

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 12 April 1978****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR CRAWFORD MURRAY MacLEHOSE, GBE, KCMG, KCVO

THE HONOURABLE THE CHIEF SECRETARY  
SIR DENYS TUDOR EMIL ROBERTS, KBE, QC, JP

THE HONOURABLE THE FINANCIAL SECRETARY  
MR CHARLES PHILIP HADDON-CAVE, CMG, JP

THE HONOURABLE THE ATTORNEY GENERAL (*Acting*)  
MR GARTH CECIL THORNTON, QC

THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS  
MR LI FOOK-KOW, CMG, JP

THE HONOURABLE DAVID HAROLD JORDAN, CMG, MBE, JP  
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

THE HONOURABLE DAVID AKERS-JONES, CMG, JP  
SECRETARY FOR THE NEW TERRITORIES

THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP  
SECRETARY FOR SECURITY

THE HONOURABLE DAVID WYLIE McDONALD, CMG, JP  
DIRECTOR OF PUBLIC WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, CMG, JP  
DIRECTOR OF EDUCATION

THE HONOURABLE DAVID GREGORY JEAFFRESON, JP  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE ALAN JAMES SCOTT, JP  
SECRETARY FOR HOUSING

THE HONOURABLE EDWARD HEWITT NICHOLS, OBE, JP  
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE THOMAS LEE CHUN-YON, CBE, JP  
DIRECTOR OF SOCIAL WELFARE

THE HONOURABLE DEREK JOHN CLAREMONT JONES, JP  
SECRETARY FOR THE ENVIRONMENT

DR THE HONOURABLE THONG KAH-LEONG, JP  
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, JP  
SECRETARY FOR SOCIAL SERVICES

THE HONOURABLE JOHN CHARLES CREASEY WALDEN, JP  
DIRECTOR OF HOME AFFAIRS

THE HONOURABLE JOHN MARTIN ROWLANDS, JP  
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE JAMES NEIL HENDERSON, JP  
COMMISSIONER FOR LABOUR

THE HONOURABLE DAVID RAYMOND BOY, JP  
SOLICITOR GENERAL (*Acting*)

THE HONOURABLE SIR SZE-YUEN CHUNG, CBE, JP

THE HONOURABLE LEE QUO-WEI, CBE, JP

THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP

THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP

THE HONOURABLE JAMES WU MAN-HON, OBE, JP

THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP

THE HONOURABLE LI FOOK-WO, OBE, JP

THE HONOURABLE JOHN HENRY BREMRIDGE, OBE, JP

DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP

THE HONOURABLE MRS KWAN KO SIU-WAH, OBE, JP

THE HONOURABLE LO TAK-SHING, OBE, JP

THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

THE REV THE HONOURABLE JOYCE MARY BENNETT, JP

THE HONOURABLE CHEN SHOU-LUM, JP

THE HONOURABLE LYDIA DUNN, OBE, JP

DR THE HONOURABLE HENRY HU HUNG-LICK, OBE, JP

THE HONOURABLE LEUNG TAT-SHING, JP

THE REV THE HONOURABLE PATRICK TERENCE McGOVERN, SJ, JP

THE HONOURABLE PETER C. WONG, JP

THE HONOURABLE WONG LAM, OBE, JP

DR THE HONOURABLE RAYSON LISUNG HUANG, CBE, JP

THE HONOURABLE CHARLES YEUNG SIU-CHO, JP

**ABSENT**

THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MR STEPHEN TAM SHU-PUI

**Papers**

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

| <i>Subject</i>  | <i>LN No</i> |
|---|--------------|
| Subsidiary Legislation:—  |              |
| Wild Animals Protection Ordinance.<br>Wild Animals Protection Ordinance (Amendment of First and Seventh Schedules) Order 1978 ..... | 70           |
| Public Health and Urban Services Ordinance.<br>Funeral Parlour (Amendment) By-laws 1978 .....                                       | 71           |
| Public Health and Urban Services Ordinance.<br>Library (Amendment) By-laws 1978 .....   | 72           |
| Public Health and Urban Services Ordinance.<br>Pleasure Grounds (Amendment) By-laws 1978 .....                                      | 73           |
| Public Health and Urban Services Ordinance.<br>Public Funeral Hall By-laws 1978 .....   | 74           |
| Buildings Ordinance.<br>Building (Oil Storage Installations) Regulations 1978 .....   | 75           |
| Dangerous Goods Ordinance.<br>Dangerous Goods (General) (Amendment) Regulations 1978 .....  | 76           |
| Evidence Ordinance.<br>Evidence (Authorized Persons) (No 5) Order 1978 .....  | 77           |
| Country Parks Ordinance.<br>Plover Cove Country Park (Designation) Order 1978 .....   | 78           |

Sessional Papers 1977-78:—

No 44—Mass Transit Railway Corporation Annual Report 1977 (published on 12.4.78).

No 45—Report of the Finance Committee on the Draft Estimates of Expenditure 1978-79 (published on 12.4.78)

Report:—

The Highway Code (published on 12.4.78).

## **Statement**

### **Report of the Finance Committee on the Draft Estimates of Expenditure 1978-79**

THE CHIEF SECRETARY:—Sir, on 1 March 1978, the draft Estimates of Expenditure for 1978-79 were referred to the Finance Committee for examination under Standing Order No 60(8).

The Committee has completed its examination and its Report is laid on the table today.

Members of Finance Committee devote much of their time and energy to the scrutiny of public expenditure, both at the special meetings at which they examine the draft Estimates of Expenditure and at regular meetings held throughout the year when requests for supplementary provision are considered.

I would like to thank them for their contributions, and assure them that this important public service is greatly appreciated by the Government.

## **Government business**

### **First reading of bills**

**URBAN COUNCIL (AMENDMENT) BILL 1978**

**BANK-NOTES ISSUE (AMENDMENT) BILL 1978**

**INLAND REVENUE (AMENDMENT) BILL 1978**

**STAMP (AMENDMENT) BILL 1978**

**STAMP (AMENDMENT) (NO 2) BILL 1978**

**STAMP (AMENDMENT) (NO 3) BILL 1978**

**CRIMES (AMENDMENT) (NO 2) BILL 1978**

**YAN CHAI HOSPITAL (AMENDMENT) BILL 1978****PUBLIC ORDER (AMENDMENT) BILL 1978****MOTOR VEHICLES INSURANCE (THIRD PARTY RISKS) (AMENDMENT) BILL 1978****CRIMINAL PROCEDURE (AMENDMENT) (NO 2) BILL 1978****EVIDENCE (AMENDMENT) BILL 1978**

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

**Second reading of bills****APPROPRIATION BILL 1978****Resumption of debate on second reading (30 March 1978)**

*Question proposed.*

DIRECTOR OF EDUCATION:—

*Free junior secondary education*

Sir, a number of members have doubted the need, indeed the wisdom, of abolishing fees in Forms I—III in the main public sector. It has been said that the money so spent could be put to other, educationally more worthwhile uses. It has also been suggested that it is wrong to provide a free service for all in the knowledge that some are well able to pay. A call has been made by one member for the logic of the Government's decision to be spelt out.

The Government was not unaware of the arguments against abolishing fees when it was reaching its decision. There is no doubt that there are areas in our education which could be improved by the injection of more funds. We could also take on commitments in new areas. I doubt if there is anywhere in the world where this is not so. The Government, however, considered other arguments, which have already been put by some members, to be even more compelling. It is difficult to justify compelling people to do something for which they must pay, and even a fee remission scheme, no matter how generous, does involve some form of means testing, resistance to which could lead to difficulties in a system of compulsion. We must remove from our system, too, anything which encourages or can be used to justify under-aged children seeking employment. The third reason is that it is high time that

Hong Kong came into line with the majority of the more socially advanced and technologically developing communities by providing *universally* a sound basic course of education. It is our belief that to be effective in meeting the needs of our young people and our community this basic course can be no shorter than nine years. As the first six years are free, so should the latter three.

In brief, there is, in fact, no single or knock-out argument. Rather, it is a matter of the balance of argument and of judgment and assessing which line of action will bring the greater benefits to the community and I believe that we have judged correctly.

Still on the subject of free junior secondary education, Members will recall that the Financial Secretary referred to the problem of 'tong fai', indicating that proposals on this complicated issue were still being considered within the Government. Firm proposals have now been formulated by the Government and these have recently been submitted to the various school councils for their comment. Subject to the agreement of Finance Committee and the comments of school councils, the Government proposes to abolish 'tong fai' in Forms I—III in the public sector up to the limit which we can reasonably justify. To achieve this it proposes to increase the present capitation grant to aided schools by \$120 per annum which should be sufficient to cover those items previously met from 'tong fai'. A small number of the longer established schools which have additional commitments as a result of extra facilities built up in past years will probably have to retain an element of 'tong fai'. In the non-profit-making schools which do not charge 'tong fai' as such a similar increase will be made in the per caput grant on the understanding that these schools will maintain their fee levels constant over the next two years. I would emphasize that these proposals are made in respect of Forms I—III only. 'Tong fai' may continue to be levied in Forms IV—VI but it will be reduced in all loan-bearing schools because the Government proposes to waive the balance of all loans in aided and non-profit-making schools.

#### *Concern about quality*

Another main theme emerging from my Colleagues' speeches has been the expression of considerable concern about the quality of the education we shall provide in many of our schools during this period of rapid expansion. There is a worry (and I fully understand the worry) that the means by which we shall achieve universal junior secondary education within the time scale we have set ourselves are such that the standards attainable in many of our schools will be inadequate. To put it another way, different standards of public sector places will result from the differing levels of Government assistance to those places. In particular, differing salary scales could lead to staffing problems in some schools with obvious effects on the teaching in these schools.

I must here draw attention to two related problems of educational planning. We need to set targets for provision at various levels in education leading to specific class structures in specific schools and we need to set levels of aid. Because we have not so far at least come to the point of offering Form IV places to all pupils completing Form III, either all schools must have a degree of asymmetry in their class structure or we must add to the stock of symmetrical schools a new stock of positively asymmetrical schools. Further to this unless we command sufficient funds to make all schools fully aided we must either build fewer schools or we must open new schools at lower levels of aid.

Taking account of the actual situation we have created schools asymmetric in class structure and supported by caput grants lower than those given to fully aided schools.

Measures of this kind have been used at least since 1971 and were built into the proposals in the 1974 White Paper on Secondary Education because we believed that provision through a building programme made up entirely of fully aided schools would be too costly and therefore too slow.

Let me now consider our building programme. Dissatisfaction has been expressed by some members about the imbalance in our programme between fully aided and non-profit-making schools, in particular the imbalance in the new developing areas. I will therefore describe for members as succinctly as I can, how we stand now as regards our stock of public sector schools and where we shall be in 1981. In the current academic year there are 239 public sector schools, 196 of which are Government or Aided and 43 non-profit-making. By 1981 there will be a total of 310:224 Government or Aided and 86 non-profit-making schools. In the New Territories the picture is that this year there are 39 Government or Aided schools and 7 non-profit-making schools; in 1981 there will be 58 Government or Aided schools and 43 non-profit-making schools. Thus by 1981 there will be an addition of 81 schools in the public sector leading to a corresponding reduction in places in private independent schools. There will also be a preponderance of Government and aided schools in both the established urban areas and in the New Territories.

So although it is true that the majority of the 55 schools to be built in the New Territories up to 1981 will be non-profit-making, the end product will be 58 Government or aided schools and 43 non-profit-making schools in the New Territories by 1981, compared to 39 Government or aided and 7 non-profit-making schools in the public sector now. Contrary to what Mr YEUNG has said this will not be a reduction in standards but a great improvement.

Miss BENNETT has expressed alarm that the 'interlocking' schools (and by this I am sure she means the asymmetrical schools) will be 'caput grant' schools and not, as she claims was envisaged, fully aided schools. This misunderstanding puzzles me. I find it difficult to see how it could ever have been thought that these asymmetrical schools were to be fully aided. The

1974 White Paper very clearly described what was meant by asymmetrical schools, how they would be assisted, and the part they would play in our expansion programme. Again, Stage II of our building programme, approved by Finance Committee in October 1976, clearly described the number and location of the asymmetrical schools. I cannot, therefore, accept any suggestion that the Government have been anything but frank about the asymmetrical schools. It is certainly true that for a time at least some unevenness of provision will exist within the public sector. However, the whole question of the levels of assistance to the non-profit-making schools must be reviewed and this will be done.

I should add that the new system of school nets which aims to equalize opportunities by region plus the great increase in the number of new public sector schools will give to children in the New Territories and other developing areas a much better opportunity than they have now of obtaining a secondary place in a more popular school. So the quality of education is being raised not lowered and children in the New Territories and other developing areas will benefit positively and considerably. I agree of course that there is always room for further improvement as more funds become available.

Before I conclude on this issue of the non-profit-making schools I would like to point out that since 1975 these schools have been permitted to recruit as non-graduate teaching staff only qualified teachers. They have not been allowed to recruit for their public sector places teachers holding only secondary school qualifications. Our records show that three unqualified teachers only have been, with specific agreement, freshly recruited to non-profit-making schools with caput grant since 1975: a teacher of music, a teacher of Buddhist studies and a teacher of Biblical knowledge. Overall the proportion of unqualified teachers in these schools is 9% compared to 2% in aided schools. But because of the operation of our rules this proportion cannot increase only decrease.

Also highly relevant in this matter of standards and quality of the education we provide is the production of trained teachers. There have been calls from some Members for an increase in our teacher training programme to produce more teachers to meet the demands of our expansion. I can assure Members that we do all in our power to gear our college of education programmes to the estimated demands of the public sector. A thorough review of our teacher requirements and of our staffing of the colleges of education is at present being conducted to just this end. I can also assure Miss Ko Siu-wah that we are reviewing in detail the content of our teacher training programme.

A final comment. It appears that as our educational plans develop and ripen so increasingly criticism takes a new turn. Instead of complaint directed against what we are not doing it is directed against what we are doing which by ideal standards could be better. We are being marked from the top down instead of from the bottom up. So again I must emphasize the great improvements



being made over standards prevailing now and in the immediate past. Moreover no policy limit has been set to the improvements but plans on the other hand must be made at a specific moment of time in terms of the resources seen to be available at that time to achieve certain aims by a specified date: this is the nature of planning. There is no inhibition on the making of fresh plans which take us further but modifications to existing plans must be most carefully thought out if confusion is to be avoided.

*Other Points*

Having dealt at some length with what I considered to be the major issues raised by Members, I should now like to comment on some other important points which have been made. In his Speech the Financial Secretary announced a further increase of 5,300 places for handicapped children, a gratifying first step in the massive expansion ahead. Mr YEUNG has suggested an increased subsidy to these places to permit improved provision. He will, I am sure, be pleased to learn that a working party is already reviewing the Codes of Aid for Special Schools and Special Classes, and among the items being considered are the provision of non-teaching but essential staff, additional equipment and the possibility of full capital subsidy to meet the costs of building, conversion, furniture and equipment. It is my hope that the revised codes will be submitted to Finance Committee by the end of this year.

Dr HUANG has made his usual thought-provoking and constructive suggestions. His point about the dangers of separate decisions is well taken. I am, however, not too clear about Dr HUANG's contention that under the new Form I allocation system less well off parents will be worse off than under a subsidized scheme where their children might receive fee remission. I do not see the relationship with the junior free secondary issue. I do not agree that the new system 'severely limits' parents' choice of school or that it is more restrictive on the poor than heretofore. The new school nets system while limiting choice to a smaller, more regionally based number of schools still offers the full range of types of school (Parents, in fact, will list 30 schools in order of priority) and whether the system is free or fee-paying with a fee remission scheme, any parent who elects not to accept the public sector place allocated must then seek an unsubsidized place in the private sector.

A number of Members have joined Dr HUANG in commenting on our post- Form III provision. I consider, however, that discussion of this and related issues should be postponed to the occasion when this Council will discuss the Green Paper on Senior Secondary and Tertiary Education.

Sir, I support the motion.

DIRECTOR OF MEDICAL AND HEALTH SERVICES:—Sir, Honourable Members will recall that last year on the occasion of this Debate, I outlined plans for improvements in the Medical and Health Services for the decade ahead— plans which were in fact action programmes meant on the one hand to bring

about visible and immediate improvements and on the other to upgrade the quality of our services in the longer term.

I am now happy to be able to report to this Council that definite progress has been made within the last year in the various areas of the medical services as a result of these action programmes.

I shall begin with the Regionalization Scheme which was put into effect on 1 April last year. As Honourable Members are aware, one of the major objectives of the scheme was to put to the best possible use the facilities and manpower which exist within each region. This important objective has now been largely achieved. The first steps taken in this direction were those for better and more efficient utilization of existing hospital beds, particularly in our two major regional hospitals—the Queen Mary and Queen Elizabeth Hospitals. For years a regular feature has been the use of camp beds numbering 100 and 160 respectively on anyone day in these two hospitals. Today, I am glad to say the picture is visibly different. For the last two months on an average day, only a few if at all of such beds may be seen in use and only at odd times when admissions are particularly heavy due to emergencies such as major traffic accidents. This result is all the more significant when it is realized that our policy is to admit every case that presents at the hospitals and which needs to be admitted irrespective, and that admissions have increased by some 11% since last year.

In the course of the exercise the bed occupancy rate of the subvented hospitals such as the Tung Wah Hospital, the Buddhist Hospital, the Pok Oi Hospital and the Yan Chai Hospital which have been persistently low, varying between 50-60% before the advent of the scheme, increased to more than 80%. The average occupancy rate in a total of 14 district and non-acute hospitals is now a very satisfactory 82%.

I must emphasize that the exercise was not just an attempt to redistribute and redesignate beds but more resources have been made available in real terms. The basis of subvention for both the Buddhist and Pok Oi Hospitals was changed from that of discretionary aid to the more favourable one of deficiency grants. Also, two more hospitals in the subvented sector, *i.e.* the Yan Chai Hospital and the Caritas Medical Centre are expected to be brought onto a deficiency grant basis in the current year. A total of 440 additional beds were brought into use in the district hospitals. Apart from the effective arrangements which I have just mentioned, the success of the scheme has been in no small measure due to the creditable efforts and cooperation of my colleagues and staff at the Queen Mary and Queen Elizabeth Hospitals, both Government and University as well as the subvented hospitals concerned.

However, there must be no complacency. It is not only necessary for us to consolidate the significant gains which have been made so far but there is a constant need to ensure that there should be no slippage in our development programmes.

Thus, last year a number of new projects came into operation. The East Kowloon Polyclinic Stage I, the South Kwai Chung Polyclinic Stage II were opened on schedule in July and August respectively. In an area of new service, the Child Assessment Clinic at Arran Street was inaugurated in October and February this year saw the commencement of work in connection with the extensions of the Fanling and Yan Chai Hospitals.

In the very near future, we shall also see the opening of the Caritas Medical Centre extension of 600 beds, while the advanced state of construction of the MacLehose Dental Centre is a landmark to all who happen to pass Morrison Hill. With the scheduled completion of this project by the end of this year the first Dental Care Scheme for school children will be well on its way.

Looking further into the medical and health crystal ball in the next five years or so, a number of major projects will also come into being in rapid succession. These include the psychiatric wing of the Princess Margaret Hospital, the Teaching Hospital at Sha Tin, the district hospital at Tuen Mun and no less than 10 clinics and polyclinics will be completed and brought into use one after another commencing with the Sha Tin General Clinic in 1979. The completion of major hospital projects both in the Government as well as the private sector will see significant increases in the hospital bed provision from the present figure of 19,300 to 25,900 by the early 1980s, *i.e.* an anticipated increase of 6,600 beds. The bed/population ratio should then have reached 5.2 per 1,000 population which is only marginally below our long-term planning target of 5.5 beds/population.

This then represents the accelerated rate of development which my Friend, Dr FANG, would no doubt be glad to see and which will provide better services in the areas where growing needs have been identified.

Dr FANG mentioned an estimated 'under-spending' or saving of \$46 million in my Department's budget for 1977-78. To begin with, the revised Estimate of \$359 million for last year as shown in the draft Estimates was drawn up nearly five months ago. The latest revised estimates shows that this figure should in fact be \$385 million, *i.e.* a sum of \$26 million more than what was earlier estimated. Again, the changing of the Grantham Hospital from that of a 'bought bed' basis to a deficiency grant hospital accounts for another \$16.85 million which is to be spent under the items earmarked for subventions.

Thirdly, \$2.5 million are already committed in respect of special expenditure items leaving less than \$1 million as real savings—savings which I might add has come about because my staff has exercised continuous, stringent and efficient economy measures in the use of fuel, light and power as well as the fact that only 104 externs finally passed the prescribed examinations in connection with the scheme which was originally anticipated to produce 230. Thus, my Friend may rest assured that my Departmental budget has been well and truly but certainly not under-spent.

Regarding Dr FANG's comparison of the percentage increase of the medical budget with the whole Government budget, I must point out that the comparison is not really significant. Of more relevance is that the total sum earmarked for the medical services has been increased so as to be adequate for the maintenance and expansion of the service scheduled for the year, and as mentioned by Dr FANG, the sum of \$891 million for such purpose is substantial.

It is quite understandable that because our out-patient system is effective, providing as it is a practically free service with a full range of facilities on a 'walk-in' basis, that over the years an overwhelming demand as opposed to the actual need for this service has been generated. Thus, the addition of more clinics *per se* will not result in a decrease in the demand but may even increase it. However, it is recognized that with the passage of time and the increase in population there is some need for more input into the service. It is in the context of this need that my Department has presented to the Medical Development Advisory Committee (MDAC) plans both in the short and longer term to improve the service. The assessment of needs for clinics is based on practical factors such as the size and distribution of the population in an area, the attendance rate per 1000 population, the number of patients seen per clinic session and the overall availability of existing facilities. These plans have been endorsed by the MDAC.

The short-term measure which is considered most practical and efficient to alleviate the problem is the provision of more clinic sessions using the same clinic facilities outside of normal office hours, *i.e.* in the evenings and on Sundays and public holidays. A total of 52 clinic sessions, 31 in the evenings and 21 on Sundays and public holidays are now in operation. These sessions catered for more than ½ million attendances last year. The scheme is kept under close and constant review so that extra sessions in centres of population and areas of greatest need may be added if and when necessary.

On a longer term, there are two main measures, namely, the reprovisioning of old clinics and the building of new clinics. These are planned for areas of anticipated need such as centres of population in Kowloon East, Tsuen Wan, Sha Tin, Tuen Mun, Kowloon West and Sai Kung. As I have previously mentioned, in the next five years or so, no less than 10 new clinics and polyclinics which are already on the Public Works Programme will be in operation. These extra facilities should be able to produce 97 additional consultation rooms for the public.

Next, I should like to reassure Dr FANG that a programme for the implementation of the major recommendations in the French Report on the Industrial Health Services are now being drawn up by my staff in conjunction with the Commissioner for Labour. Supplementary funds will be sought for the implementation of these recommendations as soon as this programme has been finalized.

Regarding the question on the legislation in connection with the paramedical professions, I have to assure Dr FANG that it is hoped to introduce the Professions Supplementary to Medicine Bill in the current session of this Council which will provide the basis for the registration and discipline of a number of para-medical professions relevant to our needs in Hong Kong. It will be possible when the Bill is before this Council to specify which professions will be covered by the legislation.

I should like now to comment on the Community Nursing Scheme. Miss BENNETT's sentiments in regard to the advantages of the community nursing scheme are well taken. In fact, this is the basis of the Government's agreement to institute the pilot scheme. However, I must say that my honourable Friend has been somewhat misinformed when she stated that patients are being turned out of our hospitals simply because beds are needed. Care of the individual patient is the responsibility of the attending physician and I am confident that a doctor will only discharge his patient because he is fit enough and no longer needs to be hospitalized rather than for the reason stated by Miss BENNETT. On the second point that the estimates for the community nursing has shown no increase, I should like to say that the draft estimates for 1977-78 was more than adequate to provide for salary revisions and annual incremental credits as the actual spending turned out to be less than the provision and if there should be a need for any supplementary funds I am sure this will be sympathetically considered.

On Miss KO's suggestion that the evaluation of the community nursing service should not be kept static for the agreed three year evaluation period, I have to point out that the statistical feed back for the whole year's work since the commencement of this scheme will be available and a study based on these statistics presented to the Joint Consultative Committee by the middle of the year. Only then will the Committee be in a position to make recommendations as regards the needs for any further evaluation period which will then be conveyed to the MDAC for consideration.

Further, it has been recognized by the MDAC that it would be unreasonable not to undertake training of community nurses during the evaluation period and during the current financial year (1978-79) training of community nurses will be established as a joint undertaking between the Government and the agencies supplying the service. The Medical and Health Department will award certificates to the successful candidates. After training, these nurses will be absorbed into the services of the various organizations and thus provide the desired element of relief and expansion in staffing for the scheme pending the completion of evaluation.

Miss KO mentioned the rejection of 591 'referrals' during October and November last year. I presume she was referring to 'visits' rather than 'cases'. The total number of cases under care during these months increased but the number of visits to each patient had to be adjusted by the organizations in the light of their priorities. In fact, this is one of the areas in which evaluations

are now being conducted, with a view to gauging the optimum caseload and the number of visits which each community nurse is able to undertake each day and the frequency of visits required by each category of patient.

Sir, the Medical and Health scene is on the threshold of a rare combination of stirring events. We are witnessing the impending birth of a new Medical Faculty at the Chinese University of Hong Kong, with its concomitant teaching hospital at Sha Tin. Simultaneously, a new dental faculty at the Hong Kong University and the introduction of a dental health care scheme for the school-going population are proceeding apace. These, together with other wide ranging plans for the development of the medical and health services which are unfolding before us, present an exciting challenge particularly to those in the professions and for my colleagues and me in the Medical and Health Department. It is our duty and obligations to take up this gauntlet. To do otherwise will surely result in something much less than that ideal state of physical, mental and social well-being which every territory in the world professes to achieve but only a comparative few can hope to attain. Happily for us in Hong Kong, we may pride ourselves in being included among the select few judging by our health statistics.

Sir, I beg to support the motion.

DIRECTOR OF SOCIAL WELFARE:—Sir, may I first express my appreciation for the support which has been given by many of my Unofficial Colleagues in respect of the increase in provision for recurrent expenditure on social welfare. In whichever way we look at it, the increase is substantial, both in absolute terms and as a percentage. The increase in social welfare subvention will be 47% or \$32 million; and for services provided by the Social Welfare Department, social security will attract an increase of 21% or \$58.5 million and other services 15% or \$10.3 million. I consider that these provisions will be adequate to maintain existing services, to meet increased costs and to cater for new projects which are likely to be implemented during this financial year.

The Financial Secretary will be commenting on Miss KO's concern that Government has not provided all the funds which the Social Welfare Advisory Committee requested and generally on the financing arrangements for social welfare subvention. I should, however, like to take this opportunity to assure Miss KO and Dr HU that there has not been a single case in the recently completed allocation exercise for 1978-79 where an approved new project within agreed policy is denied support because of insufficient funds. I can also assure Miss KO that in approving subvention to a voluntary agency, the Social Welfare Advisory Committee takes into consideration such pertinent factors as salary increase, increase in provident fund contributions, increase in rent and rates as well as any justifiable increase in other costs of providing the service. The present practice, I consider, is satisfactory as long as subvention remains on a discretionary basis.

Dr FANG drew the attention of this Council to the \$7 million reserved by Government in the subvention vote to meet expenditure arising out of various proposals for the young and the elderly as published in the Green Papers. He asked in the event that the \$7 million cannot be spent on the elderly and youth services in 1978-79 due to the time taken for the Green Papers to become White, whether it could be made available for the expansion of services in other fields. I am pleased to inform him that this will not be necessary since the \$93 million allocated for existing services and new social welfare projects under present policies including those in the rehabilitation programme will be sufficient to meet both existing services and new projects which will materialize during 1978-79. Furthermore, the \$7 million is likely to be required for new projects for the elderly and young people.

In reply to a point raised by Dr HU, I am pleased to say that social workers in subvented voluntary agencies are paid the same salaries as those in Government with comparable qualifications and responsibilities, except in a very few cases which I propose to rectify during this financial year.

During 1978-79, as usual, there will be some funds in the one line vote for 'contingencies'. If a voluntary agency needs additional support either for its existing service or for a new project, I am sure the Social Welfare Advisory Committee will be pleased to consider its request for supplementary subvention where this can be justified.

Both Dr HUANG and Miss KO expressed their concern about the need to increase the number of social work students in the Universities and the Polytechnic in order that there will be more trained social workers available to cope with the expansion of social welfare programmes. I entirely agree with them. Government is currently pursuing as a matter of urgency an assessment of the foreseeable demand for social workers, both within Government and in the voluntary sector. This exercise should be completed very shortly. We will then have a firm basis to approach the various institutions concerned for an increased intake of social work students. There are, however, practical difficulties in raising the capacity too dramatically, particularly with regard to the provision of fieldwork placement for the students and it will be necessary to adopt a realistic target. To make optimum use of trained personnel, proposals will be made for some of the work in my Department currently being undertaken by professional social workers to be taken over by other suitable staff, so that the former can concentrate on work which require professional expertise.

Miss KO further recommended that a sub-committee be formed under the Social Welfare Advisory Committee to plan and initiate research work on social welfare services. I would like to point out that each year during the annual review of the Social Welfare Five Year Plan carried out under the auspices of the SWAC, a committee consisting of members of the Social Welfare Department and the voluntary sector proposes a list of necessary research projects to be conducted during the following year. The research

component thus becomes part of the total plan. In addition, the Planning and Evaluation Sub-Committee of the SWAC can no doubt propose other research projects in connection with any planning being considered. Funds could be made available from the Lotteries Fund, where necessary, for independent bodies to undertake such projects.

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

SECRETARY FOR HOUSING:—Sir, Government and the Housing Authority are grateful to the support given in this debate by Honourable Members, and by the community generally, to the Home Ownership Scheme. It is most encouraging that the first batch of 8,300 flats to be offered for application has been so substantially over-subscribed. The ballot will be held publicly next month, and successful applicants will be screened for eligibility from June onwards.

The obvious attractiveness of the Home Ownership Scheme to low income families has, understandably, evoked suggestions from several granters that priority be given to certain groups in the community. Dr FANG suggested that priority be given to the disabled and the elderly, and to junior civil servants. Honourable Members will recall that rented public housing, as it becomes available, has to be divided up and allocated to many groups, with varying claims and degrees of need; and the Authority does its best in this unenviable task to be as fair as possible to all.

The Home Ownership Scheme, on the other hand, was designed to help families in a rather higher income bracket. At this level of income and bearing in mind the substantial capital advantage which successful applicants will receive under the Scheme, it is not considered that special priority groups should be established, apart from public housing estate tenants who if successful in their applications must surrender their rented public flats. Similar considerations apply to Mr Charles YEUNG's suggestion that priority be given to villagers in the New Territories to buy low cost houses— perhaps even more so, with the ever-increasing pressure on land. Houses (even in rural areas) are an uneconomical way to use land, and such a proposal would therefore involve an even greater degree of subsidy than does the Home Ownership Scheme.

I should like, Sir, to correct Dr FANG's impression that a separate quota of rented flats would be set aside for the elderly, under the proposals in the Green Paper on Services for the Elderly. The position actually is that the Housing Authority under existing policy has a programme to provide hostel accommodation for the elderly, and the proposal in the Green Paper is to increase and to accelerate this programme. May I assure Dr FANG that the needs of the disabled are also taken most carefully into account in the allocation and alteration of flats as allocated to them.

Mr CHEONG-LEEN would, I think, agree that the *redeveloped* parts Mark I and II estates, are of a standard equal to our new estates. The *converted*



Mark I or II blocks, to which I think he meant to refer, have been the subject of exhaustive consideration to find more durable and colour-fast paints, in order to produce a lasting and attractive appearance, and, we hope to avoid the slum qualities to which he referred. The particular blocks which he saw at Lower Shek Kip Mei recently are due for repainting within the next few months. We should then be able to see whether the new qualities of paint are as good as we hope that they will be.

May I, Sir, endorse the commendation by Mr CHEONG-LEEN of the work of the Housing Society, particularly their Urban Improvement Scheme. We all surely share his desire to see dilapidated buildings replaced more quickly. But it does take time—inevitably and properly—to uproot families in their hundreds from their familiar districts to new environments and to a new way of life. I am happy to report that since the Urban Improvement Scheme was initiated in 1974, five projects have been embarked upon involving the clearance of 50 old buildings, and thus 300 families—some 900 people—have been rehoused in a better environment in estates built by the Housing Authority or the Housing Society. Plans are being prepared to launch more projects which would lead to the clearance of 50 more similar old properties.

Concern was expressed by Mr CHEONG-LEEN and others about real estate price-levels in the private sector. Mr CHEONG-LEEN suggested that Government should not allow prices to rise out of the reach of people ineligible for the Home Ownership Scheme. One method would be to introduce comprehensive price controls, but these would be very difficult to enforce. Government prefers to assist in stabilizing price levels by providing a greater supply of housing, and this of course will be one of the effects of the Home Ownership Scheme. Private sector developers have accelerated supply in the past two years, and the indications in a recent review are that the current level of production will continue well into 1979. I believe, Sir, that the strong demand will continue beyond that date, and this factor coupled with the initiative and good sense of our private developers, and with due encouragement from Government, should assist in gaining stability in provision, as well as in price levels. It is Government's part to watch carefully the interaction of demand and of supply, and we shall monitor carefully what part, both in quantity and in quality, should be played by Government itself in providing flats for sale.

By any standard, Sir, the public housing programme is enormous, with production rising from 13,000 flats last financial year to over 20,000 flats this year, and to over 44,000 flats in the next financial year. But there should be no anxiety, even in the light of these figures, that Government intends to inhibit, or that such a programme is likely to inhibit, the private sector. Mr Lobo wondered what percentage of our population is eventually to be housed in public housing estates. Detailed surveys are periodically undertaken by Government and the Housing Authority of the need for and the likely supply of housing for all income groups. One can say with confidence that the

continual reminder of our huge waiting list for public housing, the natural increase in population, splitting up of large families, the growing desire to improve living conditions, and the Housing Authority's policy to redevelop older estates, all these things require both the public and the private sector to continue to make major contributions to new housing. That, I am sure, is common and evident ground.

About 45% of Hong Kong's population now live in public housing estates. This proportion should grow to something over 60% by 1984-85. I do not believe, however, and I think experience elsewhere bears me out on this, that an ideal or permanent target percentage can be established. The position must be continually observed and periodically re-analysed; and we must judge our course and decide our actions accordingly.

Sir, I have pleasure in supporting the motion.

SECRETARY FOR THE ENVIRONMENT:—Sir, I will confine most of my remarks today to the two subjects of land and water supplies. As I was going to say time is short, but I see it's only twenty past three, so maybe the time is wrong (*laughter*). In both of these two subjects my Unofficial Colleagues have shown a considerable interest. I make no apologies for saying nothing about transport, partly because it is aired in detail almost continuously in this Council and partly because, provided it gets through all the loops, I hope to submit a White Paper for debate before too long. But I will, with permission, conclude with a few words about hawkers.

#### *Land*

I turn first then to land and, in particular, its shortage, its price and its use. Not surprisingly, five of my Unofficial Colleagues have addressed themselves to this subject. And in seeking to reply to them I can only repeat what a British Minister in 1964, I think it was, when he was asked to take over a particularly unpopular portfolio and it was dealing with the trade unions— 'I've drawn the bed of nails'. (*laughter*)

For I am afraid that, however we turn, we have to face certain unpalatable facts to which, in the last resort, we have to adjust. The main one is that, for various reasons—our hilly terrain, the need for water catchments, our numerous islands, problems of access and communications and so on— formed and usable land in Hong Kong is in short supply. And when something is in short supply and demand is increasing its price tends to rise. The only ways out are to increase supply or economize in use and, I should add, the discipline of the price mechanism stimulates both of these adjustments. To increase supply, however, is costly both in money and in real resources and, above all, it takes time. For this reason a forward programme of land production, looking several years into the future, is essential and the Government is fully recognizing this.

The recent report of the Special Committee on Land Production shows that the extensive development programmes that are now in train, particularly in the new towns and market towns, the industrial estates and reclamations in the urban area, will produce, by past standards, quite a good supply of land for both the public and private sectors over the next five or six years. The Government is now evaluating possible additional sources of supply for the mid-eighties and the views of the Special Committee will be sought on these. Although it seems probable that new developments will become progressively more expensive, every effort will be made to keep up the momentum of land production.

Here I must refer, in particular, to North Lantau. Work has already started on investigating the geological and engineering feasibility of land formation in this potentially very large development area; and preparations are being made for letting a consultancy on the design of a fixed crossing to the mainland. Alternative proposals on the means of constructing this crossing will be received from a short list of consultants in the middle of May and, on the assumption that it is decided to proceed, construction of the crossing and the necessary supporting roads could be completed by the early eighties. Work is also in hand on investigating other areas, a prime example being Junk Bay. The Government is determined that all economically feasible possibilities for land production should be examined and evaluated with a view to maintaining the momentum—and I have in mind particularly the production of industrial land.

The main problem on which my Colleagues, particularly Mr Q. W. LEE, Mr James WU and Mr Hilton CHEONG-LEEN have concentrated, however, is the short-term supply of land to the private sector and the effect of this on land prices. Here we may be facing a watershed because the Rating and Valuation Department's Annual Property Review shows that a very large amount of both residential and industrial accommodation has been constructed over the past year and that still more is in the pipeline. Already rents of flatted factories are beginning to stabilize and I would expect the same to happen in the domestic property market before long.

I recognize that the Government's sales programme in the immediate future is not as big as it should be. But I must emphasize that it has never been the intention to ration land to hold up the price. Rather it has always been to sell land as it becomes available. The problem has mainly been slippages and the freezing of land for temporary uses, including temporary housing areas. To improve the situation and tie in with the land production programme I propose to seek authority to establish specific land sales targets for different uses which departments will be required to meet. I have also asked the Director of Public Works to review all possible ways of speeding up the sales programme in the immediate future.

Mr Q. W. LEE and Mr T. S. LO both suggested that Government should review its density zoning policy to see what additional use could be made

of existing land resources. The problem was very aptly put by Mr LO, when he said that we must 'review our environmental and planning standards to see if we are striking the right balance between preserving a reasonable environment and making the best use of what little land we have'. There were two main points which Mr LEE suggested should be looked at. The first was the amount of land allocated for Government, institutional and community uses, which he felt could be excessive. This is, of course, an extremely broad category of land use, which reflects the need to provide land for the fulfilment of a wide range of social and other policies, for which the original layout of the urban areas made little or no provision. Nevertheless, I accept that it is the Government's responsibility to ensure that land appropriated in this way is used economically and well and I can promise that a review of the various requirements will be put in hand.

Mr Q. W. LEE's second suggestion was for a review of density zoning areas. I fully accept that such a review would be timely, seeing that current density zoning plans were approved as long ago as 1962. We will have to accept, however, that it will not be possible to increase densities all round. By any standards the urban areas of Hong Kong are exceptionally overcrowded, all too often to the detriment of reasonable environmental standards, particularly in the Zone 1 areas. And in other areas, such as the Mid-Levels, the ever increasing fleets of motor cars limit the scope for additional development. Nevertheless, there is some possibility for an increase in plot ratios in certain selected Zone 2 and 3 areas and perhaps for the introduction of a new density zone somewhere between Zone 2 and Zone 3. I can promise Mr LEE that a review of the various possibilities will be put in hand straight away.

Sir, another subject which has been raised in this debate concerns the reservation of certain industrial land for low density use in order to encourage the setting up of more capital intensive industries in Hong Kong. The extent to which this should be done is more controversial, judging at least from the interventions of Mr T. S. LO and Mr S. L. CHEN. On the one hand, Hong Kong has always lived and thrived on the discipline of market forces and it behoves us to think carefully before we reject this discipline. On the other, we can undoubtedly benefit from the technological spin off of the right capital intensive industries. Our experience so far with industrial estates has shown how difficult this choice can be, and it lies at the heart of the deliberations of the Advisory Committee on Diversification. The common element which I think helps to bring the two sides together, however, is the need for more industrial land to be made available and this the Government intends to pursue.

I now turn to Mr CHEONG-LEEN's valuable comments on buildings and their management. May I say how strongly I agree with his views that the domestic accommodation built by the private sector should be of a good standard and should be maintained as such by good management. The

problem of multi-storey building management is very serious and one which, until now, has not been firmly attacked. This has probably been largely due to a certain amount of false hope that, with a modicum of official support and guidance, the owners and occupants of multi-storey buildings would be willing and able to organize themselves. But, in many cases, the problems of organization have apparently been too great and the support too limited. So I think that we will have to accept that more official intervention is going to be necessary if the general urban environment is to be saved from serious deterioration. The extent of that intervention and the other measures which will be necessary to reinforce owners' management are being assessed systematically, and I hope to make definite proposals in the coming year. Mr CHEONG-LEEN's suggestions will certainly be considered in carrying out that assessment. I agree also with Mr CHEONG-LEEN that the Hong Kong Housing Society's plans for the redevelopment of slums in the older urban area are most valuable and that they should be given further encouragement.

#### *Water Supplies*

I turn now, Sir, to water supplies. As regards the short-term supply position, the question is, of course, not whether the present level of restriction should be eased but when they should be. It is the question of timing in the exercise of a little more patience, but as I am not in a position to say anything definite about this this afternoon, I would say no more. The comments of Unofficial Members on water supplies in this debate have however concentrated mainly on the longer term position and this is right, for our demand is continuously rising and getting the long-lead time necessary to increase supplies, we must, of necessity, plan for a good number of years ahead. The current level of unrestricted demand for water is about 100,000 million gallons per annum, although this has temporarily been cut to a rate of some 80,000 million gallons per annum by the restrictions now in force. It is estimated that by 1988, in ten years' time, unrestricted demand will have risen to something like 176,000 million gallons or by more than three quarters.

This means that we should seek to obtain over the next ten years an additional supply of 76,000 million gallons of water per annum. Sir S. Y. CHUNG has suggested that this might be done by seeking more water from the East River, both because it would be a relatively cheap source of supply and because it would not be subject to the vagaries of the weather. Sir, I would certainly agree that this would be a most valuable source of supply to assist us in meeting our future water requirements. But I would hesitate to go so far as to say that it would solve all our problems.

Our present agreement with China guarantees a minimum supply of 24,000 million gallons a year and is on a year to year basis. This year the Chinese water authorities have generously agreed to increase the amount, so that the quantity to be supplied from October 1977 to July 1978 will be 30,000

million gallons, that is an increase of 6,000 million gallons and some 30% of our present level of demand. In addition, we hope that it may be possible to further increase the amount to 37,000 million gallons per annum from 1 October 1979, when our installations will be able to receive this quantity.

To enable yet more to be supplied would require further major works on both sides of the border to install new pipes and pumping stations and this would of course take time to arrange and carry out. But I can assure Sir S. Y. that it is our intention to seek discussions with the Chinese authorities with a view to obtaining further supplies. Nevertheless, even if Sir S. Y. is right and we could double our supplies from the East River over the next ten years, that is, something like an extra 37,000 million gallons a year, we would still need a further 40,000 million gallons a year by that time to meet our demand. And 40,000 million gallons is a half of what we are consuming now from all sources at the present level of restrictions. So it is clear that we also need to investigate urgently the development of further internal sources of supply.

To this end we are planning a full scale investigation of all feasible methods of obtaining water internally which seem likely to be cheaper, and in some cases considerably cheaper, than by desalting sea water; and a submission on this will shortly be made to Your Excellency in Council. If these investigations are approved it is expected that they will take some two years to complete and it will then be possible to determine the best sequence of development to meet our future water requirements.

#### *Hawkers*

To conclude, Sir, I will say a few words about hawkers. Hawkers flourish and proliferate in our community precisely because, when they operate on street or in some other free area, their overheads are extremely low and they can sell at competitive prices. In contrast, conventional retail outlets face the perennial problem of high land costs and high rents. The fact that hawkers block the traffic or cause some other obstruction is not a cost they need themselves calculate but it is a real cost to the community. The problem they create is an endemic one in the urban areas, but it is containable in the New Territories. In the New Territories there are now roughly 13,000 licensed hawkers and market stallholders and some 6,000 unlicensed hawkers.

Given sufficient effort it should be possible to move all hawker activities off the streets in all of the New Territories towns and townships by the provision of adequate off-street facilities, backed up by effective management and enforcement.

In Tsuen Wan, for example, the old market has been recently demolished and the stallholders and unlicensed hawkers from adjacent streets have been resited in a temporary market. A new market is now being built and all existing hawkers will be accommodated, including over 300 hitherto unlicensed hawkers. Similar new markets are being provided in Sha Tin and Tuen Mun.

These new markets are planned to absorb all existing unlicensed hawkers of reasonably long standing and to move them off-street.

Similar developments are being planned for the market towns with the aim of accommodating the great majority of hawkers who are now operating on-street.

Sir, as these new arrangements are brought into effect, they will be backed up by improved management and enforcement. At present the Urban Services Department New Territories Region is operating one general duties team in Tsuen Wan to regulate hawker activities there; and three additional teams have also been approved recently for Kwai Chung, Tai Po and Yuen Long. Later, funds will be sought for yet three more teams to operate respectively in Sha Tin, Tuen Mun and in the Sai Kung and Islands districts.

Sir, it is hoped that this two-pronged attack will soon begin to produce observable results. The Government believes that the hawker problem in the New Territories can be contained by the provision of adequate off-street facilities in the form of markets and cooked food centres and with the essential back up of an effective enforcement presence on the ground. These measures are now being put into effect and the results should before long be apparent to all.

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

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

*Question put and agreed to.*

3.38 p.m.

HIS EXCELLENCY THE PRESIDENT:—I think at this point Honourable Members might like a short break. Council will resume in 15 minutes.

3.58 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

## **HOUSING (AMENDMENT) BILL 1978**

### **Resumption of debate on second reading (15 March 1978)**

*Question proposed.*

MR CHEONG-LEEN:—Sir, the adoption of the Bill will enable the Housing Authority to provide car parks in estates, and parking places on restricted roads, and to charge parking fees.

In view of the shortage of traffic wardens and other Police traffic personnel, this Bill will also enable the Housing Authority to improve its control over parking of vehicles within estates.

At present, as many as 45% of our population are living in public housing estates. Therefore the residents in these estates ought not to be considered as a privileged class when it comes to charging parking fees.

Because of limited parking space in the estates, I would like to have an assurance from the Secretary for Housing that there will be no special subsidy given to estate residents as against residents living outside the estates in the parking fees charged. Such fees ought to be in line with the overall policy for parking fees decided on by Government covering the urban areas and the New Territories as a whole, assuming of course that Government does have such an overall policy.

I would furthermore like to have the assurance that parking facilities for all housing estates should be on a realistic basis and to be neither under-provided nor over-provided for. After all, in another 10 years, we expect to have 60% of our population living in housing estates.

Unless the policy on vehicle parking within Housing Authority estates is carefully related to an overall parking policy, this Bill will in effect become another typical example of lack of foresight and haphazard planning by Government.

SECRETARY FOR HOUSING:—Sir, it remains for me to reassure Mr CHEONG-LEEN that the Housing Authority is realistic in regard to the provision of parking facilities and the determination of parking charges on public housing estates. There will not be any question of any special subsidy being allowed to estate residents in that connection, but, like other developers in Hong Kong, the Authority is required to conform with the transport and parking provision policies of Government.

Sir, I beg to move.

*Question put and agreed to.*

Bill read the second time.

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

## **LAW AMENDMENT AND REFORM (CONSOLIDATION) (AMENDMENT) BILL 1978**

### **Resumption of debate on second reading (15 March 1978)**

*Question proposed.*



DR FANG:—Sir, I am pleased to note that this Bill recognizes the existence and the rights of the unborn child. I therefore hope that Members of this Council who vote in favour of its provisions will bear this in mind should they be asked in the future to relax further our present laws governing abortion.

With these words, I have pleasure in supporting the Bill.

*Question put and agreed to.*

Bill read the second time.

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

### **URBAN COUNCIL (AMENDMENT) BILL 1978**

THE CHIEF SECRETARY moved the second reading of: ‘A bill to amend the Urban Council Ordinance.’

He said:—Sir, the main purpose of this Bill is to remove an anomaly in the present provisions in the First Schedule to the Ordinance which govern the registration of professional accountants as Urban Council electors by virtue of their profession. It is also proposed to bring the Schedule up to date in three other minor respects.

At present, paragraph 2(2)(t) of the Schedule provides that ‘an accountant holding a practising certificate issued under section 30 of the Professional Accountants Ordinance’ may register as an elector. However, only about half of the 950 or so professional accountants registered under section 22 of that Ordinance hold practising certificates, which allow an accountant to undertake public audit engagements. The remainder, who are employed by non-accountancy firms, in the public service or by other organizations, are not therefore at present enfranchised.

Clause 2(c) of the Bill amends the First Schedule so that all professional accountants who are registered under section 22 of the Ordinance will be enfranchised in future.

The First Schedule, paragraph 2(2)(c), which enables some tax payers to become registered as electors, refers to ‘business profits tax’. As this expression has been replaced by ‘profit tax’ in the Inland Revenue Ordinance, the Bill makes the necessary amendment.

Paragraph 2(2)(s) of the First Schedule provides that an ‘authorized architect’ may become registered as an elector. The term ‘authorized architect’

has been replaced by 'authorized person' in the Buildings Ordinance. Clause 2(b) of the Bill therefore makes the necessary amendment.

Paragraph 2(2)(w) of the First Schedule makes the holders of various educational qualifications eligible to register as electors. Amongst these are the Hong Kong Certificate of Education (English), and the Hong Kong Certificate of Education (Chinese). Both of these certificates were abolished in 1974, when the Hong Kong Certificate of Education came into being. However, it is considered desirable that a holder of the latter certificate should be entitled to register as an elector, if his certificate is of the same grade and number of subjects as were required of holders of the abolished English and Chinese Certificates, and Clause 2(c) of the Bill makes the necessary amendment to the First Schedule.

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

*Question put and agreed to.*

### **BANK-NOTES ISSUE (AMENDMENT) BILL 1978**

THE FINANCIAL SECRETARY moved the second reading of:—'A bill to amend the Bank Notes Issue Ordinance to remove the time limit upon the issue of notes, and to make a consequential amendment.'

He said:—Sir, this Bill seeks to repeal section 5 of the principal Ordinance and to make consequential amendments to the Hongkong and Shanghai Banking Corporation Ordinance.

Section 5 of the Bank Notes Issue Ordinance empowers the note issuing banks to make, issue and re-issue and circulate bank notes for a specified period and enables the Legislative Council to extend that period from time to time by resolution but for a maximum period of twelve months. This means that every year, Honourable Members must be invited to extend the powers of the note-issuing banks. In practice, the extensions of the time limit must be agreed since, otherwise, there would be no note issue.

Sir, this limit stemmed from the enactment of the 1935 Currency Ordinance (now named the Exchange Fund Ordinance). Under this Ordinance, the banks' note issuing powers expired on 12 July 1939. In 1939, the Note Issuing Banks Extension of Powers Ordinance was enacted and this authorized the Legislative Council to extend the note issuing powers of the banks for any period not exceeding twelve months. This is the present situation. It is not clear why in 1939 the twelve month limit was introduced, but there are certainly analogous provisions in the law in the United Kingdom and other countries.

As the time limit and the consequential annual extension do not serve any useful purpose, it is proposed that the time limit be removed. The effect will be that the banks' note issuing powers will continue until this Council decides otherwise.

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

*Question put and agreed to.*

## **INLAND REVENUE (AMENDMENT) BILL 1978**

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Inland Revenue Ordinance.’

He said:—Sir, this Bill is a reform measure with two objectives: *first*, to amend the charge to profits tax on banks and other financial institutions, with a view to placing them in a broadly similar position to other businesses; and, *secondly*, to improve the yield from the charge, so as to help the Government to maintain the rate of tax on corporate profits generally at the existing rate of 17% for as long as possible.

Accordingly, the Bill seeks to deem interest accruing to a bank or a financial institution as arising in Hong Kong where such interest arises directly or indirectly through, or from, the carrying on by a bank or other financial institution of its business in Hong Kong. Consequently, profits from such interest will be chargeable to profits tax.

### *Background*

Under the Inland Revenue Ordinance, payments of interest to those persons (for example, banks) who are required to return interest as part of their business profits are exempt from interest tax as such, but such payments are chargeable to profits tax where the source of the interest in Hong Kong *and* where the interest is derived from a trade or business carried on in Hong Kong. The Ordinance lays down no test for determining the source of interest, that is to say, where the interest arises in or is derived from. However, case law has established that, for the purpose of determining the source of interest, the test to be used is the place where the credit is made available to the borrower. With the emergence of Hong Kong as a financial centre, and with more sophisticated techniques now becoming available, this test has proved increasingly artificial as a means of determining source. For example, it is possible to carry out virtually all aspects of banking operations in Hong Kong and yet, provided credit is only made available outside Hong Kong, no tax need be paid. As a result, the yield from profits tax on interest has not, and is unlikely in the future, to keep pace with the growth of profits.

*The Review Committee's Recommendation*

The Third Inland Revenue Ordinance Review Committee recommended that, in respect of banks and financial institutions engaged in deposit-taking and related business, the profits chargeable to tax should include profits from interest which these businesses, actively carried on in Hong Kong obtain without the substantial intervention of any branch elsewhere. The Review Committee considered that, where funds in the hands of a bank's Hong Kong office, are made available outside Hong Kong, the resultant on the interest derived from such lending operations ought to be brought to charge. The Committee argued that the organization which a bank possesses in Hong Kong is brought into existence, and put to work, for the purpose of raising the very funds which are used, *inter alia*, for the purpose of entering into transactions which give rise to the subsequent receipt of interest. Thus, the activities of the bank's organization here and the use which that organization makes of Hong Kong are, in essence, the source of the profits earned on these transactions. The Review Committee concluded, therefore, that the profits tax charge should apply to the profits which arise from such transactions. For the same reasons, the Review Committee further recommended that the charge should apply also to other institutions which engage in deposit-taking and related business.

*The Government's Decision*

The Government accepted the Review Committee's view that it is a bank's organization in Hong Kong and the use to which that organization is put to raise funds and on-lend them which are the source of its profits from interest. Accordingly, the Government agreed that such profits ought to be chargeable to tax in the same way as commissions, fees and foreign exchange dealing profits are charged at the present time. With the rapid expansion of offshore business, an increasing proportion of the profits so earned would otherwise escape tax. There is no justification for this, inasmuch as these profits are, as a matter of fact, derived from economic activities carried on in Hong Kong.

*Effect of the Bill*

The effect of the proposed change in the law will be that, when a bank or a financial institution obtains funds, whether locally or abroad, through its operations in Hong Kong and places the funds abroad to earn interest, the profits from such interest will be taxed irrespective of the provision of credit test. To determine whether interest on a loan arises, directly or indirectly, through or from the carrying on of business in Hong Kong, will require an examination of the totality of the circumstances relating to where and how the deposits are garnered and the funds on-lent. In most cases, the determination will be relatively straightforward but, in the case of some large foreign currency loans, problems may arise. I shall have more to say about this later (paragraph 14).

I am sure Honourable Members, Sir, will wish to consider whether the objective embodied in the Bill is acceptable (paragraph 3) and whether the wording of the Bill is consistent with the objective.

### *Misconceptions*

I say this because at least nine misconceptions have already arisen since the Bill was published. (*laughter*) As most of them have been brought officially to my attention and to the attention of Honourable Members, I think it would be helpful if I were to deal with them here today.

*First*, it is believed by some that the amended charge is intended to tax interest received on a gross basis. This is simply not so. It gives rise to a tax on profits from interest, that is to say, on interest received, *less* related interest paid and related overhead expenses.

*Secondly*, it has been suggested that tax will be charged even where the role of the Hong Kong end of the business is negligible (for example, where it does little more than make certain book entries, commonly known as ‘booking’ or ‘garaging’). In these circumstances, the interest clearly could not be said to have arisen in Hong Kong. If the role of the overseas end of the business is minimal, (for example, again, restricted to ‘garaging’) tax *would* be chargeable if, in fact, the profits from interest could be said to arise from, or through, the carrying on of its business in Hong Kong.

*Thirdly*, it has been suggested that the Bill fails to reflect the recommendation of the Review Committee in that, as drafted, it has the effect of bringing to charge a wider range of profits than was envisaged by the Review Committee and that the Bill should only seek to bring to charge profits derived ‘without the substantial intervention of a branch elsewhere’. This is an expression used by the Review Committee to describe profits which it considered should be taxed.

The Review Committee did not, however, suggest that this expression should be used in the amending Bill and, indeed, as it is not sufficiently precise for legal purposes, the Bill has been drafted in a positive way rather than by introducing a sweeping charge and then providing for exclusions. In other words, it will be a question of *fact* whether the interest arises from the carrying on of a business in Hong Kong.

Notwithstanding this, if it is shown, on the facts of a particular case, that the profits from interest arise partly from the business in Hong Kong and partly from the substantial intervention of an overseas branch, a reasonable apportionment of the profits will have to be made. But cases of apportionment will be few in relation to the number of transactions as a whole. It follows that, where there has been substantial intervention of an overseas branch resulting in profits being wholly attributable to that branch, no part of the profits will be chargeable to tax in Hong Kong and, in any event, if in the administration of the law as amended, an institution considers that the

Commissioner is misinterpreting it, the usual channels of objection and appeal will be open to it.

To sum up then: I believe that the Review Committee's recommendation, which has been endorsed by the Government, *is* reflected in the Bill as drafted.

*Fourthly*, this is the fourth great misconception, as regards the definition of a financial institution in the Bill, despite contentions to the contrary, I believe that the definition is not cast wider than the recommendation of the Review Committee that the amended charge should apply not only to the activities of licensed banks, but also to those of institutions which engage in deposit-taking and related business.

*Fifthly*, at least one of my correspondents has argued that we have shifted over from a source basis to a residence basis and that, therefore, the Bill, as drafted, breaches the territorial source criterion. But this is simply not true. Where a business is carried on in Hong Kong and the profits of that business arise in Hong Kong, such profits clearly have a territorial connection with Hong Kong. However, because case law has established the artificial provision of credit test, some profits from interest have been escaping the charge to tax. The Bill does no more than correct this situation, but it does so by reference to business activities carried on here, and *not* by any arbitrary test related to residence.

*Sixthly*, it has been said that the Bill discriminates against smaller banks which do not have a wide spread of regional offices. I find this particular complaint quite surprising. The fact of the matter is that our smaller banks are, in general, already paying tax on their full profits. That is to say, their effective rate of tax is much closer to 17% than that of their larger competitors. It is the larger banks and financial institutions which have been able to avoid the full impact of the present profits tax charge. However, Sir, let me say, in passing, that I do not see it as any part of the Government's function to help small institutions at the expense of large institutions or, of course, *vice versa*.

*Seventhly*, it has been suggested that the Bill singles out banks and financial institutions through the taxation of one particular type of income and one particular type of business. The profits of other businesses derived from operations which, in substance, take place in Hong Kong are already taxable under the existing law. But, because of the reliance on the provision of credit test as a means of identifying the source of interest, some profits from interest of banks and financial institutions have hitherto been escaping the tax net even though these profits arise from business operations in Hong Kong. It is this horizontal anomaly which the Bill is designed to remove.

*Eighthly*, it has been put to me that a danger will exist that certain types of offshore business being transferred elsewhere, and that the position of Hong Kong as a financial centre will be thereby jeopardized. I appreciate that the after-tax profitability of some banks will be reduced. This is the

whole point of the exercise. But it must be appreciated that, at present, many banks and financial institutions are in a very privileged tax position compared with businesses generally. They enjoy an effective rate of tax on total profits here *well* below 17%. There is no justification for this. Not that I believe there is likely to be a substantial loss of such business as a result of this Bill being enacted, for I believe that tax advantages are not the only reasons why overseas institutions decide to conduct offshore activities here. So I do not believe that, in the long run, Hong Kong's position as a financial centre will be impaired (and, incidentally, this proposal to tax the profits from so-called offshore interest is unrelated to what is or is not taxable elsewhere).

*Finally*, I have received representations that the commencement date of the Bill is retroactive because banks and other financial institutions with accounting dates other than 31 March will be liable to be assessed on profits from interest received relating to periods prior to 1 April 1978. But those affected are in no worse position than the generality of taxpayers who commit themselves to a business transaction, in respect of which tax liabilities are subsequently altered. It is inherent in any situation where taxes are levied that the level, or the incidence, of taxation may change at relatively short notice. Bearing in mind that the present proposal has arisen out of the recommendations of a Review Committee whose report was published well over a year ago, those affected can be said to be, in fact, in a better position than they might normally hope to be when a revenue law is changed in pursuance of budget proposals. And, as I have already stressed, banks and financial institutions have long been in an extremely favourable position *vis-a-vis* other Hong Kong businesses and, for this reason alone, I see no justification for any form of transitional relief.

### *The Bill*

Turning now, Sir, to the Bill itself. Clause 2 adds to section 2 of the principal Ordinance definitions of 'bank' and 'financial institution'. These will cover banks licensed under the Banking Ordinance and financial institutions which are carrying on the business of borrowing and lending money, other than banking business within the meaning of the Banking Ordinance.

Clause 3 of the Bill amends section 15(1) of the principal Ordinance by providing that, where a bank or other financial institution receives interest which arises directly or indirectly through, or from, the carrying on of its business in Hong Kong, that interest is deemed to be a receipt arising in or derived from Hong Kong from a trade, profession or business in Hong Kong. Consequently, profits from such interest will be chargeable to profits tax. The amended charge will apply even where the moneys in respect of which the interest is earned or accrued are made available outside Hong Kong.

The amendments contained in the Bill will apply to assessments made in respect of the year of assessment 1978-79 and all subsequent years of assessment.

*Additional Yield and Staffing Implications*

Based on present information available in the Inland Revenue Department, the additional revenue yields, should the Bill be enacted, will be about \$144 million in 1979-80 and thereafter about \$80 million per annum. The yield for 1979-80 will be made up of \$80 million for final 1978-79 assessment and \$64 million for 1979-80 provisional assessment. The staffing implications in the Inland Revenue Department will be minimal.

The general assumptions made for the purpose of the calculations of yield are as follows: that there will be no significant variation in prevailing interest rates; that there will be a modest increase in the volume of business; that the avoidance action which might be taken by banks is likely to be limited, having regard to their general methods of operation and the attractions of operating in Hong Kong; and finally that some institutions may take steps to move some of their business elsewhere.

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

*Question put and agreed to.*

**STAMP (AMENDMENT) BILL 1978**

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Stamp Ordinance.’

He said:—Sir, I shall be moving three bills this afternoon to amend the Stamp Ordinance in order to implement certain proposals made in this year’s Budget Speech.

To begin with, Sir, I move that the Stamp (Amendment) Bill 1978 be read the second time. This Bill seeks to delete Head 10 of the Schedule to the principal Ordinance which provides for stamp duty to be paid monthly by note-issuing banks at one and a half per cent per annum on the average value of bank notes in circulation. With effect from 1 March 1978, as a result of an Order made by Your Excellency under the Public Revenue Protection Ordinance, stamp duty on bank notes has been abolished.

This Bill, if enacted, will give legislative effect to Your Excellency’s Order. The estimated cost to the revenue in 1978-79 is \$1.5 million.



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

*Question put and agreed to.*

### **STAMP (AMENDMENT) (NO 2) BILL 1978**

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Stamp Ordinance.’

He said:—Sir, the object of this Bill is to abolish stamp duty on cheques issued by Hong Kong banks to their customers. With effect from 2 March 1978, as a result of an Order made by you, Sir, Head 11(2) of the Schedule to the principal Ordinance has been repealed.

A bank is not relieved of any liability for the payment of duty on cheques issued to its customers prior to 2 March 1978 except where the Collector of Stamp Revenue is satisfied that the cheques had been returned by the customers to the bank prior to 2 March 1978 as spoiled or unused.

The purpose of the Bill before Council is to give legislative effect to the Order made by you, Sir, under the Public Revenue Protection Ordinance to take effect from 2 March 1978. The estimated cost to the revenue in 1978-79 is \$21 million.

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

*Question put and agreed to.*

### **STAMP (AMENDMENT) (NO 3) BILL 1978**

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Stamp Ordinance and to make consequential amendments to the Stamp Duties Management Ordinance and the Companies Ordinance.’

He said:—Sir, in paragraphs 214 and 217 of this year’s Budget Speech, I described a proposal to reduce the ambit of the Stamp Ordinance so that in future the Ordinance should apply only to three sources of duty: namely, transactions in shares and marketable securities, assignments of immovable property and leases and agreements for leases.

In paragraph 221 of this year’s Budget Speech, I also proposed that the stamp duty on share contract notes should be reduced from \$8 per millee on each transaction to \$6 per mille.

As a result of an Order made by you, Sir, under the Public Revenue Protection Ordinance, these proposals came into effect from 6 March 1978. The purpose of the Bill before Council is to give legislative effect to that Order.

The Bill amends extensively the principal Ordinance to achieve its objects. Consequential amendments to the Stamp Duties Management Ordinance, the Companies Ordinance, the Stamp and Denoting of Documents Regulations and the Stamp Duties Management (Franking Machines) Regulations are set out in the Schedule to the Bill.

The cost to the revenue in 1978-79 should this Bill be enacted is estimated at \$132.5 million.

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

*Question put and agreed to.*

## **CRIMES (AMENDMENT) (NO 2) BILL 1978**

THE ATTORNEY GENERAL moved the second reading of:—‘A bill to amend the Crimes Ordinance and to make incidental amendments to the Criminal Procedure Ordinance and the Magistrates Ordinance.’

He said:—Sir, some of the problems that arise in cases of rape were given wide prominence in England in 1975 following a House of Lords decision in the case of *Director of Public Prosecutions v. Morgan*. That decision was given great publicity and considerable unease and some misunderstanding arose as to the law of rape. Amid this climate of concern, the Home Secretary appointed an Advisory Group under the chairmanship of Mrs. Justice Heilbron to advise him whether changes in the law of rape were needed and in less than 6 months the Group produced a report widely praised for its compassionate perception and also for the clarity of its expression.

In substance the Report was accepted by the Government and the following year its recommendations were given legislative effect by the Sexual Offences (Amendment) Act 1976. The Bill before Council is based upon that Act and would bring to Hong Kong law the benefits which were introduced to the law of England following the Heilbron Report.

One of the principal recommendations of the Advisory Group was that rape should be defined by statute. Such a definition would emphasize that lack of consent, rather than violence, is the crux of the matter and would also bring out the element of recklessness as a mental element in the crime. The Group thought that the legislation should include a provision applying in those cases where the accused’s belief that a woman was consenting to

sexual intercourse is a matter which the jury has to consider. The provision should—

- (i) declare that (in cases where the question of belief is raised) the issue which the jury have to consider is whether the accused at the time when sexual intercourse took place believed that she was consenting and
- (ii) make it clear that, while there is no requirement of law that such a belief must be based on reasonable grounds, the presence or absence of such grounds is a relevant consideration to which the jury should have regard, in conjunction with all other evidence, in considering whether the accused genuinely had such a belief.

Clause 3 of the Bill amends section 118 of the principal Ordinance to include these matters.

The Group also made a number of practical proposals designed to make it less difficult for a victim to report rape to the police and to alleviate her distress.

Under present practice a woman giving evidence in a rape trial can often be subjected to searching irrelevant cross-examination, resulting in hurtful and unnecessary revelations of her private sexual history, which do nothing to advance the course of justice. The Group recommended that the sexual history of the complainant with men other than the accused should be inadmissible except with the leave of the trial judge given on an application made in the absence of the jury.

Clause 4 gives effect to this recommendation by introducing new sections 154 and 155. It is provided that the judge shall give leave only if he is satisfied that it would be unfair to the defendant in the circumstances to refuse.

The Group also considered the question of anonymity of complainants and reached the conclusion that it is in the public interest that complainants in rape cases should in general be given anonymity in the sense of protection from identification in the press and on radio and television. This conclusion was based on two factors—(1) Public knowledge of the indignity which a woman has suffered in being raped may be extremely distressing and even positively harmful. (2) The risk of such public knowledge can operate as a severe deterrent to reporting the crime to the police.

The Group acknowledged that in exceptional circumstances the interests of justice might properly justify publication, and recommended that discretion be given to the judge to relax the general prohibition. However, discretion is limited to cases where the complainant's identity is necessary for the discovery of potential witnesses and the judge is satisfied that there are real grounds for supposing that the proper conduct of the defence is likely to be substantially prejudiced by a refusal.

These provisions are contained in the new section 156. Section 157 makes it an offence punishable by a fine of up to \$10,000 or imprisonment up to 6 months to publish in contravention of the section.

The new section 159 contains a transitional provision clarifying the application of the new law to matters pending at the time it comes into force. The effect is that trials which have begun before this date shall continue under the old law except that the prohibition on identifying the complainant will be effective as from the commencement of the new law.

I am sure that Members will agree that rape is a detestable crime and it is greatly in the public interest that those who are guilty of it should be brought to trial, convicted and punished. Nothing in this Bill will make it easy for a woman who has been raped to come forward but it will perhaps make it less difficult and, above all, it will make it possible for her personality and her name to be protected.

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

*Question put and agreed to.*

### **YAN CHAI HOSPITAL (AMENDMENT) BILL 1978**

THE SECRETARY FOR THE NEW TERRITORIES moved the second reading of:—‘A bill to amend the Yan Chai Hospital Ordinance.’

He said:—Sir, the Yan Chai Hospital has a group of permanent advisers who advise the Board of Directors of the Hospital on important matters. These permanent advisers are at present appointed under section 4 of the Yan Chai Hospital Ordinance. In line with similar charitable organizations, it is more appropriate that the existing statutory controls on the appointment of permanent advisers be removed and be incorporated instead in the Hospital’s Constitution. Clause 2 of the Bill therefore repeals section 4 of the Ordinance.

*Motion made. That the debate on the second reading of the Bill be adjourned—*THE SECRETARY FOR THE NEW TERRITORIES.

*Question put and agreed to.*

### **PUBLIC ORDER (AMENDMENT) BILL 1978**

THE SECRETARY FOR SECURITY moved the second reading of:—‘A bill to amend the Public Order Ordinance.’

He said:—Sir, the reasons for these three small amendments are set out in the explanatory memorandum to the Bill. I have nothing to add.

*Motion made. That the debate on the second reading of the Bill be adjourned*—THE SECRETARY FOR SECURITY.

*Question put and agreed to.*

### **MOTOR VEHICLES INSURANCE (THIRD PARTY RISKS) (AMENDMENT) BILL 1978**

THE DIRECTOR OF MEDICAL AND HEALTH SERVICES moved the second reading of:—‘A bill to amend the Motor Vehicles Insurance (Third Party Risks) Ordinance.’

He said:—Sir, the Bill seeks to make three amendments to the existing Ordinance.

The proposed Bill will provide for the Director of Medical and Health Services or such other agency as he may appoint to be responsible for collecting from insurance companies expenses incurred in treating victims of traffic accidents in Government hospitals. The Director of Medical and Health Services will also ensure that the subvented hospitals are advised to collect these expenses.

Secondly, the Bill will empower the Director of Medical and Health Services to waive, at his discretion, the payment of expenses when the injured patients are treated as out-patients in Government hospitals as an Organization and Methods study has shown that it would be uneconomical to recover such treatment costs.

Thirdly, the maximum liability of insurance companies in respect of hospital expenses will be raised from a level of \$400 which was set in 1951 to \$2,500. This proposal has the agreement of the Accident Insurance Association.

These proposals do not in fact introduce any new principles. The existing Ordinance already requires insurance companies to make payments for these expenses applicable as it is when negligence of the insured motorist involved in the accident is established. Clause 2 of the Bill therefore makes amendment to Section 8 of the existing Ordinance to enable new arrangements to be implemented, the main objective of which is to streamline the procedure by which Government will recover the expenses incurred in treating victims of traffic accidents in Government hospitals from insurance companies.

*Motion made. That the debate on the second reading of the Bill be adjourned*—THE DIRECTOR OF MEDICAL AND HEALTH SERVICES.

*Question put and agreed to.*

**CRIMINAL PROCEDURE (AMENDMENT) (NO 2) BILL 1978**

THE SOLICITOR GENERAL moved the second reading of:—‘A bill to amend the Criminal Procedure Ordinance.’

He said:—Sir, prior to the creation of the Court of Appeal in 1976 and the appointment of judges of the Court of Appeal, the functions now performed by that Court were performed by the Full Court. All judges of the Supreme Court were also judges of the Full Court and, accordingly, certain procedural powers relating to appeals in criminal cases, which were vested in the Full Court, were exercisable by any judge. On the creation of the Court of Appeal, Sir, references in legislation to the Full Court were replaced by references to the Court of Appeal. This has, however, meant that judges of the Supreme Court who are not judges of the Court of Appeal may no longer have these powers. It is desirable that they should, and this Bill so provides.

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

*Question put and agreed to.*

**EVIDENCE (AMENDMENT) BILL 1978**

THE SOLICITOR GENERAL moved the second reading of:—‘A bill to amend the Evidence Ordinance.’

He said:—Sir, the Evidence Ordinance contains provisions for the taking of evidence in Hong Kong for use in civil or commercial proceedings in the courts of other territories.

A witness may, however, be exempt from giving evidence on several grounds, including security grounds. But this ground, as the Ordinance stands at present, is limited to evidence prejudicial to the security of Hong Kong.

It is considered that there might be circumstances in which the security of the United Kingdom or a dependent territory other than Hong Kong could be prejudiced by evidence, even though the security of Hong Kong itself was not affected.

This Bill, therefore, seeks to amend the law to extend the security ground of exemption from giving evidence to include the security of the United Kingdom or any United Kingdom dependent territory.

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

*Question put and agreed to.*

**Suspension of sitting**

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

*Suspended accordingly at twenty minutes to five o'clock.*