, as I have just said, the corporation does not have a monopoly, and other public transport fares will *not* be manipulated.

The ability of the MTR users to finance the Corporation's capital investment has an important ramification in that public funds do not have to be diverted from public services, such as health, housing and education. And the fact that the capital investment can be financed by the user in a much shorter time period than the life of the major capital items, such as tunnels, stations and even trains, is another indication of the viability of the MTR project as a whole.

The fares of the bus companies are related to their costs and will continue to be, through the scheme of control operating on the permitted rate of return of the two enfranchised bus companies. The fares of the bus companies will continue to be related to their costs. Mr CHEN believes that this will produce bus fares that are very much lower than the MTR fares even after allowing for differences in speed, comfort and reliability. He may be right but there are some considerations that should be borne in mind. Buses are more labour intensive as I have just said, and wages can be expected to rise faster

than the general price level, and buses are also more extravagant users of fuel, the price of which is likely to increase in the future; furthermore, the public is probably going to demand a more comfortable bus journey. All these factors will tend to increase bus fares quite independently of the MTR. Even though the relative cost of all transport will probably increase in the next decade, it would be wrong to argue that this could cause inflation. Unless an increase in transport costs has implications, through the cost/price structure or through budgetary policy, for the exchange rate and the money supply our general level of inflation will continue to be affected by world prices and the interaction of the exchange rate and factors affecting the money supply.

Mr CHEN has asked whether the assumed 7% average annual fare increase for the MTR might set "a precedent for other public utilities", the facts is that the MTR is not privately owned nor does it have a monopoly. And, furthermore, the Corporation is bound by the law to operate according to prudent commercial principles which binds it to reflect expected inflation in its projected fare structure.

Demand for Public Transport

In connection with his doubts about the viability of the MIS/Tsuen Wan extension system, Mr CHEN asked how the MTRC's prediction that the system will carry 1.8 million passengers a day in 1986 can be substantiated. He also argues that this prediction will involve 1 in 3 of the work force and student body making a return journey on the MTR each day.

Sir, the Government has made an independent check of the Corporation's figure and has satisfied itself that they are reliable. As regards the proportion of passengers carried by the MTR, it is not only the work force engaged in industry and commerce and students who will travel daily on the MTR. Using a more comprehensive accurate definition of the MTR's potential passengers the MIS/Tsuen Wan system will carry, in 1986, 1.8 million passengers out of a total of 7.5 million passengers on public transport each day; and this represents a ratio of 1:4 only which does not strike me as being "hitherto optimistic".

A further point that I should like to make is that by the strategic siting of the 26 stations on the extended MTR system, almost 40 per cent of Hong Kong's population and almost 50 per cent of the places of employment are judged to be within walking distance of a station. Many stations are also well placed to serve interchange passengers from more remote areas and considering both the walk-in catchment around

[CHIEF SECRETARY] Motions

each station and the passenger transfer potential, to assume that 1 in 4 of all public transport passengers would be carried by the MTR in 1986 appears very reasonable. A heartening confirmation I will add of the passenger predictions made for the MTR system is the confidence which has been shown, and continues to be shown, by international financial institutions in the commercial viability of the railway.

MTR and the Disabled

Dr FANG has asked whether it would be possible to provide lifts in some of the MTR stations but, as Mr JONES said in reply to a question by Mr Peter WONG on 24th November, 1976, the Government has concluded and concluded regretfully that it would be neither in the interests of the handicapped nor practicable for the MTRC to provide such facilities. This is because of the large numbers expected to travel on the MTR; technical difficulties associated with the provision of lifts; and their cost. However, Sir, I would like to point out that the anticipated improvement in comfort standards on surface public transport as a consequence of the MTR will make travel for the disabled on buses much more practicable in the future. Furthermore, an experimental minibus service for the disabled is being studied in Kwun Tong and, if results are encouraging, this would form a much better means of providing transport for the disabled. I would suggest to Dr FANG that surface public transport generally provides a more accessible means of transport for the disabled than the MTR. And the Government, in conjunction with the Committee on Access of the Hong Kong Council of Social Service, is investigating the travelling problems of the disabled in the broader context of bus terminals, ferry piers and pedestrian crossings as well as reserved seats and other provision for them on buses.

Financing Strategy

Mr Lo has raised a general point about the financing strategy of the MTRC and Dr CHUNG has expressed his own independent doubts. I think both do less than justice to the Board of the Corporation. The Corporation's approach in financing the Modified Initial System has been to ensure that adequate facilities were available when contracts were let so that, whatever might happen to financial markets during the period of construction, the Corporation would be assured of sufficient funds to meet its liabilities.

However, as one would expect of any responsible board of a company, immediate steps were then taken to secure as much debt as possible for long periods, preferably at fixed rates of interest. To this end, the Corporation obtained as much export credit finance as possible since such finance, as well as being long-term (10-12 years from the date of commissioning) is generally at advantageous fixed rates of interest. Indeed, out of a total of some HK\$2,000 million equivalent of export credit finance secured for the MIS, some HK\$1,714 million or 86% is available at fixed rates.

The Corporation raised also HK\$400 million from a bond issue in June 1976. Again, this was at a fixed rate, and repayments do not begin to fall due until 1986. At the present time, the Corporation has drawn on its equity, export credits and the proceeds from the bond issue. Of the borrowed funds so far drawn down, 93% is at fixed rates and 7% only is at floating rates.

The Corporation will follow broadly the same strategy for the Tsuen Wan extension. Incidentally, Sir, with respect to Dr CHUNG and Mr Hilton CHEONG-LEEN, the question of the Government injecting further cash equity into the capital structure of the Corporation was as always carefully considered. But our carefully considered conclusion was that, as this would make so little difference to the gearing and as the Corporation is a wholly owned subsidiary, as it were, of the HK Government, a high loan/equity gearing has little relevance to the Corporation's ability to borrow on international capital markets.

Conclusion

Needless to say, Sir, I intend to cast my vote in favour of the motion. As I think I have covered all the points raised by Messrs WU, CHEN and Hilton CHEONG-LEEN and Dr FANG and Dr CHUNG, I hope they will now feel able to support the motion without reservation. I would also like to think that Mr LO could bring himself to admit that he has neither facts nor logic on his side.

Question put and agreed to.

HONG KONG EXPORT CREDIT INSURANCE CORPORATION ORDINANCE

THE FINANCIAL SECRETARY moved the following motion:—

In exercise of the power conferred by section 23 of the Hong Kong Export Credit Insurance Corporation Ordinance, that the contingent liability of the Hong Kong Export Credit Insurance Corporation under contracts of insurance

[THE FINANCIAL SECRETARY] **Hong Kong Export Credit Insurance Corporation Ordinance**

shall not at any time exceed the sum of two thousand million dollars.

He said:—Three years have passed since the Financial Secretary last proposed an increase in the maximum contingent liability of the Export Credit Insurance Corporation. On that occasion, the Council agreed an increase from HK\$1,250 million to HK\$1,750 million. Since then, the Corporation's liability under contracts of insurance has risen by over HK\$300 million, and at the end of last month stood at nearly HK\$1,500 million.

The Corporation now services close on 900 policies and protects exports on credit terms to virtually all Hong Kong's markets. At any one time almost \$500 million of Hong Kong's exports are covered by the Corporation's policies.

Increases in the contingent liabilities the Corporation is assuming, are brought about both by the Corporation issuing new policies and by increases in the value of insurable business carried out by existing policy holders. The maximum liability of each policy is calculated as 50% of the value of the insurable business covered by each policy for short term cover, and as 90% of the amount at risk for each large export contract requiring medium term cover.

At present the contingent liabilities of the Corporation are increasing at the rate of approximately HK\$45 million each quarter. But this rate can fluctuate widely if, for example, the Corporation issues large medium-term policies. In the circumstances, the Corporation's Advisory Board consider that the existing statutory limit may be reached by the end of this year, and have unanimously advised that the maximum contingent liability be increased to HK\$2,000 million now, in anticipation of this contingency. Failure to raise the limit would result in the Corporation having to turn away further business.

I should perhaps explain that this maximum liability is a theoretical amount, never likely to be at risk at any one time. The Corporation estimates the actual figure at risk at any one time at HK\$450 million to HK\$500 million.

Against this, last financial year the Corporation paid out a total of HK\$6.9 million in respect of claims arising during the year. There were altogether 45 claims, most of which derived from commercial rather than political causes.

Question put and agreed to.

MASS TRANSIT RAILWAY CORPORATION ORDINANCE

THE FINANCIAL SECRETARY moved the following motion:—

Under section 12(1) of the Mass Transit Railway Corporation Ordinance that the Schedule to the Resolution of the Legislative Council published as Legal Notice No 242 of 1975 in the Gazette on the 31st October 1975 as amended from time to time be further amended in item 10 by deleting—

"Loans arranged by Wardley Ltd to finance local and international contracts. 690 million Hong Kong dollars and such amounts as may become payable in respect of interest and other charges.",

and substituting the following—

"Loans arranged by Wardley Ltd. 567 million Hong Kong dollars and such amounts as may become payable in respect of interest and other charges.".

He said:—This motion seeks to amend the details of the Government guarantee this Council authorized on 21st July 1976, in respect of loans arranged by Wardley Limited for the Mass Transit Railway Corporation.

Taking advantage of the more favourable terms currently available to it, the Corporation has recently negotiated a new loan facility for HK\$567 million through Wardley Limited to replace the presently guaranteed Wardley facilities, which now amount to HK\$690 million.

As the new facility will replace the existing one, it is necessary to amend item 10 in the Schedule to the Resolution of this Council made on 23rd October 1975 under section 12(1) of the Mass Transit Railway Corporation Ordinance 1975, to reflect the new and lower amount. As the new facility will afford the Corporation more flexibility in the use of the loan funds, in that drawdown does *not* have to be made against a particular contract, item 10 is to be re-phrased to eliminate the words tying the loans "to finance local and international contracts".

[THE FINANCIAL SECRETARY] **Mass Transit Railway Corporation Ordinance**

As well as giving the Corporation greater flexibility, the new facility will result in a reduction in the amount the Government has to guarantee.

Question put and agreed to.

MEDICAL CLINICS ORDINANCE

THE DIRECTOR OF MEDICAL AND HEALTH SERVICES moved the following motion:—

That the powers conferred on the Registrar of Clinics by section 8 of the Medical Clinics Ordinance shall cease to be exercisable on the 31st December 1980.

He said:—Sir, honourable Members will recall that on 13th November 1974, pursuant to section 8(9) of the Medical Clinics Ordinance, a resolution was passed to enable the Director of Medical and Health Services as the Registrar of Clinics to exempt certain clinics from the requirement to be under the charge of a registered medical practitioner. This power of exemption will lapse on 31st December 1977 unless further extended.

The position of these clinics has been reviewed and is not found to have changed substantially. There are at present still 321 exempted clinics employing 289 unregistered medical practitioners compared to 337 exempted clinics employing 300 unregistered medical practitioners in 1974. These clinics are providing a useful service to many at reasonably low cost and their closure will not be in the public interest.

It is therefore proposed that the power of exemption under section 8 of the Ordinance be extended for a further period of 3 years from 1st January 1978.

Question put and agreed to.

Adjournment

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

4.45 p.m.

Third Party Insurance

MR CHEUNG:—Sir, I heartily support the motion of the Chief Secretary. I hardly realize that when I asked for an extra sitting this day, they would be subject to such an interesting and perhaps a prolonged debate this afternoon. But before Members rise to enjoy their vacation, there is a matter of important and public interest that I wish to draw to their attention, and there are some thoughts that I wish to leave with them during the summer vacation.

When the Road Traffic Bill of 1930 was introduced into the House of Commons, Mr Herbert MORRISON said that the Government had one object in view, and one object alone, and that was to end, or substantially end, the scandal of persons being injured or killed on the roads and not being able to get compensation.

That Act, said Lord Justice GODDARD, would naturally have led the public, at least those who were neither lawyers nor connected with the business of insurance, to believe that if thereafter they were, through no fault of their own, injured or killed by a motor car, they or their dependants would be certain of recovering damages, even though the wrong doer was an impecunious person. How wrong they were quickly appeared. Insurance was left in the hands of companies and under-writers who would and could impose what terms and conditions they chose. Insurers would hedge the policies with so many warranties and conditions that they were able to escape liability, for example, if at the time of the accident, the car was being driven by a Jew, a bookmaker or an actor, or Member of Parliament. *(laughter)*

Somewhere in the legislative process, through compromises and amendments, the Road Traffic Act of 1930 became largely useless, and the intention of those who had introduced the bill into Parliament was largely frustrated. Persons injured or their dependants were unable to recover against the insurance companies, and were left with empty judgments against indigent drivers and owners against whom negligence had been clearly established.

When the Attorney General's predecessor in 1951 introduced the Third Party Risks Bill into this Council, it was stated that the primary object of the bill was to compel, in some degree, owners and users of motor vehicles to take out insurance against the liability to pay compensation to third parties which might arise in the event of a road accident. The reason which prompted the Government to introduce the bill was that in default of such a provision, an injured party might in fact be unable to recover damages owing to the owner's or

[MR CHEUNG] Adjournment

driver's lack of means to satisfy a judgment obtained against him. The bill, however, in England achieved objects far short of this stated objective.

It ought to have been obvious by that time that even with the reforms brought about by the Road Traffic Act of 1934, large numbers of injured third parties would still be unable to recover, for it was realized as early as 1937 in the UK that a change in legislative policy was required, which was, first to make all conditions in an insurance policy, except a very few limited number, invalid against third parties, and that secondly, a central fund should be set up from contributions by all insurers to pay for any unsatisfied judgment where the insurance company had avoided liability, or where there was no policy in force.

The War intervened and it was not until 1946 that the insurance companies in the United Kingdom agreed to set up the Motor Insurance Bureau, commonly called the MIB. The Bureau undertakes to pay any unsatisfied judgment in respect of a liability required to be covered under the Road Traffic Act provided certain conditions are fulfilled.

Thus by 1951 when our Ordinance was passed it had become abundantly clear that third parties required both the protection of the Road Traffic Acts 1930 to 1934 and the agreement under which the MIB operated.

There is no motor insurers bureau in Hong Kong, and our legislation is therefore glaringly defective, as it is based on the bullet riddled Acts of 1930 and 1934. Bringing claims against insurers is not a field in which I have practised, and it was only recently when I led for an injured party in a case that I became aware of the many shifts and devices which have been employed to avoid liability, in cases when negligence has been clearly established against the driver and the party insured.

Let me tell honourable Members of some of the decisions which have been handed down by the courts, logical and defensible in law, but utterly astonishing to the layman and even to the lawyer who has not practised in this field. I do not say that all insurance companies employ arguments or devices of this kind, but enough to cause me grave concern.

As a first example, there was a lady who insured her car to be used for social, domestic and pleasure purposes, and also for business and trade purposes. She converted her business into a limited company,

and held all the shares in it. She drove the car for her company's business and a third party was injured. It was held that the insurers were not liable to the third party as the car was used for the company's business, and therefore not for the business of the driver insured. The court took to extreme logic the distinction that the company was a separate person from its shareholders.

However, Sir, worse was to come. Another lady insured her car for use in her business as a travelling saleswoman. She carried another saleswoman belonging to the same company and also doing the same for the company in her car and injured a third party. It was held that the car was being used for an extra business and that permitted the insurers to escape liability. The point of it all is we ought as a matter of law to require the drivers to cover the use of their cars and insist that they make adequate arrangements with the insurance companies to cover the events of injury to third parties through the use of the car on the road. These are nice technical points, that concern is it to the person who is injured, and it is our business to protect the innocent third party on the road. I have circulated or the Clerk of Council has kindly circulated for me the draft of my speech where I give a number of other examples or decisions which had been handed down by the courts. As my speech, Sir, is fairly long, I do not wish to repeat it in this Council. Members who are interested could have a look at *Appendix I*.

As I have said these decisions were legalistically correct; all depended on judicial assessment that the insurers only covered certain risks. I would agree that to use a car for purposes other than the purposes insured would increase the risk, but the increase in risk, in the examples which I have given, are so marginal that even an actuary would have difficulty in trying to quantify the extra risk.

It was a mistake to allow the motorist such freedom of choice as to what risks he should insure against, and to allow insurers to avoid liability after injury to a third party has occurred. A man who is killed or injured ought to have a right to compensation if a motor car is driven negligently and when driven by the owner or with his consent. The third party is not interested in the terms arranged between car owner and insurer.

I propose, therefore, that an end should be brought to the scandal to which Herbert Morrison referred.

I propose that all owners of motor vehicles should be obligated to insure themselves against the claims of third parties whenever it is established that the vehicle was driven negligently and when driven

[MR CHEUNG] Adjournment

with the owner's consent, express or implied. It will be necessary to forbid insurers from relying on a breach of condition, misrepresentation or non-disclosure as against a third party once the third party has been injured. I would, of course, allow insurance companies to avoid the policies before a third party has been injured, but the time to avoid is for them to seek a declaration from the court before any harm has come to a third party and not after injury has been inflicted. I would leave alone the right of the insurers to recover from the owner any payments which they would otherwise not have been obliged to make had there been no breach of condition and so; owners should be induced to disclose to insurers the risks to which the insurers are exposed. That, however, is a technical point. The principal proposal is make it compulsory to insure against the use of a car and oblige the company to pay compensation to the third party who is personally injured. I make no reference to property damage whenever the car has been used with the owner's consent.

It may well mean that third party premiums will increase, but that is the price the motorist must pay to exposing third parties to risks through the use of his motor vehicle with his permission. As an alternative to my proposal, Sir, it may be right to introduce or ask the insurance companies in Hong Kong to introduce a MIB in Hong Kong, personally I prefer my own solution.

I make no proposal as regards compensation when the driver has not been at fault. If it is thought desirable that third parties injured wholly through their own fault and through no fault of the driver should be compensated, that is a social welfare measure, and one which I would support, if like other social welfare measures it is funded from general revenue.

I also make no proposal as regards vehicles driven without the owner's consent, and also, regrettably, I am unable to offer any solution to the problem of hit and run drivers. Perhaps cases like this can be brought under the Criminal Injuries Compensation scheme and perhaps when a vehicle is driven without any insurance policy at all, the owner ought to be very severely dealt with under the criminal law and sanctions against hit and run drivers ought also to be increased.

Sir, I leave these thoughts with Members because I hope that urgent measures will be introduced by Government in the new Session to deal with this problem. It is not necessary in my respectful submission to deal with the problems of hit and run drivers or drivers

without insurance or no fault insurance. Let us deal with this very important matter first before we deal with the other matters.

Appendix I

An elderly owner of a car insured it for social, domestic and pleasure purposes. He travelled in it one day to go outside London to negotiate a contract; it was the most comfortable, pleasurable and sensible way for him to travel. Held, the car was being used for business purposes, and the insurers were not liable.

The owner of a garage insured his station wagon for use in his business and for social, domestic and pleasure purposes. He also kept and raised some sheep in his cottage, and one day he used the vehicle to take a couple of sheep to graze in the field. Held, the vehicle was used in connection with the business of sheep raising, and the insurers were not liable.

I may also mention two more cases in Hong Kong which represent the high water mark of wriggling out of liability.

A motor cyclist with a provisional licence negligently injured a pedestrian. He was not carrying his L-plates at the time; held, the insurers were not liable, because the driver was in breach of conditions of the policy.

A young girl, a professional singer, was badly injured when a passenger in a car. She sued the driver and owner and recovered \$220,000 damages. She was unable to collect a cent of this as the driver and owner were declared insolvent.

The insurance company in the Court of first instance also managed to escape liability as the owner and driver had breached a condition of their policy which required them to give information and assistance to the company. The owner and driver did not reply to the company's letter asking for information thus the young girl's award of damages became valueless. The decision was reversed on appeal, but only by a majority of two to one, and the insurance company may take the case to the Privy Council.

This case arose when passengers were not included in the Motor Vehicles Insurance (Third Party Risks) Ordinance (they are from 1/6/77) therefore the girl could not obtain the benefit of section 9 of this ordinance which prohibits an insurance company evading their liability in this way.

Appendix IIPROPOSED AMENDMENTS TO MOTOR VEHICLES INSURANCE
(THIRD PARTY RISKS) ORDINANCE (CAP. 272)1. *In section 10:*

(a) Subsection (1): *delete* the words "(being a liability covered by the terms of the policy)"

(b) *Delete* subsection (3) and *substitute*:

"(3) On the happening of an event or events which cause death or bodily injury giving rise to a liability that is required to be covered by a policy under paragraph (b) of subsection (1) of section 6, an insurance company shall not thereafter be entitled to avoid the policy on the grounds that it was obtained by nondisclosure of a fact or by a representation of fact which was false."

(c) *Delete* subsection (5).

2. *Delete section 12 and substitute:*

"(1) Where a certificate of insurance has been issued under subsection (3) of section 6 in favour of the person by whom the policy has been effected, so much of the policy as purports to restrict the insurance of the persons insured thereby shall as respects such liabilities as are required to be covered by a policy under paragraph (b) of subsection (1) of section 6 be of no effect. Provided that nothing in this section shall require an insurer to pay any sum in respect of the liability of any person otherwise than in or towards the discharge of that liability and any sum paid by an insurer in or towards the discharge of any liability of any person which is covered by the policy by virtue only of this section shall be recoverable by the insurer from that person.

(2) Where a person uses, or causes or permits any person to use, a motor vehicle on a road in such circumstances that under section 4(1) there is required to be in force in relation to his use of it such a policy of insurance or such a security in respect of third party risks as complies with

the requirements of this Ordinance, then, if any other person is carried in or upon the vehicle while the user is so using it, any antecedent agreement or understanding between them (whether intended to be legally binding or not) shall be of no effect so far as it purports or might be held—

- (a) to negative or restrict any such liability of the user in respect of persons carried in or upon the vehicle as is required by section 6(1) to be covered by a policy of insurance; or
- (b) to impose any conditions with respect to the enforcement of any such liability of the user

and the fact that a person so carried has willingly accepted as his the risk of negligence on the part of the user shall not be treated as negating any such liability of the user.

(3) For the purposes of subsection (2)—

- (a) references to a person being carried in or upon a vehicle include references to a person entering or getting on to, or alighting from the vehicle; and
- (b) the reference to an antecedent agreement is to one made at any time before the liability arose."

5.05 p.m.

SECRETARY FOR THE ENVIRONMENT:—Sir, the problem raised by Mr Oswald CHEUNG is an important one, but, after consulting the Attorney General, I am as yet uncertain whether his solution is the right one. As Mr CHEUNG has conceded, the legislative amendments which he suggests would still leave certain obvious cases unresolved. Government has however been examining the possibility of introducing more comprehensive arrangements for ensuring that persons who ought to be protected by third party insurance are not left without compensation and will consider whether his proposals should be part of them.

Question put and agreed to.

Next sitting

HIS EXCELLENCY THE PRESIDENT:—Before we break up for our annual holiday, could I congratulate the Council on a session which has

[HIS EXCELLENCY THE PRESIDENT] **Next sitting**

not only been unusually prolonged but unusually productive and lively. I now adjourn the Council until Wednesday 5th October when the new session of the Council will begin.

Adjourned accordingly at seven minutes past five o'clock.

