

**OFFICIAL REPORT OF PROCEEDINGS****Meeting of 30th March 1962**

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**PRESENT:**HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR ROBERT BROWN BLACK, GCMG, OBE

THE HONOURABLE CLAUDE BRAMALL BURGESS, CMG, OBE

COLONIAL SECRETARY

THE HONOURABLE MAURICE HEENAN

ATTORNEY GENERAL

THE HONOURABLE PATRICK CARDINALL MASON SEDGWICK

ACTING SECRETARY FOR CHINESE AFFAIRS

THE HONOURABLE JOHN JAMES COWPERTHWAITHE, OBE

FINANCIAL SECRETARY

THE HONOURABLE ALLAN INGLIS

DIRECTOR OF PUBLIC WORKS

DR THE HONOURABLE DAVID JAMES MASTERTON MacKENZIE, CMG, OBE

DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE KENNETH STRATHMORE KINGHORN

DIRECTOR OF URBAN SERVICES

THE HONOURABLE PETER DONOHUE

DIRECTOR OF EDUCATION

THE HONOURABLE KWOK CHAN, OBE

THE HONOURABLE HUGH DAVID MacEWEN BARTON, MBE

THE HONOURABLE DHUN JEHANGIR RUTTONJEE, OBE

THE HONOURABLE FUNG PING-FAN, OBE

THE HONOURABLE RICHARD CHARLES LEE, OBE

THE HONOURABLE KWAN CHO-YIU, OBE

THE HONOURABLE KAN YUET-KEUNG, OBE

THE HONOURABLE WILLIAM CHARLES GODDARD KNOWLES

MR ANDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*)**ABSENT:**HIS EXCELLENCY LIEUTENANT-GENERAL REGINALD HACKETT HEWETSON, CB,  
CBE, DSO

COMMANDER BRITISH FORCES

## MINUTES

The minutes of the meeting of the Council held on 19th March 1962 were confirmed.

## PAPERS

THE COLONIAL SECRETARY, by Command of His Excellency the Governor, laid upon the table the following papers: —

<i>Subject</i>	<i>GN No</i>
Sessional Papers, 1962: —	
No 12—Annual Report by the Secretary for Chinese Affairs for the year 1960-61.	
No 13—Annual Report by the Commissioner of Labour for the year 1960-61.	
Public Health and Urban Services Ordinance, 1960.	
Imported Meat and Poultry Regulations, 1962 .....	A 23

## REPORT OF THE SELECT COMMITTEE ON THE ESTIMATES FOR 1962-63

HIS EXCELLENCY THE GOVERNOR: —We shall now resume the debate on the Report of the Select Committee on the Estimates for 1962-1963.

MR P. DONOHUE: —Your Excellency, I am grateful to my honourable Friend, Mr FUNG Ping-fan, for his congratulations on the increase in the literacy rate since 1931, and I must in turn congratulate him on the clear and orderly way in which he made his points.

The increase in school enrolment between 1954 and 1961 from 249,000 to 658,000 arising mainly from the Primary School Expansion Programme is a cause for even greater congratulation, not only to my predecessor, Dr CROZIER, to whose vision and drive we are indebted for conceiving and carrying through so successfully such an ambitious programme, but also to other government departments, particularly the Public Works Department and the New Territories Administration. We owe a very great deal also to the many voluntary bodies and private individuals who have contributed so much. Hong Kong's record for self-help in education is outstanding, and a constant source of encouragement and inspiration to me and to my colleagues in the Education Department.

The census figures indicate that we have about half a million children of primary school age that is of ages 6 to 11 inclusive—whilst we have about 480,000 children in registered primary schools and a further 60,000 in schools pending registration. Nevertheless, there are

probably about 60,000 children of primary school age who are not accommodated in primary schools. This, as Your Excellency has pointed out, is because we have so many over-age children in our primary schools. In the course of the next twelve months we hope to provide nearly 20,000 primary places in government schools, over 46,000 places in government-aided schools and, in addition, it is expected that about 13,000 places will be provided in private schools, making an estimated total increase of 79,000 places during the year. At the same time planning is in hand for a further 70,000 places.

As to secondary education, I agree with my honourable Friends, Mr Kwok Chan and Mr FUNG Ping-fan, that the greatest quantitative deficiency in education at the moment is in the provision of secondary school places. I agree, also, with Mr FUNG that probably the greatest need is for proper provision for the large and increasing number of children leaving Primary 6 at the age of 12, although this problem has not so far been of great urgency because of the number of over-age children in primary schools. Here I would remind honourable Members that the minimum statutory age of industrial employment is 14 years whilst we have an educational system geared to providing 6 years of primary education starting at the age of 6. Mr FUNG has pointed out the dangers that can, in time, arise from such an unsatisfactory state of affairs, and I agree with him.

There is provision in the 1962-63 estimates for the building of 5 government secondary grammar schools, 1 secondary technical school and 2 secondary modern schools, and provision also for 10 aided grammar schools and 4 aided secondary modern schools. Some of these schools have been started ahead of schedule in temporary premises.

On the particular subject of secondary modern schools, I would like to make it clear that these are not merely truncated secondary technical schools, but schools offering courses which are complete in themselves and having as their goal the preparation of young people for direct entry into employment, beneficial to themselves and to the commerce and industry of the Colony. Boys, for instance, receive what is virtually a pre-apprenticeship training and girls receive the elements of training in office work. However, it is my intention that students who enter secondary modern schools and prove suitable for further education of secondary grammar or technical type should be given the opportunity of this further education. In saying this, I would like to make it clear that whilst I intend that this opportunity should exist, I do not envisage wholesale transfers. It is my sincere hope that most of the students from these schools will find jobs when they leave—jobs for which their training will have fitted them—and that those of them who wish to continue their education will do so either through the Evening Department of the Technical College or the Evening Institute.

On the subject of technical education, I am happy to assure honourable Members that the requests that fall within this field have largely been anticipated.

My honourable Friend, Mr KWOK Chan, has suggested that we provide more technical colleges like the one we already have. It will be appreciated that this type of institution is expensive in regard to equipment costs and, after carefully considering this question some months ago, it was decided that additional facilities could be provided more economically by adding workshop and lecture room blocks to the present College. Planning of these extensions has already begun, and when they are complete they will provide, among other services, trade training for apprentices, especially those coming from secondary modern and technical schools.

Speaking of apprentices, honourable Members will no doubt be interested to learn that, with the concurrence of the Labour Advisory Board, a survey of apprenticeship systems in the Colony by a subcommittee of the Standing Committee on Technical Education and Vocational Training has now begun. The results of this inquiry should provide valuable material for forward planning at this level of technical education, particularly in regard to meeting the needs of local industry.

Honourable Members will be glad to learn that training for hotel work has not been neglected. Negotiations with the Hotels Association and one of the local voluntary bodies interested in technical education are proceeding to ascertain if the training of waiters and other hotel staff can be started on a temporary basis, until permanent facilities are provided as part of a trade school to be built at Kwun Tong.

Mr FUNG's comments on illiteracy have been noted and will be borne in mind in considering the provision of more literacy classes under the Adult Education programme. As to Extra-Mural Studies, which fall within the province of the University of Hong Kong, a scheme has already been submitted to Government for the extension of these activities and will, I am sure, be reviewed in the light of Mr FUNG's comments.

Reference has been made to the standard of Chinese. The possible deterioration in the academic standards of Chinese is not something which concerns only the Teacher Training Colleges, but concerns schools generally in Hong Kong. I am hoping that it might be possible to institute research into the teaching of Chinese so that with the introduction of modern methods and techniques it might be possible to improve the standards without affecting adversely the demands of other subjects in the time-table. The Teacher Training Colleges are very conscious of the need for teachers to have a good standard of attainment in Chinese; it is a compulsory subject in the Colleges, and also in the

continuation courses which students must attend after leaving the Colleges.

As to expansion of teacher training facilities, it must be borne in mind that unduly speedy expansion tends to have an adverse effect on the quality of the students wishing to enter the profession, but, to a certain extent, this has been counteracted by an improvement in the salary scales for teachers in government and aided schools, and there has been no lack of well-qualified applicants for admission to the Colleges. It is unfortunate that the salaries of teachers in Private Schools have not shown a comparable increase and that there is a reluctance to employ qualified teachers in these schools. The Training Colleges are, however, most concerned that standards should be continually raised, and that continued emphasis should be placed on the quality of teacher training.

In conclusion, honourable Members will, I am sure, be pleased to learn that in the past year we have taken the first steps in laying a sound foundation on which the future programme for the education of handicapped children can be confidently based. This has included the building up of a nucleus of trained staff in my Department so that we can give the special schools for handicapped children the advice they need. It has included also the starting of training courses for teachers in order to improve the standards in the schools, and also to the establishing of conditions under which the schools which have reached the required standard can get the aid they need. The speed at which this programme can develop will obviously depend on financial considerations, but in this specialized aspect of education, quality is more important than speed, and although what we are able to do will probably only solve part of the problem, I am confident that the plans we are making will ensure that what we do, we do well. (*Applause*).

DR D. J. M. MACKENZIE: —Your Excellency, again I express my appreciation to my honourable Friend Mr RUTTONJEE for his interested and candid comments on the cost of the hospital services maintained by Government. I would also like to thank him for his expression of high regard for the professional efficiency of the medical service. The credit for that goes to the staff of the Department who work so energetically and devotedly to provide the best they can with what is made available within the economic potential of Hong Kong. That they will continue to do so I am certain, realizing that the community can only have the medical service it can afford. Within these bounds, how this can be done most efficiently is the constant pre-occupation of the Department.

In the British Ministry of Health Command Paper No. 1604 of 1962 entitled "A Hospital plan for England and Wales", there is set out a Ten Year Plan for the reconstruction of the Hospital Service. The

key-note of that Plan is "Hospitals are for people". The patient is the unit and where the number of beds is limited, one must consider the best means to ensure that the maximum number of patients can be given efficient treatment within these beds. Whatever the social class of the patients may be, they are people who are concerned, perhaps vitally concerned, to receive the best treatment they can get to enable them to leave hospital quickly and get back to everyday life. On humanitarian and ethical as well as on economic grounds this must as far as possible be done. Therefore I have examined my honourable Friend's comments from this point of view. How much is the average cost of treating one patient in the differing classes of hospital beds to which he refers? As a basis for comparison how far are the functions of the three hospitals to which he has referred strictly comparable?

My honourable Friend has agreed that the service given by the Kowloon Hospital compares favourably with any acute hospital in Britain. In the Kowloon Hospital the average length of stay during 1961 was 8.7 days. The average cost of treating each patient, based on the figures of cost per bed quoted by my honourable Friend, was \$402 for each patient. This is 46% of the equivalent cost in England.

The Lai Chi Kok Hospital has 31% of the beds set aside for the treatment of infectious diseases which entails the treatment of acutely ill children. In addition 54% of the beds are used for the accommodation of convalescent cases from the Queen Mary and Kowloon Hospitals. To ease the pressure on the acute beds, particularly in Kowloon, these cases are moved as soon as possible after the emergency phase of the illness is over. However the patients still require much more nursing and medical care, involving medicines and dressings, than applies to care in convalescent beds in English hospitals. The other 15% of beds in Lai Chi Kok is for cases of tuberculosis. For the whole hospital the average duration of stay was 24½ days and the average cost of treating each patient was \$341 which is 48% of the cost in England of treating a convalescent patient.

It is certainly agreed that the Grantham Hospital is a modern institution second to none in its particular field. The average duration of stay is necessarily long as it is devoted exclusively to the treatment of tuberculosis. The average cost of treating one patient is \$3,850 which is 53% of the equivalent cost in a tuberculosis hospital in England.

Honourable Members will note that the average cost of treating one patient in each of these hospitals is one-half of the cost in Britain for acute, convalescent and tuberculosis cases respectively when the unit of cost is based on the length of time a bed is occupied. This surely makes some allowance for differences between social conditions, living standards, salary levels and labour costs.

The costings of representative units of the medical and health service are carried out as part of the routine work of the medical administrative and accounting staff and we do not have a cost accountant. To provide the costing figures of the various hospitals and clinics as is being done by the Ministry of Health in Britain it would be necessary to have cost accounting maintained on a whole time basis and I would welcome very much the staff necessary to do this. Nevertheless such costs as are already available for representative hospitals and clinics will be incorporated in the next Annual Report. They will be related to the volume of work done, that is, to the actual cost of treating each category of patient. If so desired and the staff can be made available, the same basis of costing can be applied to the non-Government Hospitals in receipt of support from public funds. There could then be precise bases for comparison establishing the degree of utilization of all beds supported from public funds so that the cost can be assessed in the light of the turnover of patients.

The point I must make here is that whether the cost for each bed day be \$18 or \$53 per day, if the bed is occupied for longer than is necessary, then such a basis for costing can be misleading. If the total number of patients treated in any one year is reduced by uneconomic bed occupancy then the ratio of provision of beds per head of population in the future will have to be revised and capital and recurrent costs will be increased.

The schedule of accommodation for the new Lai Chi Kok Hospital proposed which has been estimated to cost \$30,000,000 provides beds for 345 cases of acute infectious diseases and 780 secondary or convalescent beds. Here again I would again quote from the Command Paper on British Hospitals Development referred to earlier. In respect of the financing of this plan it states "It is not clear whether, in the financial details given, account has been taken of future inflation". Well, this has been done for the Lai Chi Kok Hospital in what has had to be as realistic an estimate as possible based on current building costs and trends. If planning starts this year—the project is now in category B—it will be some 4 to 5 years from now before it is completed. During this time full consideration will be given to the minimum standards of accommodation which can be compatible with efficiency.

Let me say here that there is no intention of building another Queen Elizabeth Hospital within the foreseeable future. This Hospital was first mooted just after the re-occupation and a working party was set up in 1954. Detailed planning started in 1955 on the assumption that this Hospital would be the counterpart for Kowloon and the New Territories of the acute specialist hospital on the Island, the Queen Mary Hospital, which is itself now 24 years old and is to be modernized.

The only new Government hospitals built since the War are the Tsan Yuk Maternity Hospital and the Castle Peak Hospital and we are all aware of the leeway that has to be made up to provide the necessary and complementary secondary and convalescent beds. To catch up on delayed provision is undoubtedly costly when the bill is presented.

To sum up, quality is essential in the professional service if the turnover of patients is to be adequate to ensure that the provision of beds we can afford is used efficiently and economically. We are all I hope agreed on that principle. Regarding the standard of accommodation to be provided in the new hospitals of the future, those standards will be fully examined in the planning stage and will I hope be matched to the standards that apply to educational, welfare and cultural activities financed from public funds.

My honourable Friend has referred to the place of the enrolled assistant nurse in the staffing of hospitals in the future. This question has been considered by the Hong Kong Nursing Board and the view of the Board is that, under present local conditions, there is no necessity to legislate for this category of assistant nurse. There is a large number of nurses already working in Hong Kong who are not registered nurses and they can practise nursing as long as they do not assume the title of Registered Nurse or hold themselves out to have this qualification. There is no bar to the training of young men and women as assistant nurses and in fact it is already being done in the Grantham Hospital, as described by my honourable Friend, and also at certain other hospitals in the Colony. Any hospital, Government or otherwise, is free to conduct a course of training for nursing auxiliaries and to give a hospital certificate of competence. Whether or not to control this training by legislation is really the point at issue.

The Government training of professionally trained nurses is geared to our requirements as defined by the hospitals being built now and we will have enough of these nurses to meet our immediate general hospital needs. We are short of trained mental nurses at the moment but the training of this category of nurse is going on at the Castle Peak Hospital. It is not proposed to train more registered general or mental nurses than will meet the Colony's need for professionally trained nurses to do the work these nurses must do. There is a minimum ratio of trained nurses required to undertake the technical tasks and we have aimed only at that minimum ratio. The rest of the ward work is already undertaken by low salaried staff. To displace this low salaried staff by a higher grade of nursing auxiliary will undoubtedly raise recurrent costs.

The point regarding employment in the future of these young people who do not reach school leaving standards is a very valid one. In planning new hospitals, such as that proposed for Lai Chi Kok,

account will be taken of the proper dilution of trained nursing staff for the convalescent wards. Consideration is already being given to the staffing of the existing Kowloon Hospital for convalescent and tuberculosis cases once the Queen Elizabeth Hospital is opened. In this planning for the future use of the existing Kowloon Hospital, provision is being recommended for the training, to a hospital certificate standard, of nursing assistants for the economical staffing of the convalescent wards. For the tuberculosis wards we look also to the Grantham and Ruttonjee Training Schools for tuberculosis nurses which expect to have more trained BTA certificated nurses than they can absorb in two years' time.

The principal of dilution of trained staff to a degree compatible with efficiency is accepted. Whether or not statutory provision should be made for a new category of enrolled assistant nurses is debatable. The introduction of this category will displace lower salaried staff. The total number of ward staff to be employed in the future whether recruited from primary school, middle school or school leaving level, will be the same as far as its impact on the labour market is concerned and will of course depend on how many new hospitals we can afford to build.

Finally, Sir, I again wish to place on record my appreciation of the close and stimulating interest my honourable Friend gives to the development and betterment of the medical services with which we are mutually concerned. (*Applause*).

MR. A. INGLIS: —Your Excellency, our Honourable Senior Unofficial Member Mr KWOK Chan and Mr R. C. LEE both expressed concern about digging up our roads. I am pleased that they share my feelings on this as it is one of our major frustrations. My own sympathies quite naturally lie with the much abused Roads Engineer who sees his efforts destroyed with monotonous and infuriating regularity.

A resumé of the causes for this phenomenon was given in this Council in 1957 and for the sake of brevity I refer my honourable Friends to pages 106 and 107 of Hansard for that year. In addition to what has been said already I would mention that it is inevitable that each one of the 7 or 8 Utility Services that go into each house or block of buildings has to have a separate trench—in a road because there is nowhere else to put them.

Our remetalling programme is circulated to all Utility Companies and sub-branches of my own Department who, thereafter, are required to collate their programme to suit. This accounts to some extent for some of the trenches in advance of our work that create such annoyance; for example, in Nathan Road which, incidentally, is 2.2 miles in length and 100 feet in width. Monthly meetings are held

to which all the Utility Services representatives are invited and at these meetings the work is co-ordinated as far as technicalities and timing will allow. The aim is to minimize, as far as is possible, disturbance to the public. That they are only partially successful is due to the pace of building development and not for want of effort. We demand, and obtain, wholehearted co-operation from all concerned yet I could forgive visitors for wondering how recently we had been bombed. I assure honourable Members that our officers and I, have the question under continuous and very critical review.

The Honourable R. C. LEE suggested the possibility of following the example of Piccadilly and making provision for the future expansion in all services for a period of 20 years. Technically this is feasible but financially it appears to be unworkable at present.

Another subject raised by the Honourable KWOK Chan concerned the construction of more Government Offices instead of using rented premises. This too is appreciated. The need for "purpose made" buildings such as Schools, Fire Stations, Police Stations, Health Centres, Hospitals and the like has been so great that they were intentionally given priority over Office Buildings. The demand for the latter could be met by renting.

However, this year we start building an eighteen storey office block in Kowloon having 75,000 square feet of office space. In the following year we plan to commence the final stage of Police Headquarters, an area of about 90,000 square feet. We have started preliminary plans for government offices on part of the Murray Barracks area. Wellington Barracks will revert to government later this year and we are investigating how to make temporary use of these buildings. It is our intention to use as many as possible for offices, to reduce the demand for rented accommodation. Lest it be thought that Government is being short sighted in demolishing some of the buildings in Murray Barracks I should explain that they are entirely unsuitable for conversion.

The Honourable Mr BARTON no doubt was unaware when he mentioned a "neighbouring country" that another honourable Member more than a year ago held up Petaling Jaya as a model for us to follow of fine planning, execution and cheap land ready for housing and industry. I think that the Honourable Mr LEE's allusions possibly referred to the same place though he was not so specific. It should be explained that the Petaling Jaya area, in Malaya, consisted of hundreds of acres of gently undulating land with everything in its favour and free of habitation. Hong Kong is not so favoured in contours or population. I am gratified however by the honourable Member's opinion of Petaling Jaya as I contributed in a small way towards its development some ten years ago.

The honourable Gentleman made other comparisons, in relation to costs of water, quoting figures for Bombay and Japan. We have statistics from many countries in the world including Japan but not Bombay. Figures for various cities in Japan vary considerably and I think the figure quoted was probably for a "common user" in Tokyo. A "common user" means joint use by two or more houses. However, I think the point my honourable Friend was suggesting was that a sliding scale of charges should be adopted, namely to make a subsidized charge for the small consumer or ordinary man in the street. At the figure which he quoted the consumption would require to be of the order of 4,000 gallons per month in Japan whereas it is rare for households in Hang Kong to use less than double that amount. In Japan the subsidy for the ordinary man in the street is made up by costs of more than HK\$2 per thousand gallons for business and trade. My honourable Friend the Financial Secretary is perfectly correct in his statement that a charge of HK\$1.25 per thousand gallons is not dear compared with similar charges elsewhere. I would go further and say that our costs compare very favourably even with full gravity supplies. In Hong Kong only a small percentage of our projected total is by gravity.

The Honourable C. Y. KWAN made some shrewd comments, as is his custom; this time on the subject of renewal of Crown leases. I should explain that some streamlining of procedure was introduced in June of last year and has produced reasonably satisfactory results in one of the departments concerned. The position in another Department has not been so fortunate, so far, and there has been some unavoidable hiatus in settling the conditions of regrant applicable to 75-year non-renewable leases. There has been a shortage of solicitors, but despite this it is hoped that the back-log of cases will be cleared by the middle of this year.

The honourable Member suggested that owners who had already accepted preliminary basic terms for renewal, should be permitted to assign their property subject to the same terms; except that the assignee must pay the premium in a lump sum and not by instalments. I am advised that it would not be possible to adopt the honourable Member's suggestion completely, because the acceptance of basic terms offered does not conclude a contract; at that stage there is no complete agreement. Government is prepared, nevertheless, to consider the useful suggestion further with a view to seeking ways and means of implementing it.

In conclusion, Sir, I would say that the new Expenditure Budget will tax our resources to the limit, or beyond, therefore I can make but one promise, that we will do our utmost. (*Applause*).

THE FINANCIAL SECRETARY: —Your Excellency, I would like to begin by thanking honourable Members for their generally kind reception

of my first budget, although they have accompanied it with almost as many warnings to me about the future as I myself gave.

I propose to deal first with financial questions and then go on to economic ones.

My honourable Friends Mr BARTON and Mr KNOWLES have welcomed five year forecasts of revenue and expenditure and have spoken of their use. I can assure Mr BARTON that they are rash undertakings if their speculative hazards are under-estimated. Mr KNOWLES has suggested a procedure for testing budgets against these forecasts to achieve roughly a cutting-cost-to-suit-cloth effect. Something of the sort does go on behind the scenes in a rather rudimentary way, although the technique is a little rough and ready and Heads of Department, of course, don't always like it much. But it has limitations and can never become formal or scientific because levels of taxation are not necessarily constant nor are the proportions of total expenditure appropriate for each sphere of Government activity. It is one of the difficulties that face a Financial Secretary that he can never conclusively show that any particular item of expenditure cannot be afforded. If a Five Year Forecast is used to try to show this too dogmatically, and is then proved by events to have been very far out (as I am certain it will be) the Financial Secretary's arguments lose their credit.

I have been left under no illusion about the opposition to full income tax. I should explain first that I do not mean by this necessarily the complex British system; it means simply that tax would be payable on an individual's total taxable income, on a sliding scale with personal allowances, instead of on various sources of income at a flat rate. The present system is not simple and is attended in practice with all the difficulties and complexities (and most of the costs) of a full Income Tax, combined with its own defects of comparative ineffectiveness and inequity.

I will not argue the case at any length to-day because I hope to have an opportunity of doing so at a later date but I should like to make one or two points. It is true, as my honourable Friend Mr KWAN has said, that this form of tax has been rejected before as not suitable or appropriate for Hong Kong. But the last time it was rejected was in 1947 and our economic and social structure has, I think, developed a lot since then. The move from trade to industry with its fixed investment, and the stabilization (geographically speaking) of the population, has created the need for, and made possible, a more complex system of social services and obligations. That implies, I am afraid, a greater reliance on direct taxation, however much we may dislike it.

I am aware that inquisition into personal affairs is particularly objectionable to Chinese citizens; in fact we were told in 1947 that the present tax would founder on that rock. But I think that "inquisition"

is a rather hard word to describe the procedure under a full income tax whereby an individual is called upon to make a return of his personal income from all sources.

In any case I may perhaps be pardoned for doubting how unqualified that dislike is. For we already have a system of full income tax incorporated into the present law. It is there to offset the inequity caused by the standard rate of tax if applied to small business profits or small properties. Anyone can apply to be assessed on his total income (except from dividends in companies) with benefit of personal allowances and a sliding scale of tax, if he would pay less that way. 25,000 taxpayers made use of this provision last year and the Commissioner has to employ a large staff to deal with them; although he loses tax receipts by doing so instead of increasing them as he might if the system were general. But my point is this. It seems to me that a dislike of personal inquisition which can be overcome if there is an advantage in overcoming it, but not if there is not, is a general human characteristic rather than a specifically Chinese one.

I should add that I am reasonably confident that it will be possible to introduce a full income tax in a way that will not discourage the foreign investor. He has not been discouraged by profits tax as such although it was freely forecast that he would be. He is much more concerned with the standard rate and that is likely to go up further without full income tax than with it.

I give an assurance, however, that a Bill to impose full income tax will not be rushed through, and that, in Mr KWAN'S words, "Government will explore all avenues for alternatives". It is the intention to set up a special Committee to consider the matter.

My honourable Friend Mr BARTON has asked for a public assurance that the rate of direct taxation will not go above 20% until every other means of raising funds have been exhausted. I do not think it is really necessary for me, or proper, to give such an assurance and thereby impose a commitment not on me, I hope, but on my successor, in circumstances we cannot now foresee. That is not because I am not fully conscious of the importance to our economy of a low rate of direct taxation or have any reason to suppose that Mr BARTON'S wish will not be realized in the event. His plea for medicine in small doses is not so difficult to meet, although I should warn him that, if the doses are to be small, the regimen must start the earlier.

It has been suggested that Estate Duty should be abolished because, it is said, it discourages foreign capital investment and costs a great deal to collect or evade. I can find no evidence of the first (there is Estate Duty in most countries) and it is a fairly cheap tax to collect even if it has become more difficult to evade since the Ordinance was

revised recently. That revision also reduced the rates of duty substantially. To the foreign investor the rate of profits tax is a much more important consideration than the existence of Estate Duty and, if Estate Duty went, we should almost certainly have to increase profits tax in compensation. I would be very much more sympathetic to the suggestion were I not aware what a very large proportion of local wealth which becomes subject to Estate Duty is in the form of land. It cannot be said that Estate Duty has depressed land values in recent years. Indeed my difficulty is that the wealth represented by them is very largely the result of unearned increments of capital (if I may use that phrase without moral connotation), unearned increments which have paid no tax in the process of accumulation.

I will, however, certainly look into the two specific points mentioned by Mr LEE. I understand indeed that they are already under consideration.

There is one general point I should like to make about taxation. There have been several references in the debate to inflation. This is a rather imprecise term. We do not have it in its worst economic sense because our monetary system does not allow that to happen; but we do have to be careful of cost inflation because of our reliance on export markets. In our export economy an increase in direct taxation is not, in general, inflationary although it can be in the closed type of economy. Indirect taxes, however, on which it is suggested we should mainly rely, are liable to have an inflationary effect on costs. I do not think we always appreciate fully the extent to which our free port status keeps down our production costs. Even the most elaborate draw-back system cannot track down all the extra costs arising from indirect taxation as they seep through the economy. And now our tourist industry could be affected by taxation of luxuries. One further difficulty about indirect taxation is that there is a limit on unproductive taxable spending by the rich and over-reliance on it can produce very serious inequities. On the other hand, as is so often correctly stressed, our low rate of direct taxation is an important factor in attracting foreign capital and in keeping our own savings here. The proper mixture of direct and indirect taxation is a difficult matter to decide and no doubt will vary from time to time. If we are to have a full range of expensive public services which are not to be charged for at uneconomic rates, I am afraid that only substantially increased direct taxation can supply the means.

My honourable Friend Mr KNOWLES has criticized my statement that "we have been providing services for only part of the population while taxing the whole of it". I think he misinterprets me slightly, for it is incontrovertible that everyone pays tax in some form, but even on his own interpretation I think his conclusion wrong. It may be true

that three-quarters of the revenue comes from a relatively small proportion of the population, although, such are the uncertainties of incidence, I do not know how true it is. But we have great inequality of wealth (I am not criticizing this; it has its justification and even value in our circumstances) and, even if it is true, it may not represent any more than proportionate taxation, with some kinds in it at some stages.

My honourable Friend Mr KAN has attacked with some vehemence what he describes as my intention to tax motorists off the road and my honourable Friend Mr KNOWLES has echoed him in slightly milder language. I plead not guilty to the charge. I have not expressed any such intention. What I said was that it was going to cost a very great deal to keep the private motorist circulating without bringing public transport to a standstill and that the private motorist must pay for it. We should be warned by the experience of other countries where it is the private motorist who has caused the disruption and decay of public transport.

It is true that I also said that the private motorist is and always will be in a minority in Hong Kong. I regard this as a truism. The question is one of geography or even of geometry. We do not have at present quite as many cars per mile of road as some other cities (although that is an imperfect yardstick) but we do have perhaps twenty times as many potential car owners per mile of road as any other city; and at our present stage of development we have only one-ninth of the cars per thousand citizens that, for example, Western Europe has. It is just not possible to put all the cars we might have one day on our roads or on any conceivable development of them. By 1970, if we were to achieve the present standards of Europe (where car-owners are still in a minority) we would have 400,000 private cars or eleven times what we have now; by American standards one and a half million cars. I cannot believe that these figures are other than in the realm of fancy. Where can they go? Quite apart from space to circulate in, each will need rather more parking space than a family has living space and it will cost more to provide. We already have something of a car squatter problem. At present we use 35% to 40% of our urban areas for roads and we cannot afford much more or we will have nowhere to live and work. We might I suppose, all live and work in mile-high buildings and spend our lives moving vertically instead of horizontally—but then we would all want private lifts.

I therefore maintain my view that private motorists will remain a small minority. But this is not a question of deliberately going out of our way to deprive the prospective owner of his chance to enjoy private transport. I have not said and do not say that we should not do all we can to improve our road system and keep as many cars as we can moving, taxing them not off the road but on to it. But it is going to

be very expensive indeed in terms of land, of capital costs and of running costs. We are already spending some \$500 a year per vehicle (counting all vehicles) on capital road improvements; in 1959, the latest year for which information is available, the comparable figure in Britain was \$125. And we are hardly beginning the really expensive part of the necessary development. The private motorist should, in all fairness, provide the greater part of the capital and running costs, as it is largely he who creates the problem. As I foresee future developments therefore, there will come a stage when the cost to motorists of road development and traffic aids in our congested living space will reach a level where a balance will arise between cost and the numbers who consider it worthwhile paying the cost. I do not know exactly where that point will be, and it probably will not be static, but I am certain, if I may repeat myself, that the private motorist will remain a small minority. If, instead, private motoring is kept cheap at the expense of the general taxpayer, then we are going to have to keep the number of cars down by other means or accept that in the not distant future all road traffic will seize up.

My honourable Friend Mr KNOWLES has worked out a current balance sheet. If I may help to complete his figures, I believe that the present cost of the Traffic Branch of the Police is of the order of \$7 million a year but I do not have an accurate figure; and some of his own figures are incomplete. But I should like to suggest that there is one major flaw in his reasoning, although I know that some will not agree with me. I do not think that it is proper to credit the motorist with the yield of petrol duty, or at least the greater part of it. He is not alone in paying duty on hydrocarbon oils. I think that this must be regarded as a tax on consumption rather than payment for facilities. Certainly it was originally imposed as such, unlike the original British tax. I am adjured to lean preponderantly on indirect taxes but that would be of little use if their yield were used to finance specific services required for the activity taxed.

I have perhaps laboured this subject excessively but I consider it important to get this particular problem in the correct perspective. No doubt I shall have cause and opportunity to revert to it one day.

I will now turn to economic as opposed to financial matters.

My honourable Friend Mr KNOWLES mentioned export credit insurance. Government has been in touch with the Colonial Office about this proposal and we were told two weeks ago that while the Board of Trade could not extend its facilities to Hong Kong or give us access to the credit information it has accumulated, it would be glad to provide training in the operation of such a service. The difficulty of setting up and operating a service in the circumstances of Hong Kong should not be under-rated but we intend to pursue the idea.

My honourable Friend Mr KNOWLES has also raised the question of trade promotion with particular reference to Government expenditure. I think he under-estimates Government expenditure on it a little and in any case money is not everything; we also need to train staff to spend it fruitfully. There has, however, been one recent development in this field. In response to certain proposals made by these bodies, Government has asked the General Chamber of Commerce, the Federation of Industries and the Tourist Association to draw up joint proposals for the expansion of commercial public relations activities abroad and these are expected soon. At the same time we have expressed the view that the cost should be borne largely by those sections of the community who will benefit most directly; and the Trade and Industry Advisory Board has recommended that funds should be raised expressly for this purpose by increasing the stamp duty on Import and Export Declarations from \$1 to \$2. This would bring in about \$800,000 a year. It is not clear yet whether this will be enough and I have myself wondered if the time had not come when we might consider some sort of *ad valorem* export duty. To the extent that our export prices reflect local rather than foreign competition exports should be unaffected; and if the rate were small enough it should not be difficult to collect and we would not have to worry about evasion. A tax of 1/10% would bring in almost \$3 million at present.

My honourable Friend Mr BARTON has made a special plea for special terms for pioneer industries and has quoted examples among our neighbours. Although I see the possible point of special terms in relation to diversification, I must confess to doubts about their efficacy. I think that the part played by cheap land, tax free status and so on in other countries is much exaggerated. The real inducement offered by such countries as Malaya is protection in their domestic market against competing imports. We cannot offer that protection. Furthermore I am still inclined to the belief that, given that Government is making available all the land it can for industrial use and is doing so on terms which insulate it from the competing demand of other uses, the industry which secures it at competitive auction is more likely to be the best industry for us to have than one selected by Government or by a board, and that anything else leads to an inefficient use of our resources. An infant industry, if coddled, tends to remain an infant industry and never grows up or expands. We do already ease the effects of comparatively high industrial land prices by allowing payment by instalments over 21 years. The annual instalment is comparatively small. A standard 10,000 sq. ft. lot at Kwun Tong costs at present about \$30,000 down and \$2,000 a month. Incidentally the total cost of production of saleable new land is nearer \$15 a foot than the \$6 quoted by Mr BARTON.

I would not say categorically, however, that we could not afford a limited experiment by way of even more special terms for completely new industries provided that adequate safeguards could be devised to prevent abuses and to bring these industries on to a normal basis once established. Perhaps the Federation of Industries might undertake the task of formulating specific ideas.

My honourable Friend Mr BARTON has suggested that we put a case to our Japanese friends that something should be done to rectify what he calls the present lopsided situation of our trade with them. I am a little disturbed to hear him speaking of trade in bilateral terms. The availability of Japanese textiles has been of considerable value to our garment industry; in 1960, without them, they would not have had enough cloth or the right kind of cloth to meet the needs of their rapid expansion and, while clearly there is a case for doing what we can to ensure the use of Hong Kong cloth in manufacturing for restricted markets provided we do not, in the process, lose these markets, we still do not produce all the varieties and qualities needed. This highlights our difficulty in international trade negotiations; we usually have nothing to offer because we cannot retaliate without hurting ourselves more. I would suggest, too, that Mr BARTON'S case is not quite as strong as he suggests, in that Japan's market of 90,000,000 people must be compared, not with our gross imports, but with our net internal consumption of Japanese cloth in our domestic market of 3,000,000 people. Be that as it may, I should add that during recent international textile negotiations there was some emphasis on the obligation of so-called low-cost producers to lower their own barriers. Japan is, I understand, about to remove its quantitative restrictions. I am happy to know that Mr BARTON thinks we could find a market in Japan if the tariff were lower and we will take the opportunity of future international textile meetings to make Mr BARTON'S point to the Japanese. But in international circles a 25% tariff is not likely to be regarded as a very high one.

My honourable Friend Mr KNOWLES has asked for an assurance of Government confidence in the efficacy of current measures for ensuring that no foreign goods are exported from Hong Kong in the guise of Hong Kong manufactures. Government too has been concerned at doubts expressed abroad, often rather disingenuously, and loses no opportunity of showing how unfounded they are. I therefore give the assurance without reservation. Certificates issued by the Department of Commerce and Industry and by the organizations we have designated under the International Convention Relating to the Simplification of Customs Formalities are issued, to use Mr KNOWLES' words, with meticulous care and no effort is spared to ensure accuracy. Large trained staffs are employed and there is legal backing for action against malpractices, even in the case of non-Government certificates.

The penalty can be, and in some instances has been, imprisonment. We cannot afford to take any risks with something that is vital to our livelihood.

I now come to the more general and far-reaching suggestion made by my honourable Friends Mr BARTON and Mr KNOWLES, that is, the need to plan our economic future and in particular, the desirability of a five-year plan. The Colonial Secretary will be speaking at length on the subject of planning, but I would like to say a few words about some of the principles involved in the question of planning the overall economic development of the Colony.

I must, I am afraid, begin by expressing my deep-seated dislike and distrust of anything of this sort in Hong Kong. Official opposition to overall economic planning and planning controls has been characterized in a recent editorial as "Papa knows best". But it is precisely because Papa does *not* know best that I believe that Government should not presume to tell any businessman or industrialist what he should or should not do, far less what he may or not do; and no matter how it may be dressed up that is what planning is.

Economic planning is fashionable in countries which need some artificial stimulus to development of their natural resources, and in countries which, for doctrinaire reasons or because they are rich enough to afford the luxury, are more concerned with easing social and economic transitions and with the distribution of wealth than with its maximization. But we must be careful to understand that practically all economic theory for the last fifty years with a bearing on this has had as its basic assumption the existence of a closed economy. We are the extreme case of an open economy; we are, as a mathematician would say, at the limit where factors vital elsewhere are negligible, and where factors relatively negligible elsewhere are vital. Our case is not in the modern text books.

An economy can be planned, I will not say how effectively, when there are unused resources and a finite, captive, domestic market, that is, when there is a possibility of control of both production and consumption, of both supply and demand. These are not our circumstances; control of these factors lies outside our borders. For us a multiplicity of individual decisions by businessmen and industrialists will still, I am convinced, produce a better and wiser result than a single decision by a Government or by a board with its inevitably limited knowledge of the myriad factors involved, and its inflexibility.

Over a wide field of our economy it is still the better course to rely on the nineteenth century's "hidden hand" than to thrust clumsy bureaucratic fingers into its sensitive mechanism. In particular, we cannot afford to damage its mainspring, freedom of competitive enterprise.

I have endeavoured to set down the basic theoretical principles we must always have in mind. In this imperfect world of course they cannot be applied in practice without qualification and the Colonial Secretary will be speaking about the more practical aspects of this question of economic planning. (*Applause*).

THE COLONIAL SECRETARY: —Your Excellency, as my honourable Friend, the Financial Secretary, was calmly introducing his Budget on the last day of February, there came to my mind certain ominous words that were bandied about another legislative chamber many hundreds of years ago. Those words were: "Beware the Ides of March". Honourable Members will recall how that particular warning was accompanied by thunderstorms, apparitions and other strange natural phenomena, but I confess that it was not until Hong Kong was shaken by a severe earthquake within hours of the opening of this debate, that it occurred to me that this Government was, perhaps, being warned that before the ill-omened month was out it would have some pretty difficult questions to answer.

Perhaps the most difficult of these lay in the limitations which honourable Members imposed upon our ability to carry into effect the forward developments for which they themselves argued so persuasively. On the one hand we are asked to increase the provision for Education at all its stages without exception; we are asked to provide substantial subsidies for pioneer industries; to build more cheap housing, and roads of greater capacity; to expand our Social Welfare Services, and to boost our subsidies for Tourism and Trade Promotion. On the other hand we are required to abandon Estate Duty, to turn our faces away from a full Income Tax, to limit direct taxation to a 20% ceiling, to freeze expenditure for a five-year period, to refrain from further taxation on motorists, and keep school fees at their present level.

Well, I think honourable Members will agree with me that this constitutes a formidable balance sheet; and for the moment I will content myself with the observation that it puts my honourable Colleague in much the same position as a Chimney Sweep who is required to make a thoroughly good job of cleaning the chimney but is warned on no account to disturb the sparrows nesting therein.

These admonitions, and indeed the whole tenor of the honourable Members' speeches do suggest, however, that we have reached a certain stage in our affairs, a certain eminence, from which it is possible, and indeed, necessary, to examine our future course with keen and scrupulous eyes. There is much emphasis on planning and my honourable Friend, Mr KNOWLES, urges us, in effect, to cut our coat according to the cloth. But cutting is a harsh operation at the best of times; —and I do not need to remind my honourable Friend that cloth is a textile. If therefore we are now in a position to look and to plan ahead, I

do not think that we should fail to take account of the fact that the prospect is both obscured and forbidding in some quarters, and that, in our circumstances, planning must involve restraint in some fields if we are to have the capacity to advance in others.

Perhaps I might attempt to explain briefly the sort of planning that Government does believe to be necessary, and is, in fact, deeply engaged in. The Social Services (in which I include Education, Medical and Health, Housing and Social Welfare) together account for something like half of our total expenditure. (Incidentally they also absorb 46% of the whole Public Service). Clearly these four areas of effort taken together are a crucial element, not only in our communal way of life and well-being, but also in our economy. But what is even more ponderable, is the fact that they are all spheres in which, given the particular circumstances of our life here, Government's potential commitment *could be* virtually unlimited. In all of them demand is already, for all practical purpose, unlimited. It follows, I think, that in each of these spheres, the satisfaction of demand is not, and cannot be, a first consideration. I accept that this, even if it is to some extent self-evident, is highly unpalatable; —and there is much in planning that is unpalatable. What then is our criterion, our aim, to be? To answer this question it is necessary, of course, to examine each of the four spheres separately—for equivalent considerations do not necessarily apply with equivalent force in all of them. But having done that, it is necessary to bring the four spheres into relation once again, and to superimpose some pattern of inter-related priorities, some system of weightings, whereby our whole effort in the Social Services is distributed logically and justifiably between the four claimants.

May I take Social Welfare as an example. It is clearly quite impossible to embark upon, say, a five year plan of Social Welfare, until we, the Government, know precisely what we mean by Social Welfare and what we believe Governments part in that concept to be. Social Welfare is the least well-defined of the Social Services. In our circumstances it *can* be "all things to all men" and it *can* be as little as you care to make of it. And what should Government's role be? Should Government simply move the forces under its direct control into the areas of greatest need? Or should it take a harder view, and concentrate its main effort on areas which are still capable of yielding some economic return? Should Government restrict itself to initiating and promoting projects which could, in theory at least, be later handed over to voluntary agencies? Or is Government's role a variable combination of these and other elements?

This is a tough problem, and it reaches right down to fundamentals. It is tough because the fundamentals are so ill-defined and so open to contending arguments and beliefs. Furthermore, the solution to the problem is not solely in Government's hands. Our Social Welfare effort

would be severely limited if it were not for the proud contribution of the voluntary organization, for it goes without saying that their views must be taken into account in any attempt to resolve these fundamental questions.

It is precisely on this task that the Director of Social Welfare is engaged at this moment; and the Social Welfare Advisory Committee will shortly be asked to advise upon a statement of policy which will then be submitted to Your Excellency's Executive Council. I need hardly say that it is necessary to formulate Government's own views before we embark upon wider consultation with the Voluntary Organizations, if for no other reason because it is only Government that can relate policy to overall financial prospects, —on which honourable Members have themselves expressed so much concern. I need hardly say, too, that it would be quite unrealistic to attempt a forward plan of any duration until this basic exercise had been completed. Once it *has* been done, however, I hope that a five year plan will not be long delayed.

Education presents a somewhat different picture. Here we have reached a target which we set ourselves some seven years ago. We now have a primary school place for every child of primary school age, and honourable Members will be only too well aware of the limitations underlying that statement. We do not have primary education for all who want it, . . . and still less have we got primary education for all who *will* want it. But where do we turn now? Do we continue to concentrate on the provision of Primary places, or do we switch all or a part of our effort to Secondary education? The fact that it is now possible to divert some more attention to the Secondary field opens up new fundamental problems of aim and definition. It would be possible to argue that Secondary opportunities should be provided for all at the Primary level who can benefit from Secondary education. It would be possible to argue that the provision of Secondary places should be limited to the need for Secondary education in relation to the present structure of the Colony's economy. And there are certainly many people who hold strongly to the view that such opportunities should be provided for all who ask for them. We are not only required to decide which of these, or other alternatives, is *right*, but also which is the most justifiable aim, having regard to the probable limitations of our capacity. A still further complication arises from the inherent difficulty of deciding just how whatever target is decided upon is to be shared between Government, the Aided and Private schools. It is quite clear that this extremely complex problem must be resolved before we can go forward to a second five-year plan. The Director of Education has already formulated his proposals to cover the field of both Primary and Secondary education, and these were taken to the Board of Education one week ago.

In the Medical sphere a ten year plan has been drafted and discussed with the Medical Advisory Board. This has still to be subjected to considerable scrutiny, but it aims at making a start with the first five-year sector of the plan, immediately after the completion of the new Queen Elizabeth Hospital. I shall refer to Housing separately in a few moments.

Honourable Members as I have said, laid much emphasis on planning, but I have tried to illustrate the sort of planning on which we are engaged in one vitally important sector of our operations. But all planning must be done against a single common background. And that background, I regret to say, has very little to do with idealism. It is the hard reality of the five-year financial forecast, to which frequent reference has been made in this debate. All forward planning involves acting on some assumptions, and the assumption in this case is that the surpluses foreseen in the five-year forecast will in fact be available. But if they *are* available, and if there is no increase in taxation, the present balance sheet shows, after using up all our savings, a deficit of \$550 million at the end of the five-year period.

This prospect alone introduces three considerations which have to be superimposed upon the theoretical aspects of planning which I have been discussing hitherto; —and these consideration are common to, and commonly vital in, all spheres. They are economy, efficiency and standards; and they are, of course, inter-related.

The applications of economy are perhaps too obvious to need much comment, —except to say that economy has a distributed as well as an intensive application. There are certain items of expenditure which might be grouped together under the heading, for want of a better word, as "fringe" expenditure. A couple of thousand here for this, and a lakh or so there for that; —projects or subventions that are not part of any great plan, or related to any of our major commitments, but—well, just seem to be good things to do at the time. Individually, trivial; in sum, significant. There may be much scope for economy here.

I shall say a word or two in a moment about efficiency in the Government Service, but the point on which I do wish to lay some emphasis is the question of standards. In relation to the Social Services, the basic question with which we are now inevitably faced is whether it is better to bring social benefits at a lower level to a greater number of people, or to maintain our standards and restrict our ministrations to a smaller number of people. If we are to plan rationally, this dilemma is quite inescapable, simply because the demand for all our social services is beyond our capacity to supply. Moreover any reduction in standards that we could achieve would not only bring our facilities within reach of more people, but it would also make it

possible to advance any given programme in point of time. I do not underestimate the fact that any reduction in those standards that we *have* succeeded in establishing over the years, particularly in the sphere to which I have been mainly referring, is a thoroughly distasteful, indeed a heart-breaking, operation. But I think that realistic planning of the sort that we are now embarked upon, demands that standards shall be reviewed as a very high priority, and over the widest possible area of official enterprise; and in that wide area I regret to say that it is not only physical standards that must be considered, but also such standards as pupil-teacher relationship, ancillary facilities, salary levels, and so on.

There is one further aspect of forward planning, already referred to briefly by my honourable Friend, Mr RUTTONJEE, which I wish to emphasize. We are too prone in our general conversation to speak of the cost of a project as its *capital* cost. The real cost of the Queen Elizabeth Hospital is not the \$71 million of capital which we are spending on building and equipping it. The real cost is the \$2 million for every month of its efficient existence; —and even this takes no account of the hidden costs arising from the employment of Government servants in the hospital, and in particular, of course, their pensions. This project alone gives some idea of the extent to which we are predicating future levels of expenditure by the decisions that we take today. As a general rule it can be taken that each year you need between one-third and one-half of the capital cost to keep any project in efficient operation. It has been said many times that this Colony has a magnificent record both in the charity of its own citizens and in the devotion and generosity of the various Charitable Organizations that work amongst us. But it is not always easy for these generous donors, fired as they are by a spirit of compassion and self-denial, to see as clearly as Government *must* see, that no unendowed gift is ever really free. The cost of accepting it is at least one-third of the capital cost annually for the period of the structure's life; and it is not today's budget that bears this cost, but the budget of subsequent years—far beyond the range of any forward plan. There has from time to time been some pressure for a separate capital budget, but underlying this there may have been some misunderstanding of the budgetary position. It is not capital expenditure in itself that gives rise to concern, it is the oppressive, and increasingly oppressive, burden of the recurrent commitments that capital expenditure throws on to the future—this is the real justification for all forward planning.

I have spoken, Sir, of the sort of planning on which Government is engaged. Both the Honourable W. C. G. KNOWLES and the Honourable H. D. M. BARTON advocated an economic, or more specifically perhaps, an industrial plan, and I will try to give, as briefly as I can, an indication of the Government's attitude to that proposal. In the first place it might be advisable to emphasize that there is no *a priori* virtue in a Five Year Plan or a plan of any other duration for that matter. It is a

phrase that flows as smoothly off our tongues as it does off the tongues of those who hold radically different idealogical views, but in the final analysis the plan is worth no more than the result it achieves. To achieve any result at all it must be based on assumptions that are at least relatively stable and relatively sure. There are I suggest remarkably few assumptions that could be made about our economic future that would fulfil these requirements. We have a free economy that changed freely and without official direction from a mainly *entrepôt* character to a largely industrial character. That free economy has served us very well. We have now reached a stage where some restrictions on our exports are in force, and more are threatened. Well, we have lost profitable markets (Indonesia for example) before this, and the lost ground has been made up. The difference now is that compensatory markets for goods debarred from the areas of profit are increasingly hard to find. But I do not think that the regulation that must go with planning will necessarily make that search any easier and I doubt very strongly whether the peculiar genius of our industrialists, to which warm tributes have been paid in this Chamber, is in fact amenable to the planned control that my honourable Friends appear to have in mind; —or even whether control and direction might not be the very things that would most surely stifle that initiative and enterprise which has brought us to the degree of economic prosperity that we enjoy today.

Of course there are a variety of constructions that can be put on the expression "economic planning". One that I have heard often expressed arises from the much emphasized need for diversification. The idea is very briefly that you hold a certain section of industry at its current level of growth and prohibit any further enterprises which aspire to engage in that particular line of business. Any new enterprises are forced, therefore, to engage in different forms of industry, and thus you get diversification. Well, I do not suggest for one moment that this is what Mr KNOWLES and Mr BARTON intend when they refer to an economic plan, but I think that this idea is sufficiently widely held in certain circles to justify some comment. My honourable Friend, the Financial Secretary, tells me that it was in about 1947 that he was first told that our textile industry was too big and that further expansion should be stopped. We have certainly been told the same story over the intervening years. It is perhaps fortunate that Government did not yield to those arguments; for whatever the troubles its success has brought, the textile industry is the foundation of our present fortunes. And we still have less than 10% of existing international trade.

There may be some honourable Members who feel that it would be morally wrong to impose restrictions of this kind; and there may be others who feel that it would be economically revolutionary—and suicidal; but I will content myself with saying that the practical difficulties of any such scheme would be virtually insuperable. Who would

be the fortunate industrialists to be so protected? At what stage of output would the line be drawn? To what types of industry would the privilege be restricted? And who is to say that the new man, if he can succeed in establishing himself, is not going to do better, in prices and quality and markets, than his long-established competitor? It is perhaps very largely to the "new man" and his enterprise and persistence that we owe the transformation of our economy in the early 1950's.

It is still Government's view that the best help it can give to Industry, in this time of frustration and doubt, is to assist in the exploitation of new markets and the maintenance of old; to fight industry's battles in the chancelleries overseas; and to maintain at home conditions in which industry can establish itself and develop in free competition both within itself and in relation to other aspects of the economy. Given these conditions who can say that industry will not devise for itself far more acceptable and ingenious plans than Government could ever impose upon it?

But this liberal view is not completely unqualified. In the first place it is clear from recent developments that Government does agree that, when there is no prospect of increasing sales to a particular market, access to it should be prohibited to new factories—so long as existing ones can continue to take advantage of their protected market and keep their production methods up to date; —but it is not accepted that new factories should also be denied markets whose full potentialities we do not know. This is the way to stagnation.

In the second place Government and the public utilities must continue to plan the essential services, land development and so on; or, if I may borrow the economist's phrase used by my honourable Friend, Mr KWOK Chan, Government must plan the infrastructure that private enterprise cannot itself provide.

Third, we cannot allow our exports to expand in such a manner as to disrupt the older industries in our overseas export markets and force painfully fast readjustments on them. This is a political rather than an economic limitation, and we have to recognize it as such if we do not wish to become outcasts in the world of international trade. But that does not mean that we should deliberately slow down the expansion of our production and exports on the basis of merely hypothetical and general assumptions as to what is the level or rate of expansion which world trade will accept from us. Each trade and each market is different, and we cannot afford to make assumptions that will perhaps unnecessarily limit our share of a particular market. But on the other hand we must be prepared to listen to any country that claims that we are threatening to cause it undue hurt, and we must be prepared to come to reasonable terms for the control of future development when asked to do so. This, rather than a system of general self-regulation

which cannot be properly related to market opportunities, is the condition of our continued growth. We can be gratified that industry is now generally prepared to accept this, but there will be less cause for gratification if the day comes when this acceptance is accompanied by a demand for a *quid pro quo* from established industry in the shape of protection in unrestricted markets against competition: —protection, that is, against Hong Kong competition, for there is no means of giving it to them against competition from anywhere else.

There is often an implication that opposition to economic planning stems from intellectual or bureaucratic laziness. I hope that this accusation will not be made here. Indeed there are grounds for thinking that the reverse is true. It needs some intellectual and moral courage to stand out against the easy but inappropriate course of adopting current fashion; just as it takes moral courage on the part of a lady to wear yesterday's fashions because she knows that today's fashions (if I may make use of Mr Kwok Chan's phrase again) cannot, without intolerable distortion, be adapted to her own infrastructure.

I will proceed now, Sir, to attempt to answer some of the remaining points raised by honourable Members. I am afraid that time will not allow me to go into any of these at great length. I hope that honourable Members will not construe my brevity as a perfunctory attitude to their helpful suggestions. That is very far from my intention; and if any honourable Member, after hearing what I have to say on any particular point, would like to take the matter further, I shall be happy to see him at any time, with or without his colleagues on this Council.

First I would like to take a very important subject raised by the Honourable Dhun RUTTONJEE—the level of rents in uncontrolled premises. My honourable Friend advocated a ban on any rent increases for five years and the establishment of a Fair Rents Tribunal. I think that anyone who has comprehensive experience of the working of our economy, and particularly of the very far-reaching effect upon that economy of existing legislation relating to the control of pre-war tenancies, will agree with me that this is a very difficult, dangerous and highly controversial question. Some of the dangers inherent in it are, I am sure, in the minds of honourable Members here today. Some of the difficulties were touched on by the Financial Secretary in reply to a question in this Council some two months ago. That it is controversial will be apparent both from Mr RUTTONJEE'S OWN qualifications and from the remarks of my honourable Friend, Mr R. C. LEE. There is absolutely no easy answer to this question; but I can give Mr RUTTONJEE the fullest assurance that the whole matter is under active and urgent examination. I very much regret that I cannot say more than this, and I must ask the indulgence of honourable Members, because it is inherent in this sort of problem that Government cannot safely give any indication of its intentions until it is ready to put whatever plan it may

devise into effect. To this I would add one word of warning. Landlords would do well, in their own interests, to show restraint, because experience here and elsewhere shows beyond any question of doubt that freedom of contract, once lost, is not readily regained.

This is a matter in which Government cannot afford to ignore the long term effects, —particularly upon the construction of domestic premises in the private sector which plays a vital part in the long hard struggle to improve the general Housing situation, —which affects people in all classes of the community. Government is still firmly of the opinion that the most radical and practical approach to this question is the constructive one of building and assisting other agencies to build in the low-cost range. The Resettlement programme will continue, and we should at last reach our figure of 100,000 persons rehoused this year. Details of the Government's low-cost housing scheme have already been given in this Council.

I think honourable Members will agree that the Housing Authority has made impressive progress over the past few years, and the schemes on which it is now engaged should make a substantial contribution to the accommodation available, at relatively cheap rents, for the lower income groups. I would like, therefore, to take the opportunity of saying that we propose to review the limit placed on the present Revolving Loan Fund, which now stands at \$156 millions, and to make further funds available both to the Housing Authority and other agencies. This additional capital will be as substantial as we can make it, bearing in mind the formidable amount of money which we must find for our medical and educational capital programmes, to mention only two fields. (I may say, in parenthesis, in reply to a point made by the Honourable Hugh BARTON, that any bonus from the Exchange Fund has already been fully taken into account in our five-year Financial forecast). It follows therefore that what is available for housing must be stretched to the absolute maximum. This can only be done if there is a determined effort to economize on present standards of accommodation in housing schemes; and to extend the range of self-finance by ensuring that the funds available revolve faster. I must invite the Housing Authority to think most seriously of ways and means to this end.

My honourable Friend, Mr R. C. LEE, said that land at Kwun Tong was too expensive for some industries and not always suitable. During the past year 22 industrial lots, of a total area of about 409,000 square feet, were sold at auction at an average realized price of \$38.26 a square foot. When it is appreciated that buyers can, and invariably do, pay their premia by instalments over 20 years at 5% interest, with an initial down payment of 10% (or in other words less than \$4 a square foot down payment) —I doubt whether it could be said that Kwun Tong land is too expensive in relation to the basic facts of the Colony's economic life. Kwun Tong's unsuitability is a point on which Mr

LEE did not enlarge, —but, as far as Government restrictions may be concerned, the only industries which are not allowed there are those classed as "obnoxious trades" or those which are smoke-producing—and I think the reasons for these limitations are obvious and incontestable.

Mr LEE urged that Government should press forward with town planning in the New Territories, and that it should review the procedure for the grant of industrial sites and the conversion of land. During the past year the Sha Tin town plan was approved; and this plan covers an area of over 14,000 acres and includes about 300 acres for industry. Approved layouts already exist for Tsuen Wan and parts of Kwai Chung, for Tai Po, for Yuen Long, for an industrial estate of about 10 acres near Ping Shan, for parts of Junk Bay, for Tsing Lung Tau and Sham Tseng. In addition the Town Planning Board is engaged at present on the preparation of a draft town plan which will embrace the whole area from Lai Chi Kok bay to the western limits of Tsuen Wan, including Tsing Yi Island, and Kwai Chung. In all these, layout areas are set aside for industrial purposes, and I am sure that Mr LEE would agree that the number of New Territories layouts already planned or in the course of being planned is not inconsiderable, having regard to the capacity of the Public Works Planning staff and to the fact that planning must proceed within the Urban areas at the same time.

I would not pretend that there have not been delays on the part of Government in handling industrial land transactions, or indeed any other land transactions, in the New Territories since 1945; but I would ask my honourable Friend to take account of the following points, —and I happen to know that he is only too well aware of the implications that underlie some of them: —

*First.* The whole character of the District Administration has changed in recent years. It has developed into a department with new and heavy professional and technical responsibilities. The necessary specialist staff for such an operation cannot be approved, recruited and trained without some dislocation, growing-pains and delay.

*Second.* Speed is not by any means an overriding consideration in a major and delicate operation of this kind. We are dealing with nothing less than the disposal or redistribution of much of the Colony's vital remaining assets. In fact this aspect of the matter is so very serious that I am almost inclined to say that a quick decision on New Territories land is a bad one.

*Thirdly.* The area of which I am speaking is one of extreme sensitivity. I will say this: if there is an acre of land in the New Territories that is entirely free from traditional, private, physical, contingent, moral or pre-emptive disability,

it is probably so deeply imbued with the mystic properties of Fung Shui that Mr HOLMES would not dare to lift his hand against it. "Virgin Acres" is an expression which has no relevance in modern Hong Kong, any more than it had relevance in Lyndhurst Terrace 40 years ago.

*Fourth.* Land transactions procedure in the New Territories has been completely re-organized, with the elimination of all possible delays as a major objective, and this work goes on. But it takes time, patience and experiment, —and I would emphasize that over-simplification gives rise to more crucial dangers than delay.

All too often, I am afraid, the applicant for land in the New Territories is really only interested, and very understandably, in developing land where he thinks the price will be cheap. It is indeed difficult to persuade him that it is generally a fallacy to assume that this land can be developed more rapidly or more easily than the formed industrial sites which are included in the Land Sales Programmes in the Urban Area. But if any industrialist wishes to go to the New Territories and chance his arm at buying *agricultural* land, in the hope of getting an exchange for building land in a layout area, rather than buying industrial land from Government at auction, then I am afraid that he must accept the fact that there *may* be quite an interval between the time he purchases his agricultural land, and the approval of the exchange.

My honourable Friend, Mr KNOWLES, suggested that there had been some indecision, or lack of a decision, in the matter of the possible re-siting of the Kowloon Railway Terminus. Though I personally agree with much of his comment, I must remind honourable Members that it is not, in fact, the lack of a decision that governs the present situation, but the fact that the decision taken and announced in January 1960 was consciously indeterminate. In that month it was announced that the Terminus would be moved to a site on the north-eastern part of the Hung Horn reclamation; that the timing of the move would depend on a number of factors, including the future pattern of railway traffic as well as other calls on public funds; and that no immediate move was likely.

Since that time we have found that this indeterminate position has imposed more limitations than was thought likely when the decision was taken; and I fear that there are now a number of important projects which are affected in varying degrees by the absence of at least a firm planning date. The Town Planning Board, which has been instructed to prepare a plan for Tsim Sha Tsui, is unable to make further progress with its plan until it has a more precise indication of our intentions with regard to the present terminus area. Moreover the Board has

found it necessary to ask that the eastern boundary of the draft planning area for Tsim Sha Tsui should be extended eastwards from its present limit of Nathan Road. This would directly involve the future terminus area.

Recently the whole position has been under examination by our own Land Development Planning Committee. We now have that Committee's recommendations and these will be submitted to the Executive Council without delay. Clearly I cannot say more at this stage, but I do express my sympathy with the honourable Member's desire that the whole position should be clarified as soon as possible.

Government's record on parking has been called in question by my honourable Friend. Mr Y. K. KAN. I must admit that Hong Kong has so far been better provided for than Kowloon, but I would question whether his strictures are wholly merited. We have 631 spaces in the two multi-storey car parks in the Central District, and there will be another 750 later this year when the Murray Parade Ground car park is completed. For Kowloon we had originally planned one large park in the Salisbury Road area, but, in deference to the representations by the Kowloon Residents Association, this plan has now been amended to provide for two multi-storey parks each with a capacity of about 850 cars. One of these is at Middle Road and is in Category A(ii) of the programme, and progress should therefore soon be apparent; the other is in Category B.

Meanwhile we continue to extend metered parking so as to make better and more equitable use of on-street space. In addition to the 440 meters already in position, installation of another 1,700 meters mostly for the Central District and Tsim Sha Tsui will soon be in hand. Furthermore we continue wherever possible to make use of land temporarily available pending development, and over 1,700 spaces in such areas are or soon will be available for off-street parking. Government is keenly interested in the development of off-street parking; and, while it has done and is doing what it can to provide off-street parking where there is justification for Government action, I do not believe that the responsibility rests wholly upon the Government. I am convinced that there is scope also for private enterprise to play its part. There are indications of some stirring of interest in this type of development in certain commercial circles, and I can say that Government would welcome any intensification of such interest.

My honourable Friend referred particularly to the Star Ferry and the (so-called) City Hall Car Parks. I fear that the size of these car parks will continue to be, as it has been in the past, a subject of controversy. It is true, as my honourable Friend says, that the intention to build a City Hall pre-dated the construction of the car parks.

It is indeed this very fact that, in a sense, restricted more intensive development. The whole area of the Star Ferry concourse and the City Hall was designed to be a city centre of which Hong Kong might be proud; a pleasing and at the same time a functional layout. When the demand for additional parking facilities was imposed upon the features of the City Hall and other buildings already in design or in construction, the size of the car parks gave rise to contrary opinions. There were those whose sole concern was to provide as many spaces as possible; there were on the other hand those who attached importance also to preserving a pleasing aspect for the whole development. Put in the simplest way the position was that, to get appreciably greater capacity from these car parks, it would have been necessary to build much higher because, for reasons of design, a moderate increase in height would have given very little added capacity. On the other hand to go appreciably higher would in the opinion of our professional advisers have impaired greatly the balance and aesthetic appearance of the whole planned development.

As I understand them, my honourable Friend's remarks seem to imply that there is some essential connexion between the capacity of these car parks and the capacity of the City Hall. I know of no justification for this view. The car parks were provided for general use and not for the particular use of a section of the patrons of the City Hall, and there seems to me to be no logical connexion between the two. I do hope, however, that I have not misconstrued my honourable Friend's remarks.

The honourable Dhun RUTTONJEE suggested that an Administrative Officer should be seconded to the Medical Department with the rank of Deputy Director. We have, as Mr RUTTONJEE indicated, already made an experiment on these lines in respect of the Police Department, though at a lower level; —and I think we have now had sufficient time to judge the success of that experiment. The purely administrative and planning side of the Medical Department is certainly considerably stronger than it used to be and it may well be that, as my honourable Friend the Director has just said, the most effective addition that we could make at the moment would be a qualified Cost Accountant. Administrative Officers, contrary perhaps to the beliefs of some, do not grow on trees; and an Administrative Officer of the quality that my honourable Friend has in mind would be a bird of great rarity even if they did. Perhaps the best time to consider this suggestion would be when our Management Consultants come to turn their attention particularly to the Medical Department; but in the meantime I feel bound to say that Government, for its part, has complete confidence in both the administrative and the professional capacity of the present Director.

My honourable Friend, Mr FUNG Ping-fan, has drawn timely attention to the desirability of making further progress as soon as possible with the establishment of a Chinese University. This is a project to which Government attaches much importance and towards the realization of which it has long been our desire to make headway. It therefore gives me great pleasure to be able to inform this Honourable Council that a Commission is in process of formation to advise on the establishment of a Chinese University. The Commission will consist of five members. We have been singularly fortunate in obtaining the services of Mr J. S. FULTON, Vice-Chancellor of the University of Sussex, as Chairman of the Commission. Honourable Members will recall that Mr FULTON is no newcomer to Hong Kong or to the affairs of the post-secondary colleges, as he came here in the autumn of 1959 to advise on the development of the colleges. I am unable at present to reveal the names of the remaining members of the Commission, as formal invitations and acceptances have yet to be exchanged, but they will all be university teachers or administrators of experience and standing, two of them will be from the United Kingdom and two will be Chinese of eminence in their respective spheres. The Commission will arrive in Hong Kong in July, but before then, and as soon as the necessary formalities have been completed, they will begin to receive background and general information relating to the post-secondary grant colleges and other material relating to the proposed University. A more detailed statement, including the terms of reference and the names of the other Commissioner, will be issued shortly.

The Honourable Y. K. KAN had much to say on the subject of the Hong Kong Telephone Company, and I have little doubt that tomorrow morning's papers will be reporting the reactions of the Chairman at the Annual General Meeting of the Company which was held a few hours ago. As far as Government is concerned, I can say that we have been aware for sometime of certain difficulties with which the company was faced in expanding its services rapidly, and we have discussed these, and its planned programme, with the Company from time to time. These difficulties relate mainly to land matters and to the delivery of equipment.

As to the former, I fear that in one or two instances Government must accept some of the responsibility for delays that have occurred; but the difficulties are really more fundamental than the question of the speed with which a single application can be dealt with. It is in the nature of things that the Company (probably with good reason) should desire to have its various exchanges situated in or near any or all centres of population, where land is, of course, particularly scarce and particularly valuable. I think that honourable Members would be the first to agree that this would be a most difficult requirement to meet punctiliously—even if we were not as scrupulous in the matter

of land use as we are—or as we should be. Prior to the Census, intelligent forward planning was not the exact science that one hopes it is now in process of becoming. However, we have recently adopted a policy of trying to meet the Company's major requirements by accommodating exchanges in suitable Government buildings—and the Car Park on Murray Parade Ground is an example of this.

Whether Government is in a position to do anything to improve delivery dates of major equipment, I do not know; but I do undertake that Government will now continue discussions with the Company on these problems, and on the general question of a more rapid expansion to meet demand; and I think it would be wise to await the outcome of these discussions before one hazards a guess as to whether further Government action is necessary or desirable.

My honourable Friend also suggested that the precedent of the Public Transport Advisory Committee should be followed in respect of other public utilities. I fully endorse his appreciation of the work of that Committee and of its energetic chairman, and I think that all forms of public transport can and should be left in the hands of the Committee for the time being. If that is agreed, there would remain in the sphere of Public Utility proper the Telephone Company and the two Electric Companies. As to the former, the honourable Member's suggestion will be borne in mind in connexion with the discussions I propose to initiate. As to the latter, I would not like to say anything which might in any way anticipate a statement which it is hoped to issue within the next few weeks.

My honourable Friend, Mr KNOWLES, spoke of the Tourist Association and an advertising campaign in those countries where tourists originate. The Government subsidy to the Tourist Association has been increased in three years from \$1 million to \$2¼ million. This would indicate that we have not been exactly unyielding to the Association's increasing demands. But I would not like Mr KNOWLES, or anyone else, to think that Tourist Promotion is immune from that regimen of economy to which I referred earlier. Mr KNOWLES has urged us to cast our bread upon the waters. I think that this is, perhaps, precisely what my colleagues on Finance Committee and I myself feared most that we might be doing, when we discussed the matter recently. The only joy that I personally have ever had from such an exercise is the look of satisfaction on the face of the waterfowl that gobbles up the bread. But I admit my honourable Friend has the Wisdom of Ecclesiastes on his side—though I have been unable to confirm his gloss that the bread will return an hundred-fold. But, even conceding his point, there might conceivably be something to be said for throwing a shade less bread, and seeing how we make out with four-score-fold or so.

Mr KNOWLES went on to express his disappointment that Government had cut the Association's budget by \$½ million. Now with respect, I do not think that this is quite correct. We have in fact *increased* the Association's *subvention* by \$¼ million. The budget is the Association's budget; and I think I am right in saying that it is related to the subvention as the coat is to the cloth.

My honourable Friend, Mr FUNG, spoke of the need for restoring our temples and historic places; of Lantau as a holiday resort; and of a cable railway up Tai Mo Shan; —all from the point of view of Tourism. I will have the first of these points, for which I have much sympathy, carefully looked into. The other two might prove useful and profitable fields for private enterprise, and I think that it was mainly with this idea in mind that Mr FUNG spoke of them.

My honourable Friend, Mr BARTON, taking his cue from Sir Malcolm SARGENT, has entered a plea for the Arts to receive some financial support from the public purse, and specifically for a subsidy for a local orchestra.

Lest it be thought that Government is indifferent to the Arts, I should perhaps refer to the subsidies regularly granted for various performances of the living arts in the shape of reduced rates of entertainment duty. By a resolution of this Council, dated 18th December 1957, a reduced rate of entertainment tax, amounting to 25% of the normal duty, may be granted in respect of live performances of special cultural and artistic value. Under this dispensation entertainment tax has been allowed at the lower rate on 26 occasions in the last year alone. Most but not all of these entertainments were musical events; and, while the majority were for visiting artistes, there were nevertheless three occasions on which local performers received the benefit of this subsidy. Apart from that, complete remission of tax has been granted on 200 occasions in the last year, when performances have been given for charitable or educational purposes, or have been sponsored by non-profit-making associations. We are, therefore, by no means indifferent to culture and, within our means, not unsympathetically disposed.

The artist will no doubt tell us that for the good of our souls we should make all possible concessions, while the pure financier may see little measurable value in such subsidies. Well, between the Scylla of culture and the Charybdis of Philistinism we must set our course. Honourable Members may be inclined to pity the helmsman in such an equivocal sea; and I would do nothing to attempt to dissuade them, —for under the law as it stands this responsibility is placed upon the Colonial Secretary.

I do not think that I can give any assurances as to a subsidy for any local orchestra until we are a good deal clearer as to the potential

claims of other forms of art. There is in Hong Kong a wide and somewhat ill-defined range of cultural activities, each of which may lay claim to special consideration; and we have as yet no yardstick with which to measure such claims or even any means of knowing which may be admissible to qualify for any form of assistance from the public purse. I understand that steps are being taken by interested groups towards the formation of some kind of Arts Council with a measure of popular support. It may well be that the opening of the City Hall will act in some sense as a necessary catalyst for the various cultural elements, and that some kind of representative and responsible Arts Council may develop naturally. Should such a Council emerge I have no doubt that Government would gladly do what it can, within its resources, to encourage its development along responsible lines; but I think the growth must be natural and spontaneous. One has, indeed, to beware of infringing the basic laws of artistic licence; and any attempt to impose upon the Arts an organization created by Government might result in something like "Shelley in Aspice".

I should think there is hardly a voice in the Colony that would not be raised in support of Mr KNOWLES' plea for more trees; —and I can but attempt to add what little voice I have left to the general clamour. Unfortunately we have to face up to certain difficulties. In the first place we are certainly not without our vandals. (One can sympathize with the motives of many of those in search of firewood—but the shocking thing about much of the vandalism from which the Colony suffers is that it has no apparent motive). Secondly, we have frequently a rocky undersoil where no tree will grow and third, I am told that it is almost impossible now to find, in the Central District or in Kowloon, a spot where a tree could grow that is not within fifteen feet of some man-made obstruction above or below the surface. Either the tree roots will interfere with a utility service, or the utility will interfere with the roots.

I agree with my honourable Friend that perhaps there is too little variety in the trees and shrubs that *are* planted, despite the difficulties I have mentioned. But the experts tells me that the other wild species available tend not to take kindly to taming without special nurseries—which we cannot yet afford to have. It is difficult to justify exposing the rarer kinds to such treatment as certain members of the public meted out to those planted, for example, on the Chai Wan roadside. The site at the junction of Queen's Road East and Hennessy Road, which my honourable Friend appeared to suggest was barren, is in fact planted with two flame trees. They are young trees—and perhaps Mr KNOWLES did not notice them. We plant young trees, not for ourselves, but for our children's children. For our few magnificent old trees, we have to thank our forebears. As an example of the Government's care for these, honourable Members might be interested to know that

for many years we have had a rule that no large tree in the Central areas of Hong Kong and Kowloon may be cut down without the Governor's personal consent; and no one knows better than Your Excellency how unwillingly that consent is given.

I am sad that my honourable Friend should take a jaundiced view of our country roads; I thought we had been doing fairly well in retaining the beauty of these by clearing and planting. But if I have correctly identified the objects which he referred to as straight-angled lamp-posts, I think that I would just be willing to go into battle on his side. I hope, however, that it will not be too much of a shock to my honourable Friend to learn that it is in the ranks of the Philistines we shall be fighting. For this particular design was in fact approved by the Royal Fine Arts Commission in Britain. I doubt, however, whether the Commission had very much to do with the long fence things that curve with the bends of our roads. My honourable Friend likened them to car-bumpers, —and well he might, because that is exactly what they are. I am told that they yield to a car crashing into them in a way that a granite wall does not. With that observation, I am afraid that all my resources in support of these functional monstrosities are exhausted. I suppose they could be painted more frequently.

The granite walls on the bridges on Island Road have been replaced by railings as a means of effectively widening the bridges. Railings are narrower than walls, and I am told that motorists drive much closer to the former than to the latter. Hence, the justification for the change is a constructional (constructional in one sense, non-constructional in another) constructional widening of the bridges. And I may add here, incidentally, that Mr KNOWLES' "hideous central railing" in Connaught Road was specifically designed to conform with the clean, upright lines of the City Hall. I observe, too, that it is absolutely devoid of horizontals—horizontals which are only too often perches for little feet which propel their owners over the railings and into the path of oncoming traffic.

There is a good deal, Sir, that I would have wished to say about the Public Service. I fear, however, that I have already burdened honourable Members long enough; and Your Excellency has agreed that questions relating to the Public Service may be dealt with this year in a novel way. A Report on the Public Service, covering developments during the present financial year, and other matters which are known to be of particular concern to this Council and to the general public, will be prepared and issued to Unofficial Members as soon as the necessary printing can be arranged. It will later be published. It is hoped that this will develop into an annual publication, and I think it is desirable that in future years its preparation should be timed to anticipate this Debate rather than to follow it.

The report will contain an account of developments following upon the appointment of our Management Consultants (or Efficiency Experts, as they are still popularly known). Perhaps I might anticipate it now to the extent of giving a brief reply to points raised by two honourable Members. One of the Consultants, it will be recalled, is attached to the Public Works Department, and he has already produced three short reports which are now being studied. So far, his recommendations have been principally concerned with the detailed workings of the Electrical and Mechanical subdepartment and the operation of Government transport. Honourable Members will, in due course, be provided with a summary of these reports and the changes or economies which we propose to introduce in the light of them.

The second Consultant has now reported on the establishment of Government's own Organizational Surveys Unit, and papers on this have been circulated to honourable Members with a copy of the Report. Subject to the agreement of the Finance Committee of this Council, and the recruitment of the necessary staff, we propose to attach to the Colonial Secretariat an Organizational Surveys Unit of some six or seven officers who will then embark on a programme of assignments or investigations into matters of organization, procedure and method in various Government departments. I cannot, of course, predict the extent to which these investigations will produce economies and improvements in procedure and organization. We certainly hope for these results and Finance Committee will be kept informed of progress from time to time.

The report will also contain, of course, an account of recent developments on the subject of corruption. On this subject I can give the Honourable R. C. LEE the full assurance that he seeks, that Government is proceeding with all possible speed to examine the latest recommendations of the Advisory Committee. A detailed Press Release on the stage we have reached was issued on Sunday, 11th March. I spoke at length on this matter in the Budget Debate two years ago. The record of what I said is in the bound volume of Hansard for anyone who wishes to see. Since that time, you have, Sir, appointed a largely unofficial advisory committee under an unofficial chairman. That Committee has, up to the present, sent to Your Excellency six reports. Every word of those reports has been made public. In spite of these developments, there is nothing that I said in 1960 that I would wish to withdraw or vary in any way. Perhaps I might conclude today, Sir, by reminding honourable Members of a few words that I said on that occasion. They are: —

"It is sometimes, I fear, assumed that there are no more than three parties concerned in the question of corruption in the Public Service. First, the corrupt receiver; second, the corrupt giver (for he is equally corrupt) and third, an outraged

public. But there is a fourth party that is very much concerned, that has very strong views on the subject, and virtually no opportunity of ventilating these views in public. I refer, Sir, to the large body of public servants who are honest men and women, who take a pride in the Colony and the Service and who resent the wholesale disparagement of either".

Sir, I now move that the Resolution be adopted. (*Applause*).

THE FINANCIAL SECRETARY seconded.

The question was put and agreed to.

### **RESOLUTION REGARDING THE ESTIMATES OF REVENUE AND EXPENDITURE FOR 1962-63**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Estimates of Revenue and Expenditure for 1962-63 as amended by the Report of the Select Committee be approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

### **DUTIABLE COMMODITIES ORDINANCE, CHAPTER 109**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved pursuant to section 4 of the Dutiable Commodities Ordinance, Chapter 109, that the duty on CHINESE PREPARED TOBACCO as set forth in Notification No. A. 23 in the *Gazette* of 11th May, 1960, be revoked with effect from midnight on the 31st March, 1962, and that thereafter duty shall be payable on Chinese Prepared Tobacco at the rate of \$2.50 per lb.

He said: Sir, this resolution gives legislative effect to a proposal which I made when introducing the Budget and which appears to have received general approbation.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

### **APPROPRIATION (1962-63) BILL, 1962**

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding one thousand two hundred and twenty-six million, four hundred and thirty-six thousand, one hundred and ten dollars to the Public Service of the financial year ending the 31st day of March, 1963."

He said: Sir, the purpose of this Bill is to provide formal legislative sanction for the Estimates of Expenditure which have just been approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

THE FINANCIAL SECRETARY: —Sir, this will be the last meeting of Council before the close of the financial year and to provide the necessary authority for making payments from 1st April, it is essential that this Bill should pass through all stages today. If, Sir, you are of that opinion, I would beg leave to move suspension of Standing Orders for this purpose.

HIS EXCELLENCY THE GOVERNOR: —I am of that opinion.

THE FINANCIAL SECRETARY: —Sir, I move the suspension of Standing Orders to the extent necessary to allow the Appropriation (1962-63) Bill before Council to be taken through all stages today.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

THE FINANCIAL SECRETARY moved the Second reading of the Bill.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

Council then went into Committee to consider the Bill clause by clause.

Clauses 1 and 2, the Schedule and the Preamble were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Appropriation (1962-63) Bill, 1962 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

**GOVERNMENT LOTTERIES BILL, 1962**

THE FINANCIAL SECRETARY moved the Second reading of a Bill intituled "An Ordinance to authorize and control the promotion and conduct of Government lotteries and matters ancillary thereto."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

Council then went into Committee to consider the Bill clause by clause.

Clauses 1 to 10 were agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the Government Lotteries Bill, 1962 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

**ADJOURNMENT**

HIS EXCELLENCY THE GOVERNOR: —Well, gentlemen, that concludes the business for today. When is it your pleasure that we should meet again?

THE ATTORNEY GENERAL: —Sir, I suggest the 11th day of April.

HIS EXCELLENCY THE GOVERNOR: —Council stands adjourned until the 11th day of April.