

**OFFICIAL REPORT OF PROCEEDINGS****Meetings of 11th and 12th March 1965****11th March PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC  
HIS EXCELLENCY LIEUTENANT-GENERAL SIR DENIS STUART SCOTT  
O'CONNOR, KBE, CB  
COMMANDER BRITISH FORCES  
THE HONOURABLE EDMUND BRINSLEY TEESDALE, CMC, MC  
COLONIAL SECRETARY  
THE HONOURABLE MAURICE HEENAN, QC  
ATTORNEY GENERAL  
THE HONOURABLE JOHN CRICHTON McDOUALL  
SECRETARY FOR CHINESE AFFAIRS  
THE HONOURABLE JOHN JAMES COWPERTHWAITTE, CMG, OBE  
FINANCIAL SECRETARY  
THE HONOURABLE KENNETH STRATHMORE KINGHORN  
DIRECTOR OF URBAN SERVICES  
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT  
DIRECTOR OF PUBLIC WORKS  
DR THE HONOURABLE TENG PIN-HUI, OBE  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE WILLIAM DAVID GREGG  
DIRECTOR OF EDUCATION  
HONOURABLE PATRICK CARDINALL MASON SEDGWICK  
COMMISSIONER OF LABOUR  
THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE JOHN PHILIP ASERAPPA  
DISTRICT COMMISSIONER, NEW TERRITORIES  
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE  
THE HONOURABLE FUNG PING-FAN, OBE  
THE HONOURABLE RICHARD CHARLES LEE, CBE  
THE HONOURABLE KWAN CHO-YIU, CBE  
THE HONOURABLE KAN YUET-KEUNG, OBE  
THE HONOURABLE SIDNEY SAMUEL GORDON  
THE HONOURABLE LI FOOK-SHU, OBE  
THE HONOURABLE FUNG HON-CHU  
THE HONOURABLE TANG PING-YUAN  
THE HONOURABLE TSE YU-CHUEN, OBE  
THE HONOURABLE KENNETH ALBERT WATSON, OBE  
THE HONOURABLE WOO PAK-CHUEN, OBE  
THE HONOURABLE GEORGE RONALD ROSS  
MR ANDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*)

## MINUTES

The minutes of the meeting of the Council held on 25th February 1965, were confirmed.

## PAPERS

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

<i>Subject</i>	<i>LN No</i>
Sessional Paper, 1965:—	
No 7—Annual Report by the Controller of Stores and Sand Monopoly for the year 1963-64.	
Report of the Select Committee on the Draft Estimates of Revenue and Expenditure for 1965-66.	
Registration of Persons Ordinance 1960.	
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## STREETS (ALTERATION) (AMENDMENT) BILL 1965

THE COLONIAL SECRETARY moved the First reading of a Bill intituled “An Ordinance to amend the Streets (Alteration) Ordinance.”

He said:—Sir, whenever we wish to close, narrow or divert a street, or to alter its level, we have under the law at present to seek the approval of your Excellency in Council before the notice of intended alteration is published in the *Gazette*. If any objections are received, these are then put to the Executive Council for consideration in accordance with Section 5 of the Ordinance.

We are currently investigating means of relieving the Executive Council of routine work connected with individual matters not involving either principle or policy. This is one such matter. It is consequently proposed to amend section 3 of the Ordinance so that the initial decision to publish notice of intended alteration is taken by the

Governor and not by the Governor in Council. The provisions regarding the consideration by the Executive Council of any objections and the award of compensation when any objection is disallowed, would remain unaltered.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

The Bill was read a First time.

### *Objects and Reasons*

The "Objects and Reasons" for the Bill were stated as follows:—

Under the Streets (Alteration) Ordinance, the procedure for the closing, narrowing or diverting of a street, or for an alteration of the level of a street, is commenced by the publication of a notice in the *Gazette* after the Governor in Council has decided that it appears to be expedient to close, narrow, divert or alter the level of the street.

2. It is considered that a desirable simplification of the procedure will be effected if the initial decision may be taken by the Governor alone. Objections to a proposal to close, narrow, divert or alter the level of a street will continue to be considered by the Governor in Council as will the question whether compensation is to be awarded in a case where an objection is disallowed.

### **WIDOWS AND ORPHANS PENSION (AMENDMENT) BILL 1965**

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance further to amend the Widows and Orphans Pension Ordinance."

He said:—Your Excellency, until 1963 certain categories of officers, who were required to contribute towards the Widows and Orphans Pension Scheme, were, on leaving Government service, able to obtain a refund of only half their contributions notwithstanding that the scheme had borne no risk in their cases. Due to the unfairness of this situation, which in any event was at variance with generally accepted principles, the Ordinance was amended in 1963 to permit such officers to obtain a full refund of all contributions paid in the period during which the scheme bore no risk, together with 2½% compound interest.

Sir, these amendments were, in fact, thought at the time to meet all existing cases in which an officer was required to contribute without the scheme bearing any corresponding risk, but since then a case has come to light where, due mainly to the transitional operations of the 1963 amendments, this is not so. This case is fully explained in

paragraph 2 of the Objects and Reasons. Clause 3 of this Bill will enable this officer (and any other officer in similar personal circumstances) to obtain the relief which is, by the 1963 amendments, generally accorded to other contributors in respect of whom the scheme has borne no risks.

Sir, the opportunity is taken to deal in this Bill with one minor matter. The scheme is administered by Directors, of whom the Financial Secretary is, *ex officio*, required to be one and, furthermore, to be the Chairman. As matters of policy are not involved, there is no necessity for the Financial Secretary to be so closely connected with the running of the scheme, and, accordingly, clause 2 makes the necessary amendments.

THE COLONIAL SECRETARY seconded.

The question Was put and agreed to.

The Bill was read a First time.

### *Objects and Reasons*

The "Objects and Reasons" for the Bill were stated as follows:—

At present the Financial Secretary is, *ex officio*, both a Director, and the chairman of the Directors, of the Widows and Orphans Pension Scheme, but as the administration of the Scheme does not involve matters of policy there is no need for him to be necessarily either a Director or the chairman. Accordingly, clause 2 of this Bill proposes an amendment to section 7 of the Widows and Orphans Pension Ordinance which, if enacted, will provide for the chairman to be nominated by the Governor from amongst the Directors and will make it no longer necessary for the Financial Secretary to be appointed one of the Directors.

2. In addition, another amendment is proposed to the Ordinance by clause 3 of this Bill. Prior to 24th May, 1963, subsection (5) of section 10 of the Ordinance dealt with the case of an officer who had pensionable children at the time of leaving the public service and who subsequently became a widower. Such an officer automatically ceased to contribute and to have any rights under the Ordinance on his becoming a widower or on the last of his children ceasing to be pensionable (whichever was the later). On 24th May, 1963, this subsection was repealed and replaced in the Widows and Orphans Pension (Amendment) Ordinance 1963 (No. 17 of 1963) by a subsection similar to the old subsection (5) except that the requirement that such an officer should have pensionable children at the time when he left the service was omitted, since there was no greater reason to require such an officer to continue contributing than there was to require an officer who had pensionable children to continue contributing after those children ceased

to be pensionable. However, since the enactment of this new subsection, a case has come to light of a widowed officer who left the service before the enactment of the new subsection. Because he had no pensionable children when he left the service the old subsection (5) was inapplicable to his case. Furthermore, the new subsection (5) is inapplicable as his wife died before its enactment. The position is, therefore, that under the existing law this officer and any other officer in similar circumstances is required to continue contributing until he reaches the age of 65 years or has completed 35 years contribution. Here again, there is no greater reason to require such an officer to continue contributing than there is to require an officer now covered by the new subsection (5). To give relief from this situation, the amendment in clause 3 of the Bill, if enacted, will enable such an officer, within six months after enactment of this Bill, to elect (by irrevocable election) to cease contributions, whereupon he shall also cease to have any rights under the Ordinance save that his contributions since becoming a widower will be repayable at two and a half per cent compound interest.

### **HAWKER CONTROL FORCE (AMENDMENT) BILL 1965**

MR K. S. KINGHORN moved the First reading of a Bill intituled “An Ordinance to amend the Hawker Control Force Ordinance 1960.”

He said:—Your Excellency, since the creation of the Hawker Control Force, its Commandants have been gazetted officers on secondment from the Police Force. This arrangement was made with the Commissioner of Police for an initial period of five years, in order that the Force might have the benefit of experienced Police officers in its formative stages.

The Commissioner of Police and the Urban Council both consider that this arrangement has now outlived its usefulness and that the time has come for the Hawker Control Force to have its own permanent Commandant appointed by Your Excellency. The Public Services Commission has been consulted and has advised the appointment of a person who is not a gazetted police officer.

The main purpose of the amending Bill now before honourable Members is to allow the Commandant of the Hawker Control Force to be a person other than a regular gazetted officer, but at the same time to allow the post to be filled by a police officer should the need arise.

The opportunity is also being taken to provide that all officers, of whatever rank, should take an oath or declaration in the form prescribed in the Second Schedule to the Ordinance on first appointment to the Force. At present only constables and non-commissioned officers are required to do so.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

*Objects and Reasons*

The “Objects and Reasons” for the Bill were stated as follows:—

The principal objects of this Bill are—

- (a) to make provision for the filling of the post of Commandant in the Hawker Control Force by some person other than a regular gazetted officer but allowing a provision to remain for the appointment of a police officer to be Commandant should an occasion for such arise;

- (b) to make consequential amendments.

2. By clause 2, section 2 of the principal Ordinance is amended by the deletion of the definition “regular gazetted police officer” therefrom as such definition will no longer be required.

3. By clause 3, section 6 of the principal Ordinance is amended to provide for the appointment of Commandant by the Governor but allowing a provision to remain which permits the appointment of a police officer by the Commissioner of Police.

4. By clause 4, section 8 of the principal Ordinance is amended to provide that all officers of whatever rank on first appointment to the force make the oath or declaration. At present only constables and non-commissioned officers are covered by the section.

5. By clause 5, section 11 of the principal Ordinance is amended to delete the words “other than a non-commissioned officer who is appointed on secondment from the Police Force” as there are no such seconded officers in the rank and file of the Hawker Control Force nor are any to be appointed in the future.

6. By clause 6, section 34 of the principal Ordinance has been amended to delete the words “and any non-commissioned officers who” as such words are now redundant in view of the prior amendments and to substitute therefor the appropriate words “where such officers”.

**LEPERS (REPEAL) BILL 1965**

DR TENG PIN-HUI moved the Second reading of a Bill intituled “An Ordinance to repeal the Lepers Ordinance.”

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 were agreed to.

Council then resumed.

DR TENG PIN-HUI reported that the Lepers (Repeal) Bill 1965, 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.

### **EMPLOYERS AND SERVANTS (AMENDMENT) BILL 1965**

MR P. C. M. SEDGWICK moved the Second reading of a Bill intituled "An Ordinance to amend the Employers and Servants Ordinance 1961."

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.

Clause 1 was agreed to.

Clause 2.

MR P. C. M. SEDGWICK:—Sir, I rise to move that clause 2 be amended as set forth in the paper before honourable Members.

#### *Proposed Amendment*

#### *Clause*

2. (1) In paragraph (a), leave out the word "and"
- (2) Leave out paragraph (b) and substitute therefor the following—  
“(b) by the deletion of the word “The” and the substitution therefor of the following—  
“Subject to subsections (2) and (3), the”; and

(c) by the insertion of the following new subsections—

“(2) The provisions of this Ordinance shall not apply to any contract of apprenticeship made on or after the 1st day of April, 1965, if, within one month after it has been made, the contract is attested by the Commissioner of Labour or by any person authorized by him for such purpose.

(3) For the avoidance of doubt, it is hereby declared that the provisions of subsection (2A) of section 4 shall not apply to any contract made before the 1st day of April, 1965.”.

Clause 2, as amended, was agreed to.

Clause 3.

MR P. C. M. SEDGWICK:—Sir, I rise to move that clause 3 be amended as set forth in the paper before honourable Members.

*Clause*

3. Leave out the clause and substitute therefor the following—

“Amendment  
of section 4

**3.** Section 4 of the principal Ordinance is amended—

(a) by the insertion, after subsection (2), of the following new subsection—

“(2A) Notwithstanding any other provision of this section, a contract of service for a period of six months or more than six months or for a number of working days equivalent to six months or more than six months, other than an agreement between a seaman and the master of a ship, shall be deemed to be a contract for one month renewable from month to month.”; and

(b) in subsection (3), by the insertion, after the word, brackets and figure “subsection (2)”, of the following—

“or (2A)”.

Cause 3, as amended, was agreed to.

Clause 4 was agreed to.

Council then resumed.

MR P. C. M. SEDGWICK reported that the Employers and Servants (Amendment) Bill 1965, had passed through Committee with certain amendments 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.

### **HONG KONG AND YAUMATI FERRY COMPANY (SERVICES) ORDINANCE 1951**

THE FINANCIAL SECRETARY moved the following resolution: —

WHEREAS—

- (a) section 4 of the Hong Kong and Yaumati Ferry Company (Services) Ordinance 1951 (hereinafter referred to as the Ordinance) provides that the ferry services authorized by the Ordinance shall be maintained and operated upon the terms and conditions specified in the Schedule thereto;
- (b) section 5 of the Ordinance provides that the Schedule thereto may be varied at any time, with the consent of the Company by Resolution of the Legislative Council;
- (c) it is now desired that the Schedule to the Ordinance be varied to provide for the operation by the Company of one further ferry service, namely a vehicular ferry service between North Point and Kowloon City;
- (d) the Company has consented to the amendment of the Schedule to provide for such service:

Now, THEREFORE, BE IT RESOLVED, with the consent of the Company, that the Schedule to the Ordinance be amended—

- (a) by the insertion, after paragraph 1, of the following new paragraph—

“Vehicular  
ferry  
service

1A. The Company shall, until the 26th January, 1980, conduct a ferry service for the conveyance of vehicles, goods being carried by vehicles and persons travelling in vehicles on the “ferry run” specified in Appendix I at item (t).”;

- (b) by the deletion of sub-paragraph (1) of paragraph 3 and the substitution therefor of the following—

“(1) The Company shall pay as pier rent to the Government for the use of the piers specified in this paragraph the total sum of \$68,900.00 a month inclusive of rates. The said rent shall be payable in advance on the first day of each month and shall be apportioned among the piers as follows—

(a) Jubilee Street Ferry Pier . . . .	\$22,000
(b) Jordan Road Ferry Pier . . . .	13,500
(c) Mong Kok Ferry Pier. . . .	2,500
(d) Sham Shui Po Ferry Pier . . . .	2,500
(e) Tonnochy Road Ferry Pier. ....	2,000
(f) Winner Street Ferry Pier . . . .	3,000
(g) Cheung Chau Ferry Pier . . . .	400
(h) Stewart Road Ferry Pier . . . .	1,500
(i) Kowloon City Ferry Pier . . . .	5,000
(j) North Point Ferry Pier . . . . .	6,000
(k) North Point Vehicular Ferry Pier.....	6,000
(l) Kowloon City Vehicular Ferry Pier... <u>4,500</u>	
	<u>\$68,900”;</u>

- (c) by the addition, after paragraph 5A, of the following new paragraph—

“Royalty,  
etc. for  
vehicular  
ferry  
service

5B. The Company shall pay to the exclusive Government, for the exclusive right to ferry maintain and operate a ferry service for the conveyance of vehicles, goods being carried by vehicles and persons travelling in vehicles between North Point and Kowloon City, in addition to the pier rent in accordance with paragraph 3 and the royalty of twenty-five per cent of the net profit of the Company in accordance with paragraph 5, a monthly fee of \$100,000.00 payable in advance on or before the first day of each month.”;

(d) by the addition, after paragraph 6, of the following new paragraph—

“Governor  
may require  
24 hour  
service                      6A. The Governor in Council may, in respect of  
the service specified in item (t) of Appendix I, at any  
time, require the Company to introduce and operate a  
twenty-four hour ferry service upon the terms and  
conditions specified in paragraph 6.”;

(e) by the deletion of sub-paragraph (1) of paragraph 16 and the substitution therefor of the following—

“(1) The Company has represented that the Company is and will continue to be a public company; that the Company shall take such steps as are reasonable in consultation with the Hong Kong Stock Exchange to have and to continue to have the shares of the Company listed and quoted on the Hong Kong Stock Exchange; that the majority of the directorate are and will continue to be British subjects; that the management and the administrative staff, or an effective majority thereof to the satisfaction of the Governor in Council, are and will be British subjects; that the control is and will be within the Colony and essentially British; that all the books and accounts of the Company will be kept in the English language; that at all times and in all circumstances (including any and every emergency) the Government may be assured that the ferry services will be duly and loyally maintained; and that the situation as above will continue and be observed with the utmost good faith during the subsistence of the concession. Such representation shall be the basis upon which the Company may maintain the ferry services and if at any time the Governor in Council be satisfied that any such representation as aforesaid has failed then the Governor in Council may terminate the concession, in which event the ferry services shall be deemed to have been discontinued and the provisions of sub-paragraphs (2) and (3) of paragraph 8 shall apply.”;

(f) by the deletion of paragraph 21;



Stock Exchange; this requirement was included in the conditions of tender for the North Point/Kowloon City vehicular ferry service, and the Company is agreeable to the application of this condition to all its operations. The shares are, of course, already listed and quoted.

The Company's consent to the resolution has been obtained.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

### **FACTORIES AND INDUSTRIAL UNDERTAKINGS ORDINANCE 1955**

MR P. C. M. SEDGWICK moved the following resolution: —

Resolved, in exercise of the powers conferred by section 5 of the Factories and Industrial Undertakings Ordinance 1955, that the Factories and Industrial Undertakings (Notification of Occupational Diseases) Regulations 1965, made by the Commissioner of Labour on the 3rd day of March, 1965 under section 5 of the said Ordinance, be approved.

He said: —Sir, the Workmen's Compensation (Amendment) Ordinance 1964, made provision for workmen incapacitated as the result of certain occupational diseases to receive compensation as if they had been caused by an accident arising out of and in the course of their employment and for their dependants to receive analogous benefits if death resulted from one of these diseases. To assist in the discovery of cases of occupational diseases which may give rise to compensation claims it has been necessary to enlist the assistance of the medical profession and of my friend, the Director of Medical and Health Services. With their agreement I have in exercise of my powers under Section 5 of the Factories and Industrial Undertakings Ordinance 1955 made the regulations which are now before honourable Members. These require all medical practitioners to report to the Director of Medical and Health Services all cases of the occupational diseases listed in the First Schedule which may come to their attention. The procedure is similar to that already in force for the reporting of cases of infectious disease. Regulation 3(2) requires the Director of Medical and Health Services to send me a copy of all notifications he receives. This is to enable me to have such cases investigated in case a compensation claim arises. This particular provision will enable Hong Kong to comply in full with the Labour Inspection Convention of the International Labour Organization, a convention which has hitherto only been complied with in part in Hong Kong.

Under Section 5(3) of the Factories and Industrial Undertakings Ordinance 1955 the covering approval of this Council must be sought for these regulations which I have made.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

### **RESOLUTION REGARDING THE REPORT OF THE SELECT COMMITTEE ON THE ESTIMATES FOR 1965-66**

THE COLONIAL SECRETARY moved the following resolution:—

Resolved that the Report of the Select Committee, to which was referred the draft Estimates of Revenue and Expenditure for 1965-66, be adopted.

THE FINANCIAL SECRETARY seconded.

MR DHUN J. RUTTONJEE:—Your Excellency, on behalf of the Unofficial Members of this Council, I wish to say that we were all impressed, two weeks ago, by your clear cut and masterful survey of the Colony's complex problems.

You, Sir, have had during your previous tour of duty here a solid background of experience in our affairs and it is Hong Kong's good fortune to have you as the Governor. The problems we now face in every aspect of our civic development demand wisdom, sobriety and courage, as well as dynamism and we are all sure that, in this connexion, you are amply equipped to fulfil the varied responsibilities of leadership.

Once again, in this year's Budget is a record in regard to both estimate of income and of expenditure. It is in all respects a most satisfying Budget and the community is, I think, well content; although we are faced with the prospect of having to raise over \$84,000,000 my honourable Friend, the Financial Secretary, does not envisage any difficulty in our being able to do so. The Unofficials have already had the opportunity to scrutinize the Estimates, and have obtained all the information they have sought relating to them. As a result of our examination, certain amendments have been made to the figures.

My first subject today will be on our Medical and Health problems. I am very pleased to be able to start by congratulating my honourable Friend the Director of Medical and Health Services on his remarkable achievement in cholera control last summer. The prompt and effective measures taken by my honourable Friend and his staff in the Yau Ma Tei area prevented a major cholera outbreak in the Colony. We are indeed proud to read from a recent report of the World Health Organization regional seminar that the work of our Medical and Health Department has been held up as an example.

The Department's report shows a continued rise in the number of accidents but we still have only two Casualty Centres for a population of nearly 4 million—one in Kowloon and one in Hong Kong. In accidents prompt and effective treatment may mean the difference between life and death and I fail to see why a patient, injured in Shau Kei Wan, must be rushed past five hospitals before receiving treatment at the Queen Mary Hospital. I feel that more casualty treatment centres should be set up both on the Island and in Kowloon, and I would welcome an official statement on the present Casualty and Ambulance Service in the Colony.

I have often raised the question of the use of Assistant Nurses to supplement Registered Nurses in order to provide a more adequate nursing service and to cut down costs. It is gratifying to know that the Medical Department has commenced the training of this grade of nurses and now has 90 such posts. Is my honourable Friend the Director of Medical and Health Services satisfied that maximum use is being planned for this grade of nursing staff in his department? With the increase of Assistant Nurses, however, I would like to point to the imperative need for the Nursing Board to ensure that the standard of training for Registered Nurses is of a sufficiently high quality to enable them not only to practise complicated nursing procedures skillfully, but also to provide leadership and supervision for their more simply trained colleagues. I am glad to note that the newly-formed Hong Kong Nurses' Association is helping to promote a higher standard of nursing by arranging seminars and post-graduate courses and I hope that the Association will receive adequate support from the Government.

In previous debates, I have often referred to the provision of low-cost hospital beds and this was set out in the White Paper on the Development of Medical Services in Hong Kong. Another member of this Council and I are members of a Standing Committee appointed to keep this development plan under continuous review, and we are satisfied with the way this is proceeding. Our opinions are now aired fortnightly rather than yearly which is a great improvement over the past procedure. However, although I am content with the planning, I would like to see results achieved in a shorter period of time. Despite the urgent need to provide more hospital beds, especially those in the subsidiary category, it has taken over a year for 200 of Kowloon Hospital's 500-odd beds to be put back into circulation. As for the recently approved 800 extra subsidiary beds to be built in the same compound, I have been informed that it will take at least two or three years to complete. Sir, you mentioned recently that with the expansion of Government's medical and health services, 1,500 extra nurses would be needed within the next five years. Doctors would also have to be trained for this expansion and the training of doctors takes six years. Has Government finalized a plan for training more doctors for

the future need of the Colony and will the full capacity of training offered by the Medical School of the Hong Kong University be taken up by Government for this purpose?

A study of the figures of recurrent subventions to voluntary medical institutions in the Estimates reveals the staggering figure of \$34,357,100 for the next financial year, and one cannot ignore the fact that \$20,000,000 of this sum is to be given to the Tung Wah Group of Hospitals. I would be failing in my duty if I did not express deep concern over the size of this subvention which is equivalent to one-fifth of the total amount allotted to the Medical and Health Department. The capital cost of rebuilding and modernizing the Kwong Wah Hospital is \$34,111,000 and 80% of this has been financed by public money. These are large sums and one would expect that they would have produced a reasonable standard of service in return. However, there have been numerous complaints regarding the standard of medical and nursing care given to patients in these hospitals. It has been alleged that when some twenty-one or twenty-two doctors were supposed to be on duty at one time, not more than three or four could be found within the Hospital's compound. Sixty outpatients constitute a full morning's work for a conscientious doctor. I have heard that some have whipped through 90 in an hour's time, finishing their own share for the morning, and have left the Hospital's compound to pursue their own private affairs. I have also heard that expensive pieces of equipment lie unused and that the system of nursing administration and nurse training in these hospitals is out-dated, inefficient and wasteful. I would like to ask my honourable Friend, the Director of Medical and Health Services if these allegations are true and if they are true, why are they tolerated? I feel sure that in 1955 Government would never have agreed to meet 80% of the cost of the redevelopment of the Kwong Wah Hospital if it was expected that after completion of the project this would be the standard of its service.

Is there any valid reason why some of the cost of medical treatment should not be defrayed from the fees of the patients? Surely the class of patients attending outpatient clinics in the Tung Wah Hospitals is the same as that attending Government Outpatient Departments, and I feel sure that 90% of them could contribute something towards the cost. Furthermore, I am not convinced that it would be beyond the resources of some 3rd-class inpatients to pay for their own maintenance and meet a part of the expenses. I understand that any move to charge fees for medical treatment at these hospitals would be in conflict with the traditions and the Constitutions of these hospitals. Your Excellency, I am firmly of the opinion that the aims and objects of the Tung Wah Group of Hospitals and the Constitution of its Permanent Advisory Board and Management Committees must be critically re-examined as they are out-dated, unrealistic and completely out of

keeping with a modern society. In 1938, Government stipulated that the annual subvention for the three hospitals was not to exceed \$100,000 but today we are asked to approve an annually recurrent expenditure of \$20,000,000.

This leads me to the question of the management and control of these and other voluntary medical institutions as we can expect that within the next few years, the size of medical subventions will be proportionately larger as new voluntary hospitals are built. I am of the considered opinion that all medical projects subsidized by Government grants, whether capital or recurrent, must be complementary to the service provided by Government. In order to ensure that all such hospitals are properly managed and efficiently run. Government should have the right to be strongly represented on their management boards and to take an active part in their administration and organization. In short, the Medical and Health Department should be able to insist on the maximum utilization of all available beds receiving Government subsidy. If economy is to be ensured, all hospitals which fall under the category of acute hospitals must fulfil their proper functions without fail and long-term and chronic cases should be removed to their units.

The establishment of the School Medical Service scheme in September 1964 was a welcome move towards the participation of private medical practitioners in serving one section of the population. It is hoped that more of the large firms and employers of labour will consider similar health insurance schemes. We obviously cannot afford, as yet, a National Health Service, but any increase in the number of persons treated by private practitioners, will free Government and Government-assisted institutions which could then concentrate on the provision of free medical care for the poor in the community.

I would like now to move on to a large, complicated—but vitally important—subject: I refer to the structure of the Hong Kong Government and its administration.

Hong Kong has taken its place among the nations of the world as a trading and manufacturing centre of the first importance, and we conduct our commercial relations with over two hundred different countries. Internally, we are attempting to organize a modern society which, if not a democratic one, is governed by a benevolent authority, sensitive to public opinion. Our Government has to run all the appurtenances of a modern State—it is concerned with commerce and industry; educational, medical, welfare and social services; public transport; security; and all the many facets which fall within Government's purview.

And yet this thriving, modern community of Hong Kong is still administered by a governmental system patterned on traditional Colonial lines which have altered little since the 19th century.

Under our present system, Sir, the whole process of Government is dominated by the Colonial Secretariat through which office all approaches to yourself must be made. Is it not fantastic that theoretically a man with the responsibility of running our Education Department or our Commerce and Industry Department can only approach yourself through the Secretariat? I would remind you, Sir, that until 1928, the Colonial Secretary was responsible even for the preparation of Estimates and the presentation of Budgets and it was only after that time that the position of Financial Secretary was created to advise your predecessors on economic and financial matters, to present Budgets and to guide finance bills through this Council. Since that date, little basic progress has been made in adapting Hong Kong's governmental system to its vastly changed and still changing circumstances.

With the tremendous pressures which have been applied to it in recent years, the wonder is that this governmental machine has not broken down altogether. It says much for the quality and ability of successive Colonial and Financial Secretaries that they have been able to make it work—so far. But these responsibilities are too much for two men to carry.

With the pressures and problems mounting, it is clear to me, Sir, that the time has come for a complete review of Government's structure and organization. I propose that a Commission should be appointed as a matter of urgency to consider this vital matter which is of such great importance to us all.

There are many ways, of course, in which the governmental organization could be changed and adapted, but in this connexion, I should like to remind you of the history of other British Colonies. In other large Colonies, governmental responsibilities were grouped into portfolios, and in many places one or two Unofficial Members of Council were linked officially with executive responsibility. This process developed into the "membership" system. Unfortunately, in the minds of too many people, this sort of process has become identified with political advance, with constitutional changes, which saw Executive Councils developing into Councils of responsible Ministers and then into Cabinets answerable to fully elected Legislatures—very different indeed from our own Councils which are advisory to yourself. But I must emphasize that the development of the "membership" system was in fact not necessarily linked with political changes: It was instituted basically to solve purely administrative problems.

Personally, Sir, I envisage a decentralized, streamlined system in which all facets of our local administration are divided into, say, seven or eight Secretariats, all of which must be equal in stature (although the Colonial Secretary—who might be called Chief Secretary—would be *primus inter pares*); the heads of these Secretariats would be Officials

who would sit in more important Councils and Committees of Government, and would have access to yourself. The precise grouping of existing Departments must be given detailed consideration. It is not beyond the imagination however, to envisage, say, a Hong Kong Chancellor of the Exchequer (the Financial Secretary) who would be responsible for the Treasury, Inland Revenue Department, Rating and Valuation and so forth; perhaps a Secretary for Economic Affairs would be responsible for Commerce and Industry, Agriculture and Fisheries: a Secretary for Transport to look after air, sea and land communications: and so on.

As for the Unofficials in such a system, I see their role not only growing in importance, but also their tending to become specialists. As you are aware, over the past few years a few of us have already tended to concentrate on one or two or three subject matters. I should like to see this (trend developing and Unofficials being strongly linked with the membership system.

In this connexion, I think all must be impressed by the undoubted success of the Public Transport Advisory Committee, under the able chairmanship of my honourable Friend, Mr Y. K. KAN. This has provided a unique and valuable means whereby the public may make their views known—and to good effect. The setting up of the Telephone Advisory Committee in the past year was a valuable extension of this system. I should like to see it carried further to include matters which until now have been regarded mainly as spheres of official influence, so that all the important Advisory Boards and Committees are headed by Unofficials. For example, the Board of Education, the Medical Advisory Board, the Town Planning Board and the Trade and Industry Advisory Board.

In recent years there have been constant exhortations aimed at local commerce and industry to up-date and modernize management. It seems to me, Sir, that with the well-being of nearly four million people dependent upon our continuing prosperity and good management, it is vital that Government should give the lead. Hong Kong's importance in the world should be reflected in the form of Government under which we live.

Most of our problems are inflicted upon us from outside. The problem of improving governmental structure is at least one problem which is within our own competence to solve—and the sooner a start is made on it, the better.

Earlier, I mentioned the need for a Commission to be appointed to study and advise on this matter: I suggest that it should consist of both Unofficial and Official Members of Council—say 2 or 3 from each—under the Chairmanship of an Unofficial.

In conclusion, Sir, I should emphasize that what I have said is in no way a criticism of the Hong Kong Civil Service: we are indeed fortunate and proud to have civil servants of their calibre serving the people of Hong Kong. On behalf of my unofficial colleagues, I wish to thank members of the Service for their loyal devotion to duty at all times.

Sir, I beg to support the Motion before Council. (*Applause*).

MR FUNG PING-FAN: —Your Excellency, as in the last two annual Budget Debates, today I am going to speak on Education and Tourism— subjects of interest to myself, as I believe they also must be to the public, but not too easy to tackle, as Education is one of the most complex problems that has been taxing the ingenuity of successive heads of that Department, increasing in magnitude with succeeding years, whilst Tourism, though of recent importance, depends on various factors some of which require our early attention.

*EDUCATION*: First, let me say how happy I am to see that some of the suggestions I put forward in my last two Budget Debates on Education have been accepted with such successful result, particularly with reference to adult education or extra mural studies. More adults attend evening classes, and the subjects taken range far and wide, with demands exceeding all expectations.

In my speech at the Debate last year I urged that steps be taken to implement some of the suggestions put forward for the education of Educationally Sub-Normal children which is of great importance today, and it would be interesting to know what steps have since been taken in this matter. Experts in this field of education should be engaged to train these mentally retarded children but, in this connexion, I should like to say that Government often sends people abroad or invites experts to come and advise it on various matters, but on the return of the officers, or the arrival of the experts, they are often not fully used for the work for which they have been trained or invited, and thus it is a waste of the time, money and enthusiasm not only of the persons concerned, but also of the international governments, agencies or training establishments that have done all they could to help Hong Kong.

Another aspect of education concerns the age of entry of children to Government and Aided primary schools. There has been much opposition from the public and from the Chinese Press, and Government had to relax it slightly, but it is hoped that it could be entirely revised, and children allowed in at age 6 and not 7. The Junior British schools may admit children at age 5 into their infant schools, and this has caused

an added grievance for the Chinese population. Government would be wise to take a bolder action if it finds something not quite suitable or practical for adoption.

It is well known that in Singapore every child of school age can go to school without the attendant difficulties one encounters in Hong Kong, and in fact, it is said that free education is available to all who seek it in Singapore, and the educational standard offered is not inferior to our own. Whilst having regard to our population of 3.75 millions, and with our present tax structure, it is too good for us to hope for this Utopian state of affairs obtaining in Singapore, surely it should not be impossible for Government to make education available to the average people at fees within their means, even to the extent of subsidizing schools heavily to enable as many children as possible to receive an education of sorts, to keep them away from the streets where delinquency is steadily on the increase.

Sir, in your resume at the meeting of this Council three weeks ago Your Excellency referred to the Marsh/Sampson Report, mentioning that the Working Party on this Report had now completed its work, and that the recommendations were being considered by Government. I earnestly hope that Government will not find it necessary to reduce the emoluments of teachers generally. If emoluments for teachers fell very much out of line with civil service emoluments it would undoubtedly have an adverse effect on recruitment, because capable men and women who might be interested in a teaching career would be detracted to other sections of the Public Service. When this happened, the standard of education would be seriously affected, and this would not be to the best interest of the community, bearing in mind the important role the future generations are expected to play in the affairs of Hong Kong. In fact, I should much like to see the lots of our teachers made happier, for theirs is a responsible task requiring concentrated attention, and they should be relieved of financial anxieties to enable them to devote their undivided thought to the training of our young.

In this reference to the lots of our teachers, I should also like to suggest to my honourable Friend the Director of Education that instructions be issued to all schools that any teacher who is sick and cannot attend duty should not be mulcted his pay during the period of his illness if his application for leave is supported by a medical certificate. It is the discontent of some teachers in certain schools that when ill they must attend duty or have their pay deducted for the period of the duration of their absence which I regard not only as unreasonable but most inhuman. Every teacher should be entitled to a certain number of days a year for illness, above and in addition to his normal annual leave period, with pay. Teaching requires much mental strain, and is more tiring than a day at a commercial office, and therefore a

teacher should be accorded every possible consideration to enable him to give of his best to help train our young whose future is in his hand.

I now turn to our two universities, and note that a sum of \$27-million has been earmarked under Head 74, Subheads 3 and 7 in respect of their recurrent expenditure. I believe that this is the highest sum budgeted for these two universities, and it is also gratifying to see that, for the first time, \$13-million is allocated the Chinese University, or almost half the total subvention for this purpose, and it is therefore hoped that this institution will play as important a part as its sister organization in producing graduates of a calibre to satisfy the needs of the community.

I understand that graduates from the Chinese University will be eligible to apply for a variety of positions in the Public Service, and I earnestly hope that Government will do its best to attract and accept these graduates. Whilst it is expected that graduates from the Chinese University will have as high a standard as graduates from other Commonwealth universities, the problem of language might give rise to some difficulties. It should be appreciated that it is an extremely difficult task for any university graduate to master both Chinese and English adequately, and that a most competent person might fail in the recruitment if the target for English requirement is set too high. I understand full well the need to require a candidate to be able to express himself clearly and accurately both in written and oral English, but it would be most unfortunate, and indeed a loss to the community, if a very capable and intelligent candidate was turned down on account of a slight deficiency in English. I would therefore advise a further and fuller use of the Government Language School to provide in-service training in English to those who might require it. This way, Government should have no fear in recruiting competent local men and women to the Public Service, notwithstanding that their standard of English is initially slightly below the requirement.

Sir: I would like to take this opportunity to refer to a speech made by an elected member of the Urban Council at its Annual Conventional Debate in December last when certain astonishing allegations were made against Government-operated primary schools whose standard is said to be hopelessly low, and that many parents would prefer to keep their children at home or send them to private subsidized schools than to those run by the Government. It would be interesting to know if there is any truth in these allegations, or how far can they be regarded as justified. It has also been alleged that of 94 pupils from a Government primary school sitting for their Primary VI Joint School Examination not a single child subsequently gained admission to a Government or subsidized secondary school. Also, is it a fact that, as alleged by the abovementioned Urban Councillor, "a couple of recently opened Government primary schools in Kowloon still have a number of classrooms

completely or partly vacant for want of pupils“? As this is a matter of much interest to parents and the public alike, and concerns the educational policy of the Government, such grave allegations should not be left unanswered, lest silence may be taken as tacit admission of such accusations. I would therefore invite Government to make a statement in refutation of the allegations or explain the circumstances that could have led to their origin.

There is another matter I should like to bring up at this meeting, and I wish to ask my honourable Friend the Director of Education to explain if it is true that Government has changed its policy by not subsidizing, or not offering subsidy to, both sessions of a two-session school, even in the rural areas or Resettlement Estates (i.e., one session to be operated as a subsidized school and the other session to be operated as a private school). As a result, many of the schools have failed to operate their private sessions because of their failure to enrol pupils in the private classes which charge higher fees. Thus many school places have been left vacant. So long as there is a shortage of school accommodation in Hong Kong, Government should make every possible use of school premises by offering subsidies to both sessions to keep them filled.

Concluding my observations on Education, I would like to say that, generally speaking, I personally feel that the position of providing primary and secondary education for our young has greatly improved during the last year or two, and I am confident that the Director of Education and his hardworking staff must be aware of the need of continued improvement, and will leave no avenue unexplored to provide the best possible education to the teeming number of children of school age. With an ever-growing child population, and with an improved standard of health where the number of birth vastly exceeds that of death, one can readily sympathize with the Director of Education whose duty it is to provide a decent education for all within their means, and of a reasonably high standard to justify the confidence of parents.

*TOURISM:*—Your Excellency, tourism today is universally recognized as a potential means of earning foreign exchange, and is widely acknowledged as an important industry, and every country is trying its hardest to attract visitors from abroad, offering every inducement to make them stay as long as they can, and to return as often as possible. It is therefore important that we in Hong Kong should pay greater attention to our tourist industry which today is ranked high in bringing in much-needed income. This being so, Government should accord the Hong Kong Tourist Association the greatest possible support by granting it a more liberal subvention to enable it to keep pace with the rapid growth which is reflected in the figures I shall reveal later. The expenditure of the Association should come direct from Government

instead of having to depend on taxing any particular trade to raise revenue before allowing more fund for its operation. It should be considered as part and parcel of Government's undertakings, as its successful operation would mean greater, though indirect, revenue to the Government, as the figures I shall quote will show.

To attract more tourists who come for sightseeing and to admire our much-famed scenic beauty, it is important to keep our streets clean and our harbour free from pollution. In some parts of Kowloon the air is also much polluted with black smokes from chimneys, and this state of affair should be remedied soonest possible.

Hong Kong has the greatest number of visitors of any country in the Pacific area. During 1964 the figure amounted to nearly 400,000 people who stayed for more than 24 hours, which is a remarkable growth since 1957 when the figure was approximately 50,000. There are still some people who have not realized the value of this industry to Hong Kong, so perhaps the simplest way of assessing its worth, particularly to the revenue of the Colony, is to quote a few figures. For instance, the revenue derived from intoxicating liquor in 1958-59 amounted to \$16.04 million compared to the figure of \$51.81 million for the first nine months of the financial year 1964-65. It is realized that there has been a small increase in the rate of duty, but this cannot account for the phenomenal increase, nor can the consumption of our indigenous population be responsible for this increase in revenue. The revenue from imported tobacco over the same period has risen from \$46.67 million to \$104.23 million for the first nine months of the current year, and the same remarks apply to this commodity.

Another item of interest which applies only to our American visitors: in the year 1958-59 approximately 44,700 Certificates of Origin were issued for parcels valued at \$268,233,794, whereas in 1963-64 152,129 Certificates of Origin were issued for goods worth \$548,744,241. This is an indication of the value of tourism to Hong Kong; surely therefore it is an industry which should be fostered and encouraged in every way possible, but is this being done? Also, could not a lot more be done to make some much-needed improvement? I will quote two instances.

Before very long it is more than probable that there will be an increasing number of foreign visitors arriving in Hong Kong through the land frontier at Lo Wu. At present the railways station at this point is not too complimentary to the beauty of Hong Kong, and the whole process of reception at this frontier point should be carefully examined. Let it be remembered that first impressions are lasting, and the Lo Wu railways station leaves much to be desired.

Government is to be congratulated upon the Immigration Department staff increases at the airport and harbour sections, which inevitably will have a beneficial effect on our already efficient treatment of passengers arriving by air and by sea, but unfortunately there is one point of entry and exit which is still in a very unsatisfactory state, and that is the Macau Ferry Terminal. This terminal is ill-equipped to deal with the very large numbers of people now using it. This is one of the tourist amenities and facilities which requires immediate attention.

Apart from our much-famed scenic beauty and one of the finest natural harbours in the world. Hong Kong has little to offer in the way of attractions to our tourists, and this has recalled to mind an idea I advanced some years ago at one of the annual conventional debates of the Urban Council when I suggested the establishment of an oceanarium that should be the best of its kind in this part of the world. Such an innovation in Hong Kong would benefit not only our tourist trade but also our local inhabitants, particularly to our students and fishermen who would find it of value in their zoology courses and the study of marine life. I would still earnestly commend this idea to Government and urge that everything possible be done to make a serious study of the project which I am sure will be of lasting value to Hong Kong.

Sir, on the whole, the present Budget is more than favourable, and none can reasonably find serious fault with it, and with the observations I have advanced, I accordingly have great pleasure in supporting the Motion before this Council. (*Applause*).

MR R. C. LEE:—Your Excellency, in spite of the fact that about one million persons have been housed directly or indirectly with the aid of public funds, the solution to Housing is still far from being in sight. The figure of one million represents more than one quarter of our population and the success in housing such a large proportion of our community is no small achievement. When introducing his Budget at the last meeting of this Council, the Honourable the Financial Secretary indicated the possibility of Government embarking on slum clearance or urban renewal schemes with the hope that such schemes would be financially self-supporting in a fairly short term. Slum Clearance is a large and complicated task confronting us today. It has the most direct bearing on Housing which I consider to be a vital problem for Hong Kong and therefore I propose to devote myself to this subject.

In last year's Budget Debate I said that the main obstacles to the redevelopment of slum property were the lack of initiative and the shortage of resources on the part of small tenement owners. There was no doubt in my mind that many small owners would be glad to

have their property redeveloped, and all that was needed to spark off redevelopment would be to find someone or some organization on whom they could rely to help to carry out the scheme. I suggested then that Government might come into the scene.

Today I am essentially of the same view. Not only is that view now reinforced by a much greater sense of urgency because of the increasing number of buildings becoming dangerous, but because it is a matter of grave concern that rents remain high, so much so that rents are totally out of proportion to the income earned by the masses. I am positive that one sure way to ease the situation and to bring supply and demand to a reasonable balance is by redeveloping old property. A steady increase in the supply of lower rental accommodation is the only way to bring rents down.

Our slums are composed of old tenement houses built many years ago of inflammable floors and staircases with kitchens directly adjoining the living quarters with no bath or lavatory accommodation, with the kitchens being used for that purpose. These premises are in an appallingly overcrowded condition.

The life of all this type of house should not have been prolonged to this date but for the extreme difficulty in evicting tenants therefrom who are protected by the Landlord and Tenant Ordinance. The result appears to create a vested interest for principal tenants in these dilapidated and overcrowded houses thus perpetuating fire hazards, insanitary conditions and danger of collapse.

Many of these houses were built on piling of China fir. Due to the lowering of the water table, the portion of every pile above water has been destroyed by white ants and the houses are standing because they are being supported by each other in a row. If one of these houses is demolished the adjacent houses will immediately show signs of settlement and any vibration caused by new piling will render these houses very dangerous for habitation. In consequence some 300 rebuilding schemes have been held up.

In the case of some dangerous buildings it has been necessary to seek Court Orders to move tenants out so as to enable the adjoining site to start work on piling. I have great sympathy for all the tenants so displaced but it cannot be disputed that the hardship caused by a collapsing house must be greater than that of moving out before the building starts to tumble. A solution must be found over this impasse. One of the ways, and possibly the only practical way to meet this difficulty is for the owner of the site that is being held up for redevelopment to buy the adjoining dangerous buildings at a fair price or to negotiate with these owners to come in for joint development.

In order to encourage urban renewal on a large scale, we must eliminate the idea of making the ownership of property so burdensome and unprofitable that there will come one day when property will be unconditionally surrendered to Government as it sometimes happens in England where it can be a liability to own a dilapidated house in a slum. In the economy of Hong Kong it is of the utmost important to maintain confidence in real property as an investment, as a security for obtaining finance for every form of economic activity and as an attraction for the inflow of capital.

Up till now, it has often been found difficult to get house owners to agree on joint redevelopment. As long as their houses show no sign of immediate disintegration, they cannot be blamed for not rebuilding; but a stage has now been reached when many old houses are in danger of impending collapse. Many lives may be involved and it is now time for owners to shake off prejudice and narrow self-interest. They should get together to thrash out their differences and pool their resources for speedy action. Owners should be led to understand that the purpose of redevelopment dilapidated property is not only to tidy up an area but also to raise housing standards, which must immediately bring about improvement in the value of the property. Naturally there will be arguments regarding the actual value of different sites on the same lot; agreement must be aimed at, but if none is reached among owners themselves, then they ought to resort to arbitration. If arbitration is not accepted, then, as an absolutely last resort, Government should step in and purchase the property at the market price. It is important that Government should not indulge in any action resembling land resumption which in fact means the payment of monetary compensation below the price obtainable in the open market.

One practical aspect of the problem requires careful scrutiny. In a large site for redevelopment, there are bound to be lots within it that have leases with lengths and terms different from others. I have heard of suggestions that all lots should be resumed and incorporated into one lot and regranted under one lease. If that must be done I would suggest that existing lots with longer leases than that of the regrant should receive some extra consideration. It is obvious that a lease with a term of 999 years cannot be treated in the same way as a lease of 75 years.

I believe private enterprise is entirely capable of redeveloping our slums successfully if given reasonable time. That this belief is not without foundation has been amply demonstrated by the part private enterprise has played in the tremendous development in Hong Kong. In the past, when opening up a new area, it was the practice for Government to decide on the layout; and the lots on either side of the road were sold for development. The Wanchai reclamation and the North Point reclamation are examples. In the redevelopment of old property,

the same method should be followed. Government should work out, in the first instance, a comprehensive plan for a district earmarked for urban renewal, which must of necessity include the realignment of roads, the closing of unnecessary streets, the provision of spaces for schools and recreation. Having decided on such a layout, private enterprise can go ahead to redevelop the property involved, on the basis of the plan for the area.

Normally if such a plan is economically attractive, there should be little difficulty in its implementation. But there is always a possibility that some small owners, for one reason or another, do not wish to participate, thus obstructing the whole scheme. In order to carry out extensive redevelopment for the benefit of the community as a whole without being obstructed by minority interests, I consider it necessary to seek legislation whereby such objections could be overruled. A reasonable proposal may be that if 70% of the owners are willing to join in a redevelopment scheme, the minority of 30% should follow the majority decision or else they should be obliged to sell their property at a fair market rate either to private developers or to Government.

I suggested many years ago that a Corporation should be formed with the sole object of assisting redevelopment of slum houses, to be run as a commercial concern and its capital to be supplied by Government. I believe this idea will still work. Government, through the Corporation, may help a redevelopment project by financing the purchase of the property of the minority who object, thus helping to set the project in motion.

It has been repeatedly suggested during recent years that Government should take over old houses on resumption and then auction the land for redevelopment. This is unwise because it will inevitably lead people to think that Government is only interested in profiteering— which is damaging to public confidence.

Another big problem in slum clearance is the rehousing of tenants displaced. It has been proposed in some quarters that these people should be moved to such places as Sha Tin or Chai Wan irrespective of their former place of abode. There should, I think, be no preconceived ideas about this. In any case, one of the considerations should be that these displaced tenants should not be forced to move to places too far distant from their original district where they make their living or where their children go to school. We are all too well aware of the difficulties of our public transport problems.

A procedure for slum clearance and rehabilitation would be something like this: let Government allocate a site that is not too difficult of access; build a decanting centre on it which can at least accommodate all those to be evacuated from houses on a site due for redevelopment;

move evacuees into decanting centre; demolish the old buildings; build on the cleared site. Occupants of decanting centres must move out as soon as the redevelopment of their former houses is completed for occupation.

A question has often been asked what should be done in the event of tenants preferring not to accept compensation but to be reinstated in the same address after the house is rebuilt. I suggest it would be reasonable for such tenants to be given priority and charged a rent, say, one third below the rent assessed by the Rating & Valuation Department, such reduced rental to apply for a period of five years.

It will be seen that the main financial commitment of Government will be the initial outlay of a sum for building the pilot scheme for the first decanting centre. If Government is to take on the responsibility of providing accommodation for displaced tenants, then a proportion of the compensation payable by a landlord to his tenants for disturbance should be paid over to Government.

I may go so far as to suggest that such a decanting centre may be built irrespective of whether agreement has been reached or not for an area to be redeveloped. It can serve as a model for all to see, and when owners realize to what extent redevelopment can be improved on a fair size site, they will certainly strive towards a joint venture.

I may mention some of the facilities that should be incorporated into our urban renewal schemes. Car parking is indispensable to modern living and although the schemes we have in view are not intended for the rich, some cars are bound to be owned by the tenants concerned. Provisions must be made also for loading and unloading to be done off the main roads, as well as for a covered playground for youngsters. Provided that the site is not too small, there is no difficulty for all these facilities to be incorporated. Car parking can be done on upper floors, which is, I believe, more economical to provide than in basements. Management and maintenance of the property might well be financed from the rent received for parking spaces provided that the number is large enough. Experience has shown that a new method of paying for management and maintenance must be found, as a "mutual covenant" has proved to be ineffective because it is too difficult and too expensive to enforce.

The Estimate given by the Honourable the Financial Secretary of our total commitments for housing of all kinds over the next five years is 1,400M dollars which I note, is equal to the total revenue for the year 1963-64. These are very big commitments and I am in full agreement with him that we must continue to rely very substantially on private enterprise housing. It will not be practical for Government to place additional large sums to deal with slum clearance. Bearing this in

mind, I suggest that Government might explore the possibility, without delay, of setting up a Corporation jointly with private enterprise to deal with this problem. There are, I know, public spirited persons who are willing to offer their services in helping to initiate a few schemes on the lines I have suggested and show how urban renewal schemes can be done speedily without large subsidy being provided by the tax payers.

Sir, I have much pleasure in supporting the motion before Council. (*Applause*).

MR C. Y. KWAN:—Your Excellency, the first subject matter which I propose to raise this afternoon is the question of the existing unsatisfactory state of our law governing the distribution of the estate of persons of Chinese race who die in Hong Kong intestate. As a result of Section 5 of the Supreme Court Ordinance 1873, which reenacted earlier legislation, and which, I think, owes its origin to two Proclamations, issued in 1841, one of which contained a declaration by Captain Elliot, and Ordinance No 1 of 1857, we have in Hong Kong two systems of law governing the devolution of the estate of an intestate, one under the Statute of Distribution, which applies to non-Chinese, and the other the Chinese law and custom as existing on the 5th of April, 1843, which applies to persons of Chinese race. Section 5 of the Supreme Court Ordinance of 1873 reads:—

“Such of the laws of England as existed when the Colony obtained a local legislature, that is to say, on the 5th day of April, 1843, shall be in force in the Colony, except so far as the said laws are inapplicable to the local circumstances of the Colony or of its inhabitants, and except so far as they have been modified by laws passed by the said legislature.”

So far as the devolution of the estate of persons of Chinese race who die intestate in Hong Kong is concerned, our law, therefore, is that we apply the ancient Chinese law and custom as existing on the 5th of April, 1843, which for short is known here as the Tsing law, even though such law and custom has ceased to be applicable even in China since 1911. In view of the fact that it has ceased to be of any application in China for more than half a century it has not always been easy for our courts to ascertain the full extent of such law and custom. Experts called by the parties involved in the litigation to give evidence before our Courts as to what was such law and custom as applicable to any particular issue, quite often disagreed with each other, thus adding to the difficulties of the Courts and making it almost impossible for one to be sure of what that law and custom really was as applicable

in any particular issue that is not of the simplest kind. In this connexion, Sir, I may quote the following passages from a judgment of the Full Court in a certain case: —

“The validity of such a verbal direction depends firstly upon whether it was a valid and binding direction under Tsing law and custom and if so whether it is incorporated into the law of Hong Kong as part of the law of distribution upon intestacy. If it is so incorporated, Tsing law and custom is part of the law of the Colony of which the courts may take judicial notice; the court regards itself therefore as not being confined to the evidence of those experts who appeared as witnesses but as being at liberty also to consider such text books and other like sources as may appear helpful, in the difficult task of ascertaining its extent and effect.”

“It is unfortunate that upon such meagre material questions of laws appertaining to inheritance should be resolved, but the attempt must necessarily be made.”

Apart from the question of uncertainty, which itself calls for immediate legislation to put the matter right, the Chinese law and custom as existing in 1843 is most unfair to the female descendants of the Chinese intestates, because according to it only male descendants are entitled to succeed to the estate of the deceased paterfamilias, unless all the qualified heirs of the deceased paterfamilias have become extinct, qualified heirs in this context not being confined to the deceased's own sons, whether natural or adopted, so that a male outside the deceased's immediate family may take priority over the deceased's own daughter; the deceased's widow is entitled only to maintenance, and his daughter is entitled only to maintenance until her marriage, though on marriage she is entitled to a dowry.

As long ago as 1948 Government appointed a Committee under the able chairmanship of the late Mr George STRICKLAND, the then Solicitor General, of which I was a member, to consider and make recommendation, *inter alia*, as to how far Chinese law and custom as existing in 1843 was then applicable to the Chinese domiciled in Hong Kong or to the other Chinese resorting there, and as to whether with or without modification such law and custom should be incorporated by ordinance into the law of Hong Kong, and generally to consider and make recommendation as to what was the best course, legislative or otherwise, to adopt in relation to Chinese law and custom in force in Hong Kong. After numerous meetings and after consulting the opinions of various experts on the subject the Committee finally made its report to Government in December, 1950. The Committee's report contained a number of suggested ordinances for the purpose of carrying out its recommendations, and one of the draft ordinances dealt with the subject of the distribution of the estate of a Chinese intestate domiciled in Hong

Kong. The report was published in February, 1953 and formed the subject of certain amount of public discussions at the time. It is true that some of the Committee's recommendations gave rise to some controversy, particularly on the question of the abolition of concubinage, but that in my respectful submission does not justify the setting aside of the Committee's report entirely. In spite of the long lapse of time since 1953 we are still in the position as we were then. I submit that it is highly unsatisfactory to leave the matter as it is for any length of time, at least as far as the law governing the distribution of the estate of a Chinese intestate is concerned. I must, however, urge Government to take immediate steps to remedy the present state of affairs by introducing the necessary legislation into this Council at an early date. In urging Government to do this I am not unconscious of the fact that my honourable Friend, Mr John MCDOUALL, the Secretary for Chinese Affairs, has done a good deal of hard work in connexion with the subject matter of Chinese marriage. While I appreciate that the question of the inheritance of the estate of a Chinese intestate is in some respects bound up with the question of what is a valid Chinese marriage for the purpose of ascertaining or defining the classes of persons entitled to distribution on an intestacy, I nevertheless feel strongly that the time has come that both issues, i.e. the question of the distribution of the estate of a Chinese intestate and that of what is to be regarded as a valid marriage among the Chinese, must be tackled simultaneously and energetically without any further delay.

Sir, what I have said so far relates only to the distribution of the estates of persons of Chinese race. I may perhaps mention, in passing, that our law governing the distribution of the estates of persons not of Chinese race domiciled here who die intestate, is based on the English Statute of Distribution passed in 1670. This is no longer the law of England; in the case where the death occurred after 1925 the Administration of Estates Act 1925 applies. Apart from any other objection there is the practical difficulty of ascertaining such old law, since it is not to be found in modern law books and the old text-books are out of print. As my honourable Friend, Mr P. C. Woo, is going to address Your Excellency on the question of law reform, I may suggest that Government will include this subject in its first plan to reform the archaic laws there.

Sir, the second subject which I wish to mention is one that in certain event seriously affects the security of a mortgagee who advances money to a mortgagor on the security of a mortgage of properties situated in the New Territories as well as in other parts of the Colony. Under the present law there is no stamp duty payable on a mortgage deed in respect of such part of the security as consists of property in the New Territories, but the District Land Office charges a registration fee at the rate of 20 cents per \$100 of the amount secured by the mortgage,

whereas in respect of such a part of the security as consists of property in the island of Hong Kong or in Kowloon there is a stamp duty payable on the mortgage deed also at the rate of 20 cents per \$100 of the amount secured by the mortgage and the Land Office charges a registration fee, ranging from \$1.00 to \$120.00 per mortgage deed, depending upon the amount secured by the deed. It will be observed. Sir, that the registration fee charged by the District Land Office in the New Territories for the registration of a mortgage deed is at the same rate as that of the stamp duty payable on a mortgage deed relating to property in Hong Kong or Kowloon, namely 20 cents per \$100 of the amount secured by the deed. No difficulty arises when all the properties, the subject matter of the mortgage, are situated either wholly on the island of Hong Kong and/or Kowloon or wholly in the New Territories, because in that case you pay either the stamp duty or the registration fee at the rate of 20 cents per \$100 of the amount secured by the deed. But complication arises in the case where the security under the mortgage consists partly of property in the New Territories and partly of property in other part of the Colony. When you present such a mortgage deed to the Stamp Collector for stamping he would request you to apportion the amount secured by the mortgage between the New Territories property and the property in the island of Hong Kong or Kowloon, so that he might stamp the deed according to the amount intended to be secured by the property in Hong Kong or Kowloon at the rate of 20 cents per \$100 of such amount, leaving the balance of the total amount secured by the mortgage as being secured by the New Territories property, for which no stamp duty is chargeable in Hong Kong, but a registration fee is payable in the New Territories. If you do make such an apportionment, you are deemed to limit your security to the amount as apportioned in respect of each property, so that if there should be any depreciation in the market value below the apportioned amount in respect of one property and appreciation in the market value above the apportioned amount in respect of the other property you would lose the benefit of the appreciated value of one of the properties as part of your security. On the other hand if you do not make the apportionment, the mortgagor has to pay double the amount of duty on the mortgage deed by way of stamp duty in Hong Kong on the full amount secured by the mortgage deed and registration fee in the New Territories on the basis of the same amount, which would be grossly unfair, for after all whether under the name of stamp duty or under the name of registration fee it is in fact a form of duty chargeable on the mortgage deed by one and the same Government according to the amount secured by it. So far as the mortgagee is concerned, all the properties, wherever situated and every part thereof, which are subject to the mortgage, are his security, so that he does not stand to lose anything, if such properties taken together are of sufficient market value to secure his advance. The essence of the transaction is that the mortgagee must have recourse to each and every

property which forms the subject of the security, for the full amount secured by the mortgage. It is, therefore, submitted that the stamp duty law and the Fees Rules of the New Territories should be forthwith amended so as to give full effect to this without making the mortgagor pay more than 20 cents per \$100 on the total amount secured by the mortgage. Accordingly I urge very strongly that Government should take immediate steps to remedy the present unsatisfactory state of affairs. One of the ways may be to abolish the present system of collecting the duty on a mortgage deed under two different names, that is, by calling it stamp duty in Hong Kong and Kowloon, and registration fee in the New Territories, through two different departments of the Government, where the mortgage includes properties in the New Territories as well as in other parts of the Colony, or alternatively to legislate that in the case where properties in both places are included under one mortgage deed the payment of stamp duty in Hong Kong on the full amount secured by the deed will *ipso facto* exempt payment of what is at present called registration fee in the New Territories, which, to all intents and purposes, is really a form of stamp duty as evidenced by the fact that the scale of charges is identical in both cases.

Sir, I may also take this opportunity of asking Government to make two amendments to the Land Office (New Territories) Fees Rules. Firstly paragraph (e) of Rule 1 should be amended, so as to exclude therefrom the reference to collateral security and so as to limit the registration fee for the registration of a collateral security to the maximum sum of \$20, in order to be consistent with what is payable by way of stamp duty on a collateral security involving property in Hong Kong or Kowloon. In 1961 Head 39(2) of the Schedule to the Stamp Ordinance was amended so as to reduce the stamp duty on a collateral security to the maximum sum of \$20. Secondly the proviso to Rule 1 of the Land Office (New Territories) Fees Rules should also be amended, so that in the case of the registration of a mortgage or a lease or an agreement for a lease there is no question of the fee being payable on the basis of the value of the property involved, which is inconsistent with paragraph (b) or (e) of the same Rule. While I am aware that in practice the said proviso is not applied to a mortgage, as such application would produce an absurd result, I feel nevertheless that the legal position should be clarified by an amendment at an early date.

Finally, Sir, I would like to point out that at the last year's budget debate I requested an amendment of Head 28 of the Schedule to the Stamp Ordinance, dealing with the question of stamp duty payable on a deed of exchange of properties, and that my honourable Friend, the Financial Secretary, accepted my request. May I then ask that the necessary amendment be introduced into this Council without further delay.

Sir, with the above observations I have much pleasure in supporting the motion before Council. (*Applause*).

MR KAN YUET-KEUNG:—Your Excellency, I shall be speaking mainly on Public Transport with particular reference to Heads 1 and 4 of the Revenue Estimates, but before doing so, I should like briefly to deal with one or two matters arising from the speech of my honourable Friend, the Financial Secretary.

In the course of his speech my honourable Friend announced the increase in the price of sand and water. Although he spared no pains in explaining in great detail and with laudable logic the reasons for putting up the water charges, he justified the increase of the price of sand in just one sentence. No doubt he felt that the increase was a mere trifle, to cover costs, as he put it, and that the effect on building cost would be negligible. That may well be so, but there is an important question of principle involved here which, in my opinion, should be clarified publicly.

Whilst it is generally known that Government has a monopoly on the sale of sand to the public, it is perhaps not so widely known that for many years now Government has been obtaining the sand through an intermediary who enjoys the exclusive right to supply the sand to Government at an agreed price. Furthermore, this exclusive right has not been acquired through the normal system of tender but simply by private treaty.

I have not been able to find out how it came about that the contract was awarded in the first place, nor am I satisfied as to the explanations which were given in Finance Committee for deciding, only a few months ago, to renew the contract for, I think, another ten years. If, as was indicated, Government had no alternative in the matter, I deplore the fact that we should have allowed ourselves to be placed in a position where the whole of our building industry, indeed, even our entire public works program, virtually have to rely upon 'this one person to supply their basic need.

It is important that Government in all things must act like Caesar's wife. I maintain that the public has the right to be informed of the full circumstances relating to this monopoly and to satisfy themselves that the charge for sand is reasonable and proper.

My honourable Friend referred to the proposed scheme for the setting up of a special fund to which all the proceeds from the Government Lottery would go and be used for social welfare capital projects. I applaud this measure as it will allay the misgivings of the public

that the Government did not intend to use the proceeds for the stated purpose of the Government Lottery. This leads me to urge again (I did so once already in Finance Committee) the desirability of Government control over the proceeds derived from racing bets and sweeps run by the Royal Jockey Club. My suggestion is not new. It was in fact urged by Mr M. W. Lo in this Council in 1958. I shall not waste the time of this Council by reiterating the cogent arguments he put forward. Unhappily, his proposal did not find favour with the then Financial Secretary. I hope that mine will have a better fate. I see no reason why Government should not have a say as to how much of the proceeds should be set aside for charitable and public purposes and how the money is to be allocated for these purposes and in what order of priority. I suggest that such matters should be entrusted to the Finance Committee or some other Committee specially appointed rather than be left to the Stewards to be bestowed as largesse. As Mr M. W. Lo said on that occasion, I am not sure that the Stewards will not welcome the change for then they will not be burdened with the heavy responsibility of charitable distribution and be free to devote their time to their normal duties as stewards.

My honourable Friend has, in his speech, referred to his powers and purposes as Financial Secretary. My honourable Friend Mr RUTTONJEE, has also spoken on the wider issues of Government Administration. I should like to make one observation on a narrower issue. I have for a long time felt that not nearly sufficient use has been made by Government of the Finance Committee and its two important Sub-Committees—the Establishment Sub-Committee and the Public Works Sub-Committee. It may well be that this is just as much our fault as Government's. The functions of the Finance Committee, the majority of whose members are unofficial members, are not clearly defined. The practice at present seems to be to refer to Finance Committee for approval all proposals by Heads of Departments only if they are accepted by the Secretariat. What is not accepted seldom, if ever, goes any further. I suggest that it is in the public interest that all Departmental requests and proposals which have financial implications should go to the Finance Committee or its appropriate Subcommittee for consideration irrespective of whether they are accepted by the Secretariat or not. Whilst we the unofficial members have never regarded ourselves as “the Opposition Party”—although having heard some of my Unofficial colleagues just now, I am not so sure—at least do not let us be treated as government back-benchers tied to the party machine. For my part, I shall not content to be one.

Turning now to public transport I wish to deal with two points which have not received much public attention. I raise these issues today because they have wide implications beyond the field of public transport.

Most comments on public transport operation are criticisms of inefficiency or profiteering. Everyone agrees that there is no room for either, but in the last resort the standard of service depends on the resources put into the job. There has been little discussion on this subject and today I wish to raise some questions of principle.

The first is the fare structure of public transport services. By this I do not mean the general level of fares which is very low and which should be kept low as long as possible. The general level of fares has remained unchanged for nearly twenty years. This is a remarkable achievement and compares with a sixty percent rise in fares in Britain over the last ten years.

The fact that our fare structure has remained unchanged for almost as long is not however a matter for congratulation, for it is now leading to anomalies which become more serious as time goes on.

Within most of the urban area of Kowloon and Hong Kong and within the old harbour limits, services operate almost wholly on a flat rate fare. This means that you can take a seven mile ride by bus or tram for twenty cents provided the whole of your trip is within this area. The moment the journey extends outside the boundaries of this area the fare goes up with distance. The bus fare, for instance, from Central to Aberdeen is two and a half times the fare for a longer journey to Shau Kei Wan. From Sham Shui Po to Tsuen Wan by bus costs twice as much as the longer journey to Kwun Tong. A ferry trip from Central to Tsuen Wan is not very much longer than the one to Sham Shui Po but it costs three times as much.

The original fare structure was drawn up for a smaller urban area and at a time when the vast majority of journeys must have been quite short. To-day new areas have been developed and old areas redeveloped but the old fare structure designed for short journeys is still retained when more longer journeys are made.

I think it is clear that the time has come to re-shape the public transport fare structure to get rid of the present anomalies. It is here that we meet the first policy issue I wish to discuss. Should we aim to increase the standard fare so that its range can be extended or should fares be more closely related to costs? Should we make some people pay for more than they are getting so that others will get more than they are paying for?

The flat rate fare would discourage short distance travelling. I find that people who do not use buses much are extremely critical of those who like to ride a bus for half a mile. Almost half the bus passengers do just this. But if we do not like people who ride for short distances we should put their fares up—put them up beyond

the cost of providing for their travel so that we shall have something to spare to subsidize those who ride for long journeys but do not pay enough to cover full costs.

It is sometimes argued that subsidizing long journeys will help in the development of outlying districts. I suggest that the effect would be precisely the reverse of what the town planners aim for. The new areas are designed to be self-contained with their own residential, industrial, commercial and social buildings. A flat rate fare structure would mean that those who made short journeys within these new areas would pay high fares in order to subsidize those who made the longer journeys to the old areas. The new areas would tend to remain appendages of the old rather than become self-contained communities.

Whatever the merits of these arguments I think there is one insuperable objection to the flat rate fare and that is the difficulty of drawing the boundary of the area within which it operates. Wherever a boundary is drawn journeys across the boundary will require higher fares and we shall get just the same sort of anomalies that we have now. I can see no way round this unless we take the extreme course of charging the same fare for all journeys from twenty five miles to a few yards.

It costs less to provide for short journeys than long, for journeys on the level than over hills and for a regular stream of passengers throughout the day than for peak hour periods. My view is that the present fare structure is anomalous and that we should revise the fares in order to reflect more accurately the costs involved. Let him who argues for special subsidies for any class of journey say who shall provide that subsidy by paying for more than he is getting.

My second point is that bus royalties amount to a discriminatory tax on the sort of road use which we should encourage rather than tax.

All road users pay taxes. They ride in vehicles which have to be licensed and they pay a tax on the fuel they use. The bus companies do not, however, pay full licence fees or fuel tax so that bus users are let off about \$5 million a year in licence fees and fuel tax. But while a car user, a lorry user or even a tourist bus user pays nothing more than these fees and taxes, the ordinary bus rider pays a royalty as well. When he hands over 10 cents for a bus ticket only 8 cents go to the Company to cover, among other things, licence fees and fuel tax. The remaining 2 cents go to the Treasury as royalty. Bus users get concessions on licence fees and fuel tax worth \$5 million a year but pay \$22 millions a year royalty.

How has this situation come about? I am glad to say I believe the motives of this Council in determining these provisions were impeccable. If no royalty were paid and services were kept at present

standards the money would go straight into the shareholders' pockets. If we regard the royalties as a sort of excess profits tax—and they amount to about half the taxable profits of those two companies—they seem much more respectable. But how is it that these large undertakings manage to make such enormous profits that they can afford to pay half to Government and keep the shareholders happy on the other half? I suggest, Sir, that these huge profits arise from the fact that Government has been too easily satisfied by the standard of service provided. Bus companies were given monopolies because it would be impractical to have free competition in this field, not in order to tax bus users. In cutting out the spur of competition Government took upon itself the responsibility to ensure adequate services and to prevent the companies from making excessive profits. To achieve this Government, I suggest, should require a considerable improvement in bus services and allow the companies to meet the cost from the royalties. Such a step would of course mean that dividends would have to be controlled for it is no part of my case to say that shareholders are getting too little. It is the bus passengers who are paying too much and it is the bus passengers who should be given back the excessive profits now required by law.

My proposal would result in a heavy loss to general revenue. It is tempting to close my remarks here; to talk vaguely about making up the loss somewhere else. The money involved could build a medium sized resettlement estate or a number of schools or clinics or welfare institutions every year. I feel therefore that it is incumbent on me to make some suggestion as to who should take this burden off the bus users. The burden is being lifted from one class of road user. My suggestion is that it should be spread to road users in general.

If, as I think, Government believes that under the present system of taxation, road users are taxed at the correct level, then the remission of royalties should be recovered from road users in general rather than any other class of tax payer. As royalty is linked fairly closely to actual use being made of the roads and not, like the licence fee, simply to the ownership of a vehicle, I suggest that the remission of royalty should be balanced by an increase in fuel tax. Fuel tax is paid by all road users and is the tax which bears the closest relationship to road use.

I must emphasize that I am not arguing for favourable treatment of bus passengers. I am just asking for a fair deal—a removal of a discriminatory tax which would be spread among all road users alike. Some might go further and say that private transport should be more heavily taxed than public. I do not go so far but as a first step do advocate that they are put on the same level. I see no reason why bus companies should not pay full rates for vehicle licence fees, fuel

tax, corporation profits tax, rates or any other charges paid by any other company. These charges will have to come from bus passengers just as a goods delivery company meets the same charges from revenue from its customers. This would mean that the net benefit to the bus users would be the royalty less the present concessions on licence fees and fuel tax and also less the increased fuel tax which they should share with all other road users. The money would be enough to buy 140 of the largest double deck buses every year. It would very soon transform our bus services. The additional cost to the road user in general would be 50¢ a gallon on petrol and 40¢ a gallon on diesel.

Car and lorry users will not like this. I shall be attacked for advocating an intolerable burden on goods transport. My answer to commerce and industry is that the increase in goods transport comes from a reduction in the cost of transport for the people who make, handle and consume the goods. Car users who never use buses and who do not rely in any way on low bus fares to keep their costs down would pay more. I make no apology for advocating that they should share a burden which has been borne for so long by bus users alone.

I realize my proposals are far-reaching. I also realize more fully than many that even if they are thought to be acceptable they cannot be implemented over night. We know far too little about the travel habits of our people and about the finances of bus operation to see just where various versions of these proposals would lead us. I know that the Passenger Transport Survey is working on the operational details. I am extremely concerned at the lack of progress in recruiting staff recommended by my Committee two years ago to conduct the financial analysis of public transport operation and I hope a statement on this point will be made when my honourable colleagues reply.

For the rest my remarks are intended to start a public debate on important issues, not to ask for Government acceptance of these aims during the next fortnight.

In my view the aims of policy we should have before us when we examine the experts' reports are:—

- to re-shape the public transport fare structure, to relate charges to costs as closely as possible and to cut out cross-subsidization;
- to remove the discriminatory charge of royalties on bus users and to subject bus users to no more than the charges and taxes paid by other road users;
- to ensure, by dividend control, that remission of royalties shall go to the benefit of bus passengers and not bus company shareholders; and

to make up the consequent loss in general revenue by increased fuel tax payable by all road users alike including bus users.

My necessarily rough and incomplete calculations suggest that:—

- (a) long journeys in the urban area would cost more;
- (b) short journeys across the urban area boundaries would cost less;
- (c) the rate of expansion of bus services could be increased by well over fifty per cent thus making big cuts in waiting times; and
- (d) petrol would cost an extra 50¢ a gallon and diesel an extra 40¢ a gallon to all road users.

Sir, I support the motion before Council. (*Applause*).

MR S. S. GORDON:—Your Excellency; we all like to have an Ogre —by this I mean some person or body who can be blamed for the vicissitudes of our particular lot. High in the list is the “They” who should be doing something about it, and of course Government. Another favourite Ogre is the man who controls the money-bags and the explanation of my honourable Friend on the powers and purposes of a Financial Secretary will have come as a great disappointment to many. However, memories are short and I am sure that his apologia will soon be forgotten and that in no time at all he will resume his rightful place in the Ogres Gallery. It will have been noted that with his customary skill, Mr COWPERTHWAITB did cover himself when he said that he doubts if he can influence the estimate of expenditure by more than a few millions. We may all speculate and have our own pet theory as to what particular few millions have been so influenced. For example, I am quite sure he must have been referring to the astounding lack of provision for any expenditure on new car parks. This important matter has been raised twice in this Council during the past year. On 3rd June 1964 we were told that it had been decided to review the whole policy as a matter of urgency. On 23rd December the story was that certain proposals were being drawn up and that it was hoped to make a statement before very long. This procrastination overrides the announcement during the 1961 Budget Debate to the effect that Government accepted the view that it is necessary in the public interest to provide such car parks. The question is also regularly pursued on Public Works Sub-Committee but without success, and the only reference thereto in the Estimates is two multi-storey car parks which have been lying in Category C of the Public Works programme since 1960, and a car park at Hennessy Road in Category B since 1963, and on which no progress has been made. My honourable Friend Mr WATSON will be speaking on this subject, so I will say no more to-day.

My honourable Friend Mr Y. K. KAN has discussed the question of Bus Royalties at some length and has made a number of thought-provoking suggestions which call for detailed study by all of us. When examining the Estimates, the income from Franchises on page 13 caught my attention and, before seeing Mr KAN'S speech. I drafted some observations thereon which to some extent supplement his remarks, but also perhaps approach the problem rather differently. Of the Revised Estimate of income from Franchises for the current year of HK\$36,759,000.00, no less than HK\$18,186,000.00 comes from Kowloon Motor Bus Co.; for 1965-66 the estimated total is HK\$36,437,000.00, of which Kowloon Motor Bus is expected to provide \$19 million, or over 52%. This prompted me to look further into the question of Franchises and I found that the position varies very widely from Company to Company. In the Transport field the figures are—

Peak Tramways:	5% on first \$700,000.00 of tolls and 10% on tolls in excess of \$700,000.00.
Hong Kong Tramways:	23-1/8% of net profit.
Yaumati Ferry:	25% of net profit.
Star Ferry:	Here the provisions are complicated, but in practice I understand they amount to 25% of net profit.
China Motor Bus:	46% of net profit.
Kowloon Motor Bus:	20% of gross receipts which I believe last year was equivalent to 58½% of taxable net profit and will be an even higher percentage this year.

Other Franchises are—

Cable & Wireless:	7% of net receipts.
Telephone Company:	Previously 25% of net profit, but now \$8.00 for each exchange line in service.
Rediffusion:	1/12th of annual fees less 10%.
Commercial Broad-casting:	12½% of net profit.

I fully appreciate that, for many reasons, the basis of charging Royalties cannot be standardized, but I think it is clear from the foregoing that the two Bus Companies seem to carry a particularly heavy burden, bearing in mind that, as in all cases, the remaining profits are subject to Corporation Profits Tax at the standard rate. This means that with China Motor Bus, Government takes over 50% of the net profit, and with Kowloon Motor Bus nearly 65%.

In times of normal expansion such a high share might be warranted in certain Franchises in order to eliminate any excessive income which arises from the currency system—that is even if a fare arrived at by proper costing methods is 9 cents, the amount charged must be 10 cents, and Government could argue that it should take the extra cent for the good of the community as a whole. This argument cannot apply in the case of Bus Companies where the effects of the currency system can be offset by altering the length of stages, and I agree with Mr KAN that by charging excessive royalties Government is, in effect, taxing the bus travelling public.

When maintenance of a very rapid rate of expansion is essential, as will be the case in Hong Kong for many years to come, the effect of royalties based on an unduly high percentage of profits is particularly serious and can only end in either hamstringing the operator or forcing up fares. This is accentuated when the royalty is calculated on gross receipts, and with constantly increasing costs, which is one of the facts of life, an absurd situation will develop if some variation in the method of charging royalties is not made. I should make it clear that this is not intended to be an appeal on behalf of the Kowloon Motor Bus Company because I must admit that I know practically nothing about that Company other than what I glean from the correspondence columns of the Press. Perhaps if I travelled much by bus in Kowloon, my thoughts would be less charitable. It seems obvious to me however, that no company can be expected to cope with expansion at the very high rate which is necessary to meet the constantly growing demand if it is forced to pay over 60% of its profits to Government. The balance cannot be adequate to give shareholders a fair return while providing reasonable retentions for expansion, and if this is the case, it must prove difficult to raise new money. Alternatively, if the Company's share of profits is enough for all such purposes, then the fares must be at an artificially high level in order to support the royalty. But I doubt if this alternative is relevant, and it is only a question of time on the present basis before an increase in fares is essential. The same reasoning applies to a lesser degree to the China Motor Bus Company.

In the case of the Telephone Company, Government recently accepted that a royalty based on profits could only be maintained at the expense of the subscriber, and the charge was modified to a flat \$8.00 per exchange line. I submit that the time has come to re-examine the effects of all royalties and I hope this will be done without delay and perhaps even before Mr KAN'S proposals reach the stage of detailed consideration.

Last year I spoke at some length on the subject of Family Planning. The increase in the Government subvention to \$400,000.00 and my honourable Friend Mr TEESDALE'S comments at that time were most

encouraging and indicated the trend of official sympathy with the work of the Association. With the additional subvention and other donations received, the Association has been able to expand its work and, in 1964, increased its staff from 67 to 87 and its centres from 43 to 50, plus a further 10 specialized clinics. The gathering strength and support of the Family Planning Association is shown by 46,038 people receiving advice during the year 1964 as compared with 37,037 for the year 1963. These figures include 21,920 new cases in 1964 as against 14,861 in 1963, a remarkable percentage increase.

It can be no coincidence that the birth rate for Hong Kong fell to 29.0 per thousand in 1964 as compared with 32.1 in the previous year. If the figure had remained at 32.1, an extra 11,535 children would have been born, so that the saving in terms of schools, hospitals, and other facilities in such an overstretched community as Hong Kong, represents a very handsome return on Government's investment. In spite of the improvement in recent years, we are still a long way above the European birth rate of 18 per thousand and that in Japan of 17 per thousand. The Estimates for next year show that the subvention to the Association has again been increased, this time to \$450,000.00, which is only \$50,000.00 less than the amount requested. I trust Government will bear in mind that the Association is most fortunate in having a large number of voluntary workers thus keeping expenditure on salaries down to half of what would otherwise be required with the current volume. If expansion of the work during the year calls for it, I hope that a sympathetic view will be taken of any application for a supplementary subvention which may prove necessary. Even more important, I sincerely hope that in the overall interests of the Colony, Government will continue to extend its support in all other ways possible.

Turning to commercial matters, a fantastic situation has developed on the question of Commonwealth Preference for Motor Vehicles. This is governed by the Commonwealth Preference (Motor Vehicles) Ordinance of 1957, which stipulates that, in order to obtain Preference, not less than one-half of the value must result from labour within the Commonwealth. The definition of value is the price which an importer would give for the vehicle, delivered, freight and insurance paid, in the Colony.

On this basis, it is virtually certain that no motor vehicle imported into the Colony could qualify for Preference. Broadly speaking, the normal basis of calculating Commonwealth content of exports from Hong Kong, as set out in Notice 27A issued by the U.K. Commissioners of Customs & Excise, the bible in such matters, prescribes that Commonwealth Content shall consist of Commonwealth materials, direct labour and factory overheads. Such items as exterior packing, Manufacturers' and Exporters' profit, Royalties, cost of carriage and insurance,

and any other charges incurred subsequent to manufacture of the goods are specifically excluded.

For many years it must be assumed that the Notice 27A method of calculation was applied, as no duty was charged on motor vehicles manufactured in Canada and Australia which qualified under that method. A few months ago, without warning and quite arbitrarily, the application of the law was changed. In some cases, last year's model qualified, but this year's model, which is virtually identical, does not. Some cars made in Australia qualify—others do not. In no case can I find that costings have been examined in respect of those cars which are allowed preference. The situation seems chaotic, and the Trade has been seriously disrupted. Orders have been held up in the hope of clarification. I have taken the matter up three times on the Trade and Industry Advisory Board, and soothing noises have been made. I pursued it on Finance Committee and received assurances from the Chairman. Nothing happened. I suggested that the Motor Traders Association should write to the Commerce & Industry Department to solicit its support. Commonwealth Preference seeming to me to be a matter more akin to Commerce than to Police. The Director of Commerce & Industry did what he could, but his hands are tied as the Statutory Authority under the Hong Kong Ordinance is the Commissioner of Police. Presumably this was done as a matter of administrative convenience, as the Police have to licence the vehicles on their being put on the road, but why the Commissioner of Police should be expected to grapple with the intricacies of costing and Commonwealth Preference, I do not know.

As it is now some months since the matter was first raised, this is clearly one of those files which can be kept going for years before action is taken, so the only course is to bring it into the open. In spite of the technicalities in which our more erudite Government Servants delight, there is no doubt that the legislation should be amended. Until it is amended, the application of the existing law should revert to what it was before the arbitrary and sudden change in interpretation was made. Meanwhile, may I be advised of—

- (1) How many costings have been examined during the past three months.
- (2) The basis on which these costings were prepared and examined.
- (3) The percentage labour content of all makes of motor vehicle which are at present granted preference, calculated strictly in accordance with the Hong Kong Ordinance.

Finally, if the Ordinance is ever amended, may I suggest that the correct department for deciding whether or not a vehicle is entitled to preference is the Commerce and Industry Department, and that it should

be that Department's responsibility to notify the Police of the various types of vehicles entitled to preference. I apologize for devoting a disproportionate amount of time to a matter which only affects a small section of the business community, but it does provide a glaring example of the frustrations the Commercial world so often encounters when dealing with our obedient servants.

Another equally good example relates to control of Polystyrene under the Dangerous Goods Regulations. Under the revised Regulations which came into effect on 1st April, 1964, Polystyrene was classed as "Dangerous Goods". Representations were made by the three Plastics Associations early in September 1964 to the effect that—

(a) Polystyrene should be removed from this category as it is neither self-combustible nor easily ignitable.

(b) The listing of this substance in Category 8 would have a drastic effect on the Industry as, quite apart from few plastic factories having a dangerous goods godown, insurance costs would be increased and the products manufactured from Polystyrene could get the name of being dangerous, thus affecting our exports. The Dangerous Goods Standing Committee agreed in September 1964 that Polystyrene might be deleted altogether from the Dangerous Goods Regulations, but that some other form of control should be introduced as, if a fire breaks out, the presence of Polystyrene which, if it ignited, could produce dense smoke, might endanger the inhabitants of the building and hamper fire and rescue operations; meanwhile the substance should remain in Category 8 pending introduction of new control measures. This was at the end of September, since when the question of a suitable form of control has been under consideration by the Fire Services and Legal Departments. Many representations have been made in the intervening period, all of which are politely stonewalled or referred to another department. No doubt Minutes are passing; what is not realized is that months are passing and we still have the stupid situation of an item agreed not to be Dangerous Goods being retained as such because two Government Departments appear to be incapable of instilling a sense of urgency into their actions. Can something be done without further delay?

To come back to the Budget, my honourable Friend Mr COWPERTHWAIT'S dig at professional associations, almost tempts me to say all the things I would have said last September had I been in the Colony when that iniquitous Amending Inland Revenue Ordinance was passed. However, I will resist this temptation, but I must say that so far as the present delays are concerned, many of them arise from the old Inland Revenue habit of altering a few words in such a way that concessions granted are offset by closing a so-called loophole. For example, the question of bringing to tax certain payments made after

termination of employment with a view to avoiding Hong Kong tax sounds very fair and eminently reasonable when glossed over quickly by my honourable Friend, but I notice he made no reference to similar amounts received shortly after arrival in the Colony, such as bonuses in respect of services at an outport which were not earned in Hong Kong, being exempted from our Salaries Tax!

However, there is only one reference to tax at which I personally can take real exception in the Budget, and this is the proposed tax on hotel accommodation. It seems entirely wrong in principle to me that a small section of an industry should be taxed to provide funds for publicity to benefit the whole industry. If a tax must be introduced, why not a form of sales tax to cover the rest of the Tourist Industry. This would be difficult to devise, to administer and to collect, but surely, in all equity, administrative convenience is just not good enough. I, myself, find it curious logic to add an item to a tourist's bill to provide funds to attract him back to the Colony. I know it is done elsewhere, but Heaven preserve us from the day when this is taken as a logical criterion for all our actions in Hong Kong. That the Tourist Association is doing a very fine job is quite evident from the growth in numbers of tourists; also the Association's publicity is of great assistance in improving the Hong Kong Image overseas, and their subvention should not depend to any degree on a Hotel tax, but should more properly be charged against General Revenue. I see that in a full year the estimated yield of the tax is \$1,350,000.00. If I got the point in the right place, this represents .08 of 1% of our total estimated income. Are we really scraping the barrel to such an extent that we have to be so niggardly and petty as to introduce a new tax to raise such a small amount?

In view of my association with a number of hotels in a professional capacity, perhaps technically, I should declare an interest. I trust it is appreciated that this is a question of principle and that I have neither a personal nor pecuniary interest. It certainly cannot be said that I am speaking on behalf of the Tourist Association as I believe that my honourable Friend Mr Ross, who is a member of that Committee, may to-morrow be supporting the introduction of the tax. In spite of this I feel so strongly on this discriminatory proposal that I must give notice that I will vote against the Bill when it is introduced to this Council.

I must congratulate Mr COWPERTHWAIT on his clear exposition of his views on Housing policy, and will confess that I agree with most of what he said. But I still cannot accept that practically our entire effort should be directed at minimum standard accommodation. There must be a place for better class. State-aided housing such as is desired by the so called white-collar class. This seems to me to be the natural field for both the Housing Authority and Housing Society. Surely a man is not asking too much if he wants two or three rooms for his

family with an area of say 50 square feet per person instead of the present limits of 35 sq. ft. and 24 sq. ft for Low Cost Housing and Resettlement respectively. If the two Agencies were to raise their income limits to say \$1,500 or \$2,000 per month, I doubt if there would be a need for subsidy other than the granting of land at fair prices by private treaty, and a reasonable interest rate and amortization period. I have, in fact, heard it suggested that the Housing Authority and Society flats are not particularly subsidized as these organizations usually only build on about one-third of the land and provide open spaces and playgrounds on the remainder. In other words, the land value per flat may be no greater than that of the Developer who takes maximum advantage of the Building regulations. And talking of subsidies, perhaps it would be relevant to inquire what subsidy per person is granted to the many civil servants who occupy flats in co-operative schemes? They usually have three or more rooms compared with the one room provided in Low Cost Housing. May I hasten to add that I by no means begrudge them this accommodation, but why only one group of persons lucky enough to be employed by Government? This is undoubtedly a very difficult problem, and I welcome the proposal to set up a Housing Board, first announced incidentally on 16th September, 1964. My only plea at this time is that in trying to house the vast number of unfortunate people whose needs are desperate, we do not entirely overlook those who are relatively only slightly better off, but who want, and are prepared to make other sacrifices to afford something a little better than minimum standard.

My honourable Friend did refer briefly to our recent banking difficulties and I fully support his remark on the basic strength of our economy. Perhaps one lesson to be learned is that there may be a need for a Government guaranteed form of savings for the small man. This could be on a similar basis to National Savings Certificates in U. K. where a deposit of 15/- or 16/- becomes £1 in a specified number of years. In Hong Kong units of \$100 could mature at, say, \$130 in five years giving a tax free compound interest rate of just over 5%. Smaller units could also be used if thought desirable. The money need not be lost to the Banking system as, if it were not immediately needed by Government for Public Works, it could be deposited with approved local banks at the usual interest rates. Indeed Government might even make a profit on the transaction, but I know that such a suggestion always horrifies our Financial Secretary. At least the small man would know exactly where he stood and would have complete security with a reasonable rate of interest.

My annual letter to the Unofficial Justices of the Peace has evoked the usual good response. Many of the points raised have already been discussed or have been passed to my colleagues on this Council for

inclusion in their addresses. The ones not pursued at this time include—

- (1) The suggestion that programmes on Radio Hong Kong seem to have suffered such a setback that consideration should be given to the employment of some form of revenue-earning programmes.
- (2) The question of cigarette smoking in relation to public health.
- (3) Abolition of the Secretariat for Chinese Affairs.
- (4) Reverting to the use of paper dollar notes instead of those ghastly coins.
- (5) Appointment of two women to Legislative Council.

It can be seen that my constituents cover a representative section of the community. I am almost tempted to write to official Justices of the Peace next year to see if they have any points they would like raised anonymously; the response might be most interesting.

One suggestion which rather attracted me was a proposal that small plots of land should be made available by private treaty to associations of persons who have lived in Hong Kong for say 20 years. It was suggested that, on the Island, land might be available in Chung-Um-Kok Road or in the Stanley area. Bonds would be floated to finance small bungalow type houses which could be paid for by instalments. The participants would be expected to take up bonds to an agreed value, and the homes would of course, be mortgaged to the association for a minimum of ten years with a ban on re-sale for a longer period.

As I said, this scheme which might assist older people and the middle income group, has great attraction, but I am reluctantly compelled to recognize that it is not practical on other than a small scale. And when we do anything so attractive on a small scale, the question of privilege immediately arises in our land-hungry Colony. On balance I feel I cannot press the scheme at this time, but I have mentioned it as yet another example of the desperate desire for better standard accommodation at a reasonable price.

Your Excellency, in spite of the reservations I have expressed this afternoon, I support the motion before Council. (*Applause*).

THE COLONIAL SECRETARY: —Your Excellency, I move that the debate on the resolution before Council be adjourned until 2.30 tomorrow afternoon.

THE FINANCIAL SECRETARY seconded.

The question was put and agreed to.

HIS EXCELLENCY THE GOVERNOR:—I now suspend the sitting of Council until 2.30 to-morrow afternoon.



**12th March**

**PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC  
THE HONOURABLE EDMUND BRINSLEY TEESDALE, CMC, MC  
COLONIAL SECRETARY  
THE HONOURABLE MAURICE HEENAN, QC  
ATTORNEY GENERAL  
THE HONOURABLE JOHN CRICHTON McDOUALL  
SECRETARY FOR CHINESE AFFAIRS  
THE HONOURABLE JOHN JAMES COWPERTHWAITTE, CMG, OBE  
FINANCIAL SECRETARY  
THE HONOURABLE KENNETH STRATHMORE KINGHORN  
DIRECTOR OF URBAN SERVICES  
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT  
DIRECTOR OF PUBLIC WORKS  
DR THE HONOURABLE TENG PIN-HUI, OBE  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE WILLIAM DAVID GREGG  
DIRECTOR OF EDUCATION  
HONOURABLE PATRICK CARDINALL MASON SEDGWICK  
COMMISSIONER OF LABOUR  
THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE JOHN PHILIP ASERAPPA  
DISTRICT COMMISSIONER, NEW TERRITORIES  
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE  
THE HONOURABLE FUNG PING-FAN, OBE  
THE HONOURABLE RICHARD CHARLES LEE, CBE  
THE HONOURABLE KWAN CHO-YIU, CBE  
THE HONOURABLE KAN YUET-KEUNG, OBE  
THE HONOURABLE SIDNEY SAMUEL GORDON  
THE HONOURABLE LI FOOK-SHU, OBE  
THE HONOURABLE FUNG HON-CHU  
THE HONOURABLE TANG PING-YUAN  
THE HONOURABLE TSE YU-CHUEN, OBE  
THE HONOURABLE KENNETH ALBERT WATSON, OBE  
THE HONOURABLE WOO PAK-CHUEN, OBE  
THE HONOURABLE GEORGE RONALD ROSS  
MR ANDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*)

**ABSENT**

HIS EXCELLENCY LIEUTENANT-GENERAL SIR DENIS STUART SCOTT  
O'CONNOR, KBE, CB  
COMMANDER BRITISH FORCES

HIS EXCELLENCY THE GOVERNOR:—Council is resumed. The question is that the Report of the Select Committee on the Estimates be adopted. The debate may now resume.

MR F. S. LI: —Your Excellency, I am sure that every Member of the Council, and a great many outside it, will have listened to Your Excellency's Review of the Colony's progress during the past year with equal interest and attention. Once more, it is a record of continuing advance in our social and economic life. The miracle of Hong Kong, so often spoken of by people all over the world, is ceasing to appear miraculous. No critic, however grudging, could possibly fail to be impressed by the clear evidence of progress, or fail to give Government due credit for its successful leadership. I would also offer my sincere congratulations to Your Excellency as you approach the first anniversary of your assumption of the Governorship here. And, if I may add a personal note, as one born and bred and educated in the Colony, it is impossible for me not to feel a touch of pride in the achievements of the people of Hong Kong to whose industry, aptitude and tenacity in the face of difficulties, this record of success is also partly due.

Before giving my formal support to the motion before us, I would like to make some observations on the general Budget proposals so ably presented by my honourable Friend, the Financial Secretary, and upon our financial situation generally.

In view of our recent experiences in banking, perhaps I may be permitted to say a word or two about that subject first. As a director of one of the local banks, I must declare an interest, but I wish to explain that my remarks are made solely in the interest of sound banking practice and administration. The recent strains in the Hong Kong banking world must have had a sobering effect on those who have been lulled into a false complacency about the smooth-running of our financial institutions. As Your Excellency pointed out, it is too early to assess the effects of these experiences on our economy. Nor can we yet say how the estimates of revenue, which naturally reflect the state of the economy, will be affected. Government is to be congratulated on the decision with which it met the banking emergency and on the steps taken to restore confidence. The return visit of Mr H. J. TOMKINS, at the invitation of Government, was, indeed, welcome. He specifically warned us in his Report on the Hong Kong banking system, published nearly three years ago, of “potentially dangerous features of the present banking set-up“. His words, unfortunately, have proved to be singularly prophetic.

The question that naturally suggests itself is whether the safeguards contained in the recently enacted Banking Ordinance of October last year are sufficiently stringent, and whether the sources of weakness will have been removed in the two-year period of grace allowed. One

aspect of the problem that gives rise to concern is the excessive discrepancy that exists in some cases between the paid-up capital and reserves on the one hand and the total of deposits received from the public, on the other. This seems to be one source of weakness. Even if we assume that such a bank pursues a normal prudent policy of making advances on only a portion of the assets surrendered as collateral, and even if it did keep a minimum of 25% liquidity, any considerable fall in property values or securities might create a dangerous loss of assets which the proprietors' own slender resources would be incapable of making up. A bank which is grossly under-capitalized is a potential source of weakness and I think some check on under-capitalization is very desirable. It is also a matter for consideration whether power should not be given under the Ordinance to call for information regarding loans made by a bank. Under the present arrangements, there is nothing to prevent a bank from using all the depositors' money, less of course that portion needed to maintain liquidity, to finance enterprises controlled by the bank proprietors themselves. This would be equivalent to the bank engaging in trading activities, a practice against which the Tomkins' Report gave a specific warning.

Requirements under the Ordinance might be made more stringent in one or two other respects. The section dealing with the minimum holding of specified liquid assets would appear to need tightening. The figure of 25% of the bank's deposit liabilities seems to me to be on the low side, as does the 15% which must be held in one or more of five categories of immediately realizable assets. I should like to see both these percentages raised a little. Again, can the liquidity of funds held in the form of gold bullion be guaranteed, when a free market in gold does not exist in Hong Kong? And, if the gold were held abroad, would there not be a time-lag before realization could be effected?

The main difficulty seems to have stemmed from an unregulated proliferation in the number of banks. This has caused great competition for deposits and led to high interest rates being offered to attract deposits, with the result that the banks concerned, have been driven into speculative ventures where the rewards are high but the risks are correspondingly great. Adequate liquidity is essential, and I noted with some surprise in the Government Annual Report just published, that the liquidity rate of the Hong Kong banks, as a whole, declined steadily from 53.3% in 1955 to 27.6% in 1964.

Of course, the growth of population and industry in Hong Kong has been such that no one would contest the genuineness of the demand for finance for land and building development. But a bank is essentially a short-term or medium-term lender and action taken in disregard of this principle is bound to involve risks. Finance for long-term

projects should be made available from a different source, such as a special Development Bank or Mortgage Bank which would accept and work on long-term deposits.

Another point which might be mentioned is the auditing of the banks' accounts. Once more, I have to declare a personal interest since I am a professional accountant, but my remarks are again directed to the general improvement of banking practice. The auditors' report should state specifically what work has been done and what information has been called for and whether explanations have been given to their satisfaction. Again, the monthly returns from the banks, demanded under the Ordinance, should be subjected to audit at least once during the year by a professional firm, to ensure that the returns are rendered strictly in accordance with the highest professional standards.

One last point on this matter. The Chief Manager of one of the note-issuing banks described the difficulties following the Chinese New Year period as a practical crisis, rather than a banking crisis. He was referring to the physical shortage of notes available for circulation. I feel that a reserve stock of notes should, of course, be kept, adequate to ensure supplies even if exceptional demand coincides with normal heavy seasonal pressure like that at Chinese New Year. In the event, sterling notes had to be flown in, but fortunately were not needed to be put into circulation. I should like to ask who is responsible for seeing that reserve stocks are available? Is it Government's responsibility or is it that of the note-issuing banks?

Summing up my remarks on this subject, I think every one will agree that it is no use to cry over spilt milk. We now have a great opportunity to take those long-term measures which are necessary to put our banking house in order. But there is one step that I would urge Government to take immediately. There is still a fair amount of nervousness among the banks about making loans which might possibly affect their liquidity. Money for the necessary business projects is, indeed, in short supply with the result that a deflationary situation is growing up. What is needed now, and urgently needed, is the injection of additional funds into the banking system so as to restore confidence and get business moving again. Perhaps Government could provide these funds and so give a much needed impetus for the restoration of business confidence on which prosperity must ultimately rest.

I suggest too that the time is ripe for a revision of the Companies' Ordinance which dates back to 1932. I believe that that Ordinance is now in some respects out of step with modern business practice adopted in the United Kingdom and I think we should come into line as early as possible.

Now, coming to the general budget proposals, we have been given the mixture as before. The feature of this year's Budget is increased charges for water and sand which my honourable Friend the Financial Secretary has referred to as two public services of a semi-commercial nature.

With regard to sand, the charge is increased from \$10.00 to \$11.00 per cubic yard. I am sorry that it has been felt necessary to impose this 10% increase. In the first place, it will add substantially to the cost of Government's own expanded Resettlement and Low-cost Housing programmes and those of the Housing Authority. This might be serious in view of the estimated Government commitments amounting to 1,400 million dollars for housing over the next five years. In addition, the large private sector of the building industry will be affected. The building industry is already facing difficulties caused by the shortage of skilled labour. Building is also being held up by the Building Authority's stricter regulations concerning the endangering of property adjoining proposed building sites. My honourable Friend has based his Estimates of income from land and from rates upon a continuation of last year's output of building. The difficulties and extra charges on the industry may undermine this assumption, but of course we all hope it will not. On the question of the supply of sand, I should like to ask whether a statement could be made regarding the arrangements for importing this commodity from China which I believe is a Government monopoly. How much of the increase in the cost is due to an increase of on-site cost, and how much is attributable to a rise in transport costs? I should also like to ask if Government is making any profit and whether any checks exist on the profits made by the contractor? On this subject, I wish to add that I fully support the views expressed by my colleague, the honourable Y. K. KAN, in his speech delivered here yesterday.

The increase in the charge for water is also serious, and my honourable Friend acknowledged it to be so by devoting a considerable portion of his Budget speech to this topic. I must frankly say that I do not like the proposal to increase the water charge from \$1.00 to \$2.00 per thousand gallons. Every family must have water, and this increased charge must bear proportionately more heavily on the poorer section of the community than on the wealthier. I admit that the 2% portion of the total rates now earmarked for water charges does do something to redress the balance, since it may be assumed that the wealthier live in better-class tenements which are more highly rated.

My honourable Friend has admitted the difficulty of making an accurate estimate of unit costs of water, partly because of uncertainty in the amount that is available for sale. He is surely taking a very conservative view. With the existing storage capacity, and

the arrangements to have available 15,000 million gallons a year from China, and with the Plover Cove scheme coming into effect within the five-year period to 1970, he should be able to reckon on increasing sales with the increase of new tenements. His assumption of annual rainfall at 65 inches instead of the average of 85 inches also seems to me to be too timid. But my main criticism is that he regards the Waterworks Department as a business, in which the investment made, at present about \$860 million, must yield a sufficiently large return from the consumer to avoid a loss. For example, this year, \$10 million in charges arising from the Shek Pik scheme have been added to the debit of the water account. It seems to me to be a harsh policy to make the consumer, rich and poor alike, pay the large proportion of these charges that is based on consumption. It is good that these large undertakings should be financed out of current revenue, though the Honourable the Financial Secretary has warned that we may have recourse to loan finance. But water-supply is an essential service which cannot be considered in isolation from the economic and social well-being of the whole community, and from which all Government revenue gains indirectly, and I suggest that a part of these capital charges be defrayed by the tax-payer rather than have the whole burden placed on the consumer. As things stand, the increased charge will fall heaviest on those least able to bear it and for this reason I feel that it will create a great deal of dissatisfaction. There is no question, of course, that we have as a community to meet the cost of water, but I feel that in the case of such a basic necessity as water, arrangements should be worked out so that the charge for water consumed might be left at its present level, and an element of public subsidy accepted, as in the case of Resettlement Housing.

On the general Budget, I see that my honourable Friend looks to indirect taxation for a large contribution to the public revenue. Even in the Internal Revenue Department, where one would expect the bulk of direct taxation, much of the revenue anticipated comes from what might be regarded as forms of indirect taxation, such as that on betting, entertainment, dance-halls and motor-vehicles. Estate Duty at \$25 million, and Earnings and Profits Tax at \$338 million, which are unquestionably direct taxes, account for only \$363 million out of the anticipated \$510 million from internal revenue and out of the total estimated revenue of nearly \$1,626 million. I cannot help asking if this is a desirable financial policy in the context of Hong Kong and whether we should not place much greater reliance on direct taxation which is more clearly related to ability to pay.

The standard of living of our workers is admittedly increasing, and yet who can deny the existence of the wide gulf separating the richest and the poorest section of our people? There is, as my honourable Friend has admitted, some tax evasion. There is one blatant form of

evasion by which commercial transactions and contracts effected abroad, are exempt from tax; for example, some contracts are signed in Macau to escape tax, though the principals concerned are resident in Hong Kong. It may be that to stop this form of tax evasion, a full income tax is required, by which all income, from whatever source, is subject to tax. I must make it clear that this is purely my personal view. The checking of tax evasion may well allow us to lower the standard rate and still gain in revenue. Again it is extremely doubtful if the present earnings tax can provide adequate revenue that the expansion of social and community services requires. Expenditure on Social Welfare now stands at approximately 1.5% of our total recurrent expenditure. This is clearly inadequate. If we are to integrate our newcomers into the community, and if we are to carry out the policy stated in the recent White Paper on Social Welfare, of assuring every individual, freedom from want and insecurity, and equal opportunities in regard to health, education and employment, then we must be willing to devote more of our resources for these purposes.

When we consider other essential tasks, such as housing our people and educating our children, to mention only two, it seems to me that sooner or later we shall have to face heavier taxation. I feel that many of the wealthier sections of the community are paying too little and that some of our people could well afford to pay more than they are being called upon to pay by this Budget.

The last question I would like to touch on is land policy. This is important because of its contribution to the revenue. It is also a vital matter for those engaged in industry. The principles underlying Government's policy in the allocation of land mainly follow the precedents laid down in the early years and have been described at length in the introductory chapter of the Annual Report for 1963. That Report in fact took some pride in claiming that principles laid down in the formative years of the Colony are still being applied. Yet there has recently been considerable criticism, not only by local civic bodies, but by industrialists and the representatives of the New Territories over the policies adopted in the allocation of land.

The land shortage is felt principally in the urban areas. Urbanization has come to stay at least for the foreseeable future, and the brunt of the expansion of our population must be borne by the urban areas. The pressure can be eased by building up the hill-sides, and by reclamation from the sea. But both are expensive undertakings. It is obvious that we have to face and overcome our geographical handicaps. But it is clear that converting sea and hill into building land will not solve our problems, and that encroachment on the rural areas by the expansion of industry into the New Territories must be accepted. The

plans for creating satellite towns are a step in the right direction, with the proviso that sea and land transport are adequate for industrial purposes.

One important problem is that concerned with the conversion of agricultural land into building land. This conversion will, of course, make us increasingly dependent on imports for essential foods, but in fact we produce relatively little food ourselves, and we live by exports of industrial products with which to buy our imports. This being the case, the claims of industry are compelling. The problem is to satisfy the needs of industry without putting the industrialist into the grip of the land speculator, but at the same time to do justice to the village people.

Land policy should conform to an overall plan worked out by Government in conjunction with all the interests involved—industry, commerce, transport, public utilities and agriculture. This would, no doubt, be based on the existing plans for the formation of satellite towns, with adequate green-belt arrangements and provision for large areas to be declared nature reserves. These latter are essential for preserving our local flora and fauna, and, what is perhaps more important, as open spaces for the health of our people.

Government has allowed purchasers of land in Kwun Tong and Tsuen Wan to pay the premium over 20 years at 5% interest. It seems that this concession could be made more general as it would allow the small man, who cannot find large amounts of capital, to compete on more even terms with the big man. It would help to check the land speculator whose main advantage is that he has ready cash.

The arrangement also has the advantage of bringing land revenue more into the category of recurrent revenue. The precedent might be followed more generally in all land transactions. It might even prelude a change-over in the nature of land auctions from bidding for one capital premium to bidding for a recurrent annual payment. This change would have the great advantage of making land revenue more calculable each year, and taking away the uncertain element which has plagued my honourable Friend and his predecessors in framing their Budgets. There is one suggestion I have to make regarding the timing of auction sales. It would appear that land is auctioned as plots become available in the development areas. Perhaps, more attention could be paid to the state of the demand for land. It might be possible to make inquiries so that the forces of supply and demand in regard to land might be brought into more even balance. For example, the same plots at San Po Kong which in March last year sold at over \$115.00 per sq. foot have recently been sold at little over \$30.00 per sq foot. Such big changes in price undermine confidence and should in my opinion be avoided. The expansion of industry is essential to

meet the needs of our population for employment. It may well be found possible to make land available to the genuine industrialist at a reasonable price, and perhaps arrangements for the development of satellite towns might have this as a basic principle, otherwise, they may result only in a vast opportunity for the land speculator. The planning of satellite towns would afford a good opportunity to have a closer look at our land policy generally.

With these remarks, Sir, I beg to support the motion. (*Applause*).

MR H C. FUNG:—Your Excellency, your annual review of the progress made in the past year and your predictions for the coming twelve months all point to a Government that inspires confidence and a people that for vitality, thrift and industriousness are second to none.

In the midst of plenty I cannot help, however, discerning an ominous writing on the wall that unless we wake up to the inherent dangers in our economy and take appropriate steps to forestall them, the miracle of deficits turning into surpluses, to which we have been so accustomed in the past that we have come to take them for granted, may soon become a thing of the past, notwithstanding the ingenuity and the resourcefulness of the honourable Financial Secretary. Indeed, as my honourable Friend has himself hinted, because of the fact that he has assumed for the coming year a rather greater growth in revenue than either he or his predecessor has assumed in recent years and as there are possible sources of spending not yet taken into account, the coming financial year may see, for the first time in many years, the fulfilment of his budget forecast of an actual deficit.

In the face of increasing problems and difficulties in the fields of international trade, the need for Government dynamism, initiative and forward planning in the areas of commerce and industry has never been greater than it is to-day, and if we are to continue to move forward, it will become increasingly greater. The days of conservatism and leisurely fan-fluttering have gone for ever, and our new policies must be those which reflect the ever-changing fast-moving world into which Hong Kong trade finds itself flung.

In the field of promotional work, while there has been in recent years a noticeable trend for Government to participate in international trade and industrial conferences, in overseas trade fairs and overseas trade missions, there still appears some reluctance really to get up and get moving. Why, for instance, has nothing been done to utilize the premises adjoining the Hong Kong Government Office in London for which we are paying such high costly rent? These premises were made available to us over a year ago, and to date they are still lying idle

and empty. They are intended to be a trade centre, a show window for our products, not only for United Kingdom buyers, but also for buyers from the Continent. This important adjunct to our trade promotion activities is urgently needed, for we must develop our European market more fully, particularly in non-textile items.

We must also note the over-long delay in getting the export credit insurance programme started. I recollect that when I was serving as a member of the General Committee of the Federation of Hong Kong Industries in 1961, the Federation initiated discussions with Government on this subject as a result of a survey it had carried out which clearly showed that Hong Kong was losing many millions of dollars worth of trade through the absence of export credit insurance. In the year following, Government appointed a Working Committee to make further studies, but the recommendations of that Committee which Government subsequently accepted, still remain unimplemented. It is felt that this export credit insurance would have afforded protection to our trade against just the type of situation that arose from the imposition of the 15% import surcharge.

I recognize that the main delays in such and other cases stem from the difficulties the honourable Director of Commerce and Industry experiences in recruiting staff. In my opinion, the Department of Commerce and Industry is the one department which must never be stinted for funds or staff, because all our other developmental programmes, and our great social welfare schemes, are dependent on the ability of Hong Kong's industry and commerce to keep moving forward; and to help this, the Director of Commerce and Industry must act as a primer, a stimulator, and an initiator of activities. While we cannot create staff if the people with the necessary qualifications are not there, we can try to make better use of the staff available. In my view, for instance, the department of Commerce and Industry should act more as a planning and advisory agency than to have executive functions. Its precious staff resources should be conserved for this more essential work than for day to day routine activities which other competent bodies can carry out. Take for example the function of issuing Certificates of Origin. We have very efficient associations which are well able to carry out these activities, and the department should shed all standard Certificates of Origin and act as a certificate issuing agency only in those cases where overseas Governments have a legal requirement for the same.

There are other services which the Department can pass over to the trade and industrial associations. There is, for instance, a competent young man whose whole time and attention is devoted to producing the "Trade Bulletin". I do not accept that the Trade Bulletin cannot be effectively produced by some of our associations, which are already producing publications of international standard.

I am of the view, therefore, that the Department of Commerce and Industry should act as a catalyst, working through other organizations, paying them if necessary for their services.

This is no revolutionary concept for it is certainly a method by which MITI of Japan operates very effectively.

After all, what better system can we evolve than to have businessmen working actively with Government in the promotion of commerce and industry?

I would now like, to comment briefly on Technical Education and Training. The Hong Kong Technical College is doing a splendid job in trying to meet the needs of industry, and I understand that all College graduates 'readily find employment, the more able ones climbing very rapidly to positions of responsibility. The provision of this middle strata in the industrial management complex is most important for us today, and the rapid changes that are taking place in the pattern of our manufacturing, demand a large body of intelligent and well trained supervisors who can interpret the plans and policy of management in the promotion of new techniques and of new products. While we can, if need be, import the upper levels—the scientists and technologists— because the numbers required in industry, though important, are fewer relative to other requirements, but the technician or middle level operator is needed in increasingly larger numbers. It is pleasing to see that the total enrolment at the Hong Kong Technical College has increased from 9,514 students in the year 1963/64 to 11,066 in the current year, including an increase in full-time students from 827 to 1,121. I hope most sincerely that Government will continue to increase the intake of students into the Technical College in like or greater degree, for Hong Kong has passed the stage in its industrial development where relatively low grade labour predominates.

It is therefore gratifying to learn of the splendid co-operative effort of the wool industry, under the leadership and encouragement of the Federation of Hong Kong Industries, in making contributions for the building, at the Technical College, of a wool workshop, I understand that this project, costing in total about \$1½ million in all, will be handed over to Government by the industry some time next year to provide facilities for training in wool technology. It is also gratifying to learn that my honourable Friend, the Director of Education, plans to set up a Wool Technical Committee for the planning of the curricula, and I compliment him on the farsightedness of his policy to seek the advice of industry in planning courses, so ensuring that the students are those who are needed by industry. I sincerely hope that this policy will be followed in all other aspects of activity at the College.

At the craftsman and artisan level, we have unfortunately a great weakness, but I am happy to learn from Your Excellency, that

this level is receiving the attention of Government. I hope most earnestly that an urgent and dynamic policy will be evolved which will ensure that we make the maximum use of our human resources. In this training, I hope sincerely we will learn from the mistakes that have been made in other countries. It has been recognized for instance in the United Kingdom that the placing of the responsibility on industry alone for the training of labour is, from a national point of view, a mistake. From a study made there, it is noted that there is little incentive to train labour since once trained, young people are enticed away by competitors because it is cheaper for industrialists to poach trained labour than to train it themselves. The same situation exists in Hong Kong.

We are well-known in Hong Kong for our ability to innovate, and I would hope that in this all important area, we follow not the stereotyped programmes operated elsewhere, but evolve a system which will meet our own special requirements. Instead of poaching half-trained labour (for except in a few notable cases, training programmes are not really good) could we not encourage industrialists, through a national training programme, to "buy" from Government the services of properly trained young people? Though not quite the same, a fairly similar idea is now developing in the United Kingdom. The extent to which our rice bowl continues to be filled, depends on our industrial development, and I urge Government, therefore, to take a good hard look at this need to provide properly trained young people for industry, not so much for the sake of industry, but for the sake of our young people, and indeed, for our economic survival.

The recent labour shortage and rising wages are matters of serious concern to our industries. Our labour is no longer as cheap and plentiful as in some neighbouring countries. To my knowledge, labour cost in Taiwan is about 40% - 60% of Hong Kong's, that in Korea is a mere 25% -30% of ours. In addition, they have another edge over us in the form of incentives and facilities from their Governments. This has resulted in some of our products becoming non-competitive in world markets. Recently, there has been a visible trend of the plastic flower industry moving to Taiwan for the same reason. This is disturbing inasmuch as plastic flowers rank as the second largest industry in Hong Kong, having a turnover of HK\$270.6 millions and employing thousands of workers in hundreds of factories in 1964. We are entering a period similar to that faced by Japan in the past except that Japan is in a position to fall back on her heavy industries and her sophisticated products to sustain her economy. Therefore, with due respect to my honourable Friend, The Financial Secretary, I must take exception to his theory that rise in wages in our export industries cannot in general outstrip export demand. Unless our productivity can be pushed up far beyond the present level to offset our wage increases, we will surely price ourselves out of our markets. It must be noted that the recent

risers in wages were induced more by shortage of labour than by any other factor and therefore cannot be taken to indicate that our productivity has improved to such an extent we can afford the increased wages.

Our position in the future is further complicated by a number of other potential dangers. The coming into force of the Anglo-Japanese Trade Agreement in 1966 will largely cancel out whatever Commonwealth Preference benefits we may enjoy with Britain over Japan. Japan is also making a strong bid in Europe for the liberalization of her trade, and when this eventuates, it will mean stronger competition for us.

Regarding government announcement on the increased water rates some industries will be affected, particularly the dyeing and the finishing factories. It may take some time to fully assess the degree of hardship that will be imposed on industry but if it can be demonstrated that the increase is too much for it to bear, special rate should be allowed.

It is said that miracles often happen in Hong Kong, but these can only happen if Government and the people act in concert. What miracles there have been, were wrought through sheer hard work on the part of our people and a good Government.

Indeed, we do have a good Government. However, as in all fields of endeavour there is always room for improvement. Allow me to quote one instance. In the matter of licensing, bureaucratic delays are still very much in evidence. Such delays cause much unnecessary inconvenience and financial loss to the applicant and are likely to create opportunities for corruption. At the last Urban Council Debate, I spoke about this and, at the risk of seeming to nag, I wish to quote again the example that I gave at that time concerning the licensing of food establishments. The Urban Council has always exercised the greatest care to ensure that the time for processing applications is reduced to the minimum. The standing procedure is for the Urban Services Department to remit the applications on the day following their receipt to the Departments concerned for further action. Last year's records showed that the Urban Services Department did not deviate from this procedure, but for the Fire Services Department it took an average of 25 days to inform the Urban Council of requirements to be met for applications on Hong Kong side and an average of 36 days for Kowloon. After the completion of requirements, it again took an average of 15 days and 30 days to check these requirements for Hong Kong and Kowloon respectively. As to the time taken by the Building Authority, it averaged 21½ days for Hong Kong and 24 days for Kowloon. I understand the position is much the same today and Government owes the public an explanation for these delays.

While on this subject of Government efficiency, I wish to speak on an aspect of Government policy which I think needs major overhaul. I refer to the principles governing employment in Government. The general impression of the public is that the Government structure on salaries and allowances operates within a jungle of disparities. There are disparities between local and expatriate officers, between male and female officers, between married and single officers, between officers with children and officers without children. Although Government has recently made some efforts to rationalize arrangements, I still cannot help wondering if first principles are coming first. It seems to me that one of the first principles of employment in Government ought to be localization. In saying this I am not trying to suggest that we should push "Hongkongization" at the pace of Africanization or Malayanization. But there should nevertheless be a steady and unrelenting programme for providing opportunities for talented local people to serve the community to which they belong. Government has quoted figures on the increased numbers of local people employed in Government service. But such figures are misleading because they are bloated by the employment of large numbers of local people in the junior and not so senior ranks. What the public wants to know is not how many local people have been appointed but how many have been made Directors or Assistant Directors of Government Departments, Judges, Administrators and policy makers. It would also like to know how many local people are being actively groomed to fill such posts. It is in the public interest for such responsible jobs to go to local people because, having their roots in Hong Kong, they are in a better position to understand the problems and aspirations of the local people.

As I see it, the only justification for employing expatriate officers is if no suitable local officers are available. But can this be seriously argued when the whole miracle of Hong Kong's development has been sustained largely by local talent? I think the way in which Government determines the availability or non-availability of local talent is open to question. When a local candidate is considered for a particular post, he gets only the salary of that post. But when an expatriate candidate is considered, he gets the salary of that post plus quarters, plus furniture and appliances, plus paid passage for himself and his family, plus education allowances for his children, plus other fringe benefits. In terms of real income, the expatriate candidate may be getting almost twice what the local candidate is offered. I think this is not only unfair but poor economics. Is it any wonder then that local brains, particularly doctors and lawyers, avoid Government employment or regard it merely as a stepping stone? The financial advantages of private practice have some bearing on this, but has Government ever tried to attract local candidates with the salary of the post plus the expatriate benefits even if only a part thereof? If

this has not been tried, how can it be concluded that suitable local people cannot be found for top posts at lower cost to the taxpayer?

I would not wish to say more than this on the subject at the moment, because I know that the problem is a complicated one and that the advice and recommendations of the forthcoming salaries commission will have some bearing upon it. However, I hope that Government can give some assurance that a major overhaul of the present unsatisfactory system will be made before long.

On the subject of Public Housing, can it be said that the need for housing as provided by the Housing Authority and Society has diminished because other types of accommodation have increased? The Honourable Financial Secretary has rightly said that enough should be built and no more. The big question therefore is, have we built enough for this income group? Have we reached the point where we can now take things easy? I am afraid I must share the view that we certainly cannot. I do not subscribe to the precept that if the Housing Authority and the Housing Society stop building housing for the lower-middle income groups, private enterprise will quickly take up the slack. We must be realistic and recognize that in Hong Kong, this type of housing is not attractive to the private developer. Circumstances are such that 15-20 year investments are not considered worthwhile, and with land and building prices as high as they are, \$20,000 to \$30,000 does not even buy much more than turn-around space.

This being so, Government must continue to accept the responsibility for providing this type of housing. It may not be a normal function of a Government, but then many of the functions which government carries out are not normal, and in any event, the circumstances of Hong Kong are not normal.

We must not forget either that within the next two or three years, the babies born in the post war years will soon reach marriagable age. These are young people who have been born and bred in Hong Kong who have received a measure of education at least, and we have a responsibility to provide them with decent living accommodation. In their early twenties, they are probably engaged as clerical workers or junior supervisors in factories, they certainly cannot afford to pay \$200 to \$300 a month rent, they certainly haven't saved \$20,000 or more to buy a flat, they cannot buy a home by instalments because they cannot afford the down payment and the high interest, and the homes of their parents are usually too small for them to live with the older people, even if they wish. So what is the alternative? To rent some miserable accommodation which doesn't even give them a modicum of privacy.

The only way in which it might be possible to induce private investors to put money into low-cost housing is to make the land

available at exceptionally low prices, and I can imagine the horror of my honourable Friend, the Financial Secretary at even the whisper of such a suggestion.

I think we must accept, that either way, we have just got to subsidize housing for the lower-middle income groups.

With these remarks, Sir, I have pleasure to support the motion before Council. (*Applause*).

MR P. Y. TANG:—Your Excellency, in making a study of the Budget Speech by my honourable Friend the Financial Secretary, I was particularly impressed by his reference to the magnitude of land sales forecast for the coming year.

Admittedly it is my preoccupation with matters related to future industrial growth that has riveted my attention to this announcement, more than to other sections of the wide-ranging speech, that the proceeds from land sales will probably exceed the amount received from this source by 46½ million dollars as compared with that of last year.

The estimate was however made with a tinge of reservation, as it was carefully pointed out that the sale of the ex-Naval Dockyard will have a great deal to do with the projected increase, besides complicating and rendering uncertain the final and actual figure for this item.

This could mean that the increase of receipts from land sales may or may not be due to the existence of an intention to offer more land for industrial uses for the year 1965-66.

So it would seem important. Sir, that I should elaborate in this connexion on a problem which has occasioned continual representations to government by local bodies. It has moreover been a matter of extensive public discussion during the recent years, accompanied by some disappointment and frustration. I might observe that the remarks made by my honourable Friend, Mr LI, on the general land policies this afternoon would also seem to vividly bear this out.

This problem of much concern to the community consists of the ways to formulate a policy whereby industry would be provided with an ample supply of land at a price level that would not retard the rate of industrial growth.

The background of the problem is clear enough. The fact is, the proportion of the value of local manufactures has since 1954 risen from one-third to as much as three-fourths of the Colony's total exports. It

is therefore generally recognized that manufacturing industry has come to assume a major role in safeguarding the Colony's economic strength and viability.

This outstanding fact means that we must spare no efforts to maintain the vigour of local industry and promote its further expansion. But this goal would be hardly attainable if we did not rid the economy of anything likely to hamper its consolidation and advancement.

In this context, it is submitted that an important hampering factor has been the inadequacy and costliness of industrial land, and that therefore the industrial land policy and the manner of its implementation should be carefully but urgently re-examined.

The main reasons for holding this view has often been publicly advanced. They would appear to be cogent and worth recapitulating.

It has been stated firstly, that the price of industrial land should be low enough to bring it within the reach of small to medium-sized enterprises; secondly, that the availability of low-cost sites is an indispensable condition for the encouragement of investment in new ventures and therefore essential for the much-needed diversification of local industry; thirdly, that funds potentially readied for investing in new industrial undertakings have often been held back by the difficulty of getting suitable sites as well as their prohibitive cost; and lastly, that the competitiveness of the colony's manufactures on international markets is in danger of being seriously impaired because of heavy production costs attributable to the procurement of costly factory sites.

We find that during the three years 1962-64, in which period land values soared spectacularly, the aggregate area of industrial land in Kwun Tong and other urban sites sold each year was on a descending scale.

From the peak of 2 million square feet sold in the year 1962-63, sales dropped to below a million and a half in 1963-64, and a further drop to less than a million square feet since March 1964. The average price of public sales in 1964 thereby jumped to the record figure of \$80.00 or more per square foot. The same pattern of drop in supply with an accompanying rise in price would appear to have occurred in industrial land sales for Tsun Wan and adjacent districts. It is a familiar fact that the unit price of industrial land in that area went up sharply during the last few years. These figures would strongly suggest that the restricted supply of land offered was an important contributing factor, probably a very crucial one, in determining the price of industrial land.

It is understandable that any prospective factory builder, faced with the need of paying for factory sites of two or three times the price

ruling only a few years before, would very much hesitate to saddle himself with inflated land costs. He would also have to take into account that construction, equipment and labour costs had also risen by important proportions, and that the total investment could go far beyond the limit of his disposable capital.

We are of course aware that, in order to facilitate the acquisition of industrial land, government offered buyers the pay-as-you-go plan under which only ten percent cash was required with balance payable in 20 annual instalments at low interest. This useful concession rendered it much easier to make a purchase. However, the amount of total capital investment involved was not thereby substantially reduced.

Thus despite the consensus of the industrial community that the availability of cheaper industrial land is of vital importance, concrete and workable plans to bring its hope into reality have yet to be produced. It is true that attention was sometimes drawn to the case of the Malaysian policy of offering inducements to investors in the form of land at nominal prices in recognition of their pioneer status. The wide dissimilarities in the circumstances of Hong Kong and Malaysia could not however be overlooked, and these may render questionable whether the Malaysian example will be easily applicable in Hong Kong.

It may well be that we should go back to simple fundamentals and recognize that the demand and supply principle which is operative in determining free market prices should be allowed to function more effectively in the present case. Instead of urging upon government, or prescribing a formula, to fix lower prices for industrial land, which would necessitate the making of an arbitrary judgment as to what constitutes a fair or reasonable price, it may be more realistic as well as simpler to achieve the aim of reducing the cost of land by making its supply more plentiful so as to satisfy the demand of *bona fide* industrial users and to accomplish this at a lower level of prices.

The acceptance of this principle in 1962-64 would have meant government offering industrial lots and areas in increasing instead of diminishing amounts to meet the rising demand during that period. That is, if government had considered that there existed justification for the reorientation and recasting of its industrial land policy.

Then, apart from the matter of price, there is the question of availability of sites. It would appear that by now the choice locations having been mostly taken up, the supply of suitable sites in point of transportation, proximity to market and accessibility to the reservoir of labour has steadily diminished.

Although flatted factories could meet the requirements of certain types of manufactures, they would hardly be suitable for the use of relatively large and heavy industries.

It would therefore appear desirable to explore whether the availability of industrial sites could be extended by making easier the conversion of farm land and by intensifying the development of coastal and other areas which are potentially suited to industrial uses.

To this end it may also be useful to begin a long-range probe of the possible utilization of spaces on nearby islands.

If we keep in view the rapidly expanding economy and the fast growing population, this possibility should not be dismissed lightly. One would recall in this connection the investigation made in 1963-64 by the Town Planning Board of the plan for the development of the industrial district embracing Tsun Wan, Kwei Chung Reclamation and Tsing Yi Island.

Even though projects covering islands such as Lantau, Cheung Chau, Lammas, would involve tremendous cost, as adequate means of transport and communication and public utilities will have to be provided, an early study of working plans would seem warranted. The investigation and planning of this nature may be expected to be time-consuming, and in order that the plan be ready for implementation if and when required, should be launched without delay.

Furthermore, there is one important aspect of the industrial land question, other than that of quantity and price, which calls for close examination.

I would be failing in candour should I refrain from observing that the extremely long time it has generally taken to go through the tortuous administrative procedure for the conversion of farm land into industrial sites has caused considerable comment and frustration. For the time generally required to obtain departmental sanctions at various stages has often to be reckoned in terms of not months but of years. It is no exaggeration to say that, after an industrial project was decided upon, its plan drawn up, and the title to the land acquired, one may still have to look years ahead to the time when actual production could commence. This is because the plans for layout and building and other necessary procedure required to be completed at the departments concerned would have to go the rounds of being processed, and the final sanction may not be forthcoming till a year or two after the submission of the application. Only then could construction work start, and the process of construction would mean a further wait of another year or even longer.

In these circumstances, the burden of having to unprofitably and idly sink a large amount of initial capital in land is not only an understandable source of discouragement and exasperation, but constitutes a strong deterrent to the placing of new investment.

Even though we should concede that the volume of work handled by the departments concerned must have vastly grown during the past years with the rapid expansion of trade and industry, we would still hope that the long period of waiting for permission to begin actual construction could be shortened. Either the procedure involved should be simplified, or the efforts spent on scrutinizing the submissions given greater intensity, or the staff engaged in the work sufficiently enlarged.

It should perhaps be emphasized that, while there was more elbow room in the field of international competition during the fifties, so that some amount of delay and procrastination might not seriously damage the competitive position, it is clear that at the present stage of struggle and jostle on the world markets. Hong Kong industry can ill afford to see the dwindling competitive advantage of the domestic industrial producers becoming further abridged or whittled down in any manner.

It would seem. Sir, that in order to make possible a thorough and factual re-examination of all such factors as have been briefly touched upon, and to prepare and suggest a co-ordinated and comprehensive plan whereby the vexing problem of long standing in respect of the industrial land policy can be resolved to the lasting benefit of the Colony's economy, a working party should be constituted to undertake this important task.

I should feel there is not the slightest doubt that the demonstration by government of an earnest wish to probe a matter vital to the future growth of industry will be received with satisfaction on all sides. Industry in particular will then be reassured that the possible reorientation of the land policy will now be given full and urgent consideration.

Sir, with these observations I have much pleasure in supporting the motion before Council. (*Applause*).

MR Y. C. TSE: —Your Excellency, I rise to add a few observations concerning the expenditure estimates for the next fiscal year. Considering that many sound and valuable views and recommendations have been put forth by the Honourable Financial Secretary and other honourable Members, I propose to confine my speech to five points calling for our urgent attention. Sir, they are relating first to the charitable homes for old and handicapped people, second, day nurseries for children of labourers and wage earners, third, the widespread prevalence of juvenile delinquency, fourth, family planning for the poor and, fifth, assistance to social welfare organizations. Of course, they all would need government assistance, having, let us bear in mind, a strong

beneficial influence on the social advancement of this Colony. I now propose to deal with them briefly point by point in the order I have just outlined.

Of the 3,700,000 population in Hong Kong, there are in our midst a good many impoverished and senile people with no means or opportunities of eking out a living and without homes or lodgings to rest their weary souls. In dire poverty and continued distress these unfortunate people have practically nothing to fall back except perhaps the pavements and staircases, being in a most deplorable and miserable conditions. We see them almost everywhere in fashionable shopping districts, exclusive residential areas but mostly in the slums quarters. Some are even disabled and handicapped, representing the seamy side of the community and therefore evoking public sympathy and relief. These human derelicts have aroused the attention of philanthropic and religious bodies such as those organized and operated by the Christians, Buddhist, Taoist and many other institutions. Naturally, charitable bodies and people are imbued with a strong feeling of altruism and sympathy for the predicament of their fellow human beings, because these public spirited organs have set up charitable homes for the aged and handicapped people on Hong Kong Island, Kowloon and at the New Territories. They are being operated at rather limited expenses at their disposal to provide bed and board for the old men and women in adversity for the rest of their lives. However, these alms-houses are not only taxed to full capacity but are confronted with the demand for admission of more old and decrepit people, who have queued up a formidable waiting line and are in need of urgent and immediate consideration.

It is therefore my suggestion that sizable appropriations be made by Government to put up as soon as possible more charity houses capable of meeting the increasing and pressing demand. If owing to a number of reasons and obstacles or expediency and policy, prompt provision of such eleemosynary homes is out of question for the time being, my next suggestion is that substantial financial assistance or subvention be made to existing charitable homes for inmates afflicted by age and infirmities so that they may be in a position to furnish accommodation for more destitute persons. At the same time I recommend assistance be given to those charitable institutions having definite capability to build relief shelters for the reception of more needy cases.

Coming to my second point namely about the day nurseries, I believe they are necessary for the working classes and even salary earners of the low echelons. With the advent of the industrial age in Hong Kong or even industrial revolution, if I may say, these classes constitute a major portion of the population and include, as we know, a good percentage of women. The press and official reports would

bear out this point. Indeed the continued prosperity of Hong Kong depends in no small measure on the success of industrialization a subject of constant concern in our minds. Coming back to the workers and wage earners, I can see that husbands and wives are often at work at the same hours during daytime and they return home in the evening after travelling through as many as seven or eight miles. This does not mean that a working married couple are making plenty of money; on the contrary they are earning just enough to keep the wolves from the door, knowing as we do that factory and other sweat-shop wages in Hong Kong can never be compared with those in industrial cities in Southeast Asia much less in Europe, America and even Japan. The parents being absent from home during the day and returning exhausted by the evening, there is no one at home in daytime to take care of their children, who may romp freely about in the streets to the anxieties and fears of car drivers or mix up with juvenile offenders whom I shall describe more fully later in my address. To ensure the safety and care of these youngsters especially very young ones, I strongly suggest that it would be in the best public interest to set aside substantial amount of funds to subsidize worthy non-profit social welfare organizations for the purpose of establishing day nurseries. This measure will free working parents from worries when they are away at factories and workshops, but more important is that children will receive sufficient care and even some sort of educational training in the day nurseries. This measure would ensure not only industrial progress but also wholesome upbringing of the coming generation, needless to say the day nurseries will have the effect of cutting down traffic accidents and reduce offences, if not to prevent entirely by children.

Now I am going to elaborate a little about juvenile delinquency which is my third point. I am concerned with this problem in relating to control, rehabilitation and prevention. Every morning in the newspapers we read about assaults, robberies and other violence perpetrated by teenagers—sometimes boys as well as girls. This blot on the community is due largely to the improper or lack of schooling and insufficient control and supervision on the part of parents. To meet this challenge, the education authorities should embark with all speed on compulsory education so as to ensure that children of school age be given proper schooling and discipline. At the same time there should be directives to all Government and private schools to cooperate with parents or guardians for better control and watch of the pupils, who will then be placed under proper care and prevented from committing various acts of delinquency. While I suggest legislation must be enacted to cope drastically with the deteriorating situation, I believe more urgent is the setting up of juvenile training centres, recreation grounds and libraries as a mean to provide wholesome relaxation to boys and girls and divert them from creating disturbances and running foul of the law.

Fourthly an equally—or even more—important matter is family planning in view of the rapid increase of population in Hong Kong known to all over the world as a very small place with a big population. Generally speaking, salary earners and working people have more children than they can support, and excess of reproduction affects the livelihood and welfare of future generations. For the sake of social security and stability, the birth control movement should be pushed with all energy. In fact this pressing question cuts across various strata of society touching on housing, medical care, public sanitation, education, employment, resettlement and so forth. I hardly need to elaborate further on the urgency of this big issue. It seems to me there is a paramount urgency to expand immediately the various organizations in charge of family planning by providing them with up to date technical skill and financial support. Perhaps it is also necessary to educate Chinese residents that it is not necessarily a blessing to have a large family of many children and that family planning is scientific and has nothing to do with social and moral inhibitions. For obvious reasons big families among the rich are also undesirable, considering that parental solicitude and responsibility should not be overstretched. Once this vital issue is brought home to our fellow Chinese residents and sufficient funds are available to help the institutions concerned, the over population hardnut may be cracked.

Lastly, I urge financial assistance to voluntary agencies and social welfare organizations to increase efficiency and scope of their relief activities. There is quite a number of such bodies in Hong Kong, Kowloon and the New Territories. Many of them have been registered as non-profit association. These voluntary agencies and social welfare organizations are carrying out their work in a fairly extensive scale, have enjoyed a long history and maintained relief and rehabilitation work in a well organized manner. Their successful accomplishment is reflected in their achievements in the interest of social well being. Nevertheless, they are restricted by financial support and technical proficiency, being unable to expand their fields of activities. I suggest that inspection and report be made immediately of these non-profit agencies rendering valuable philanthropic aid to the community and that such deserving non-profit bodies be granted substantial assistance to further their cause for social progress.

Sir, appropriations for these five measures should be as generous as possible with due respect for the resources and facilities at our disposal and the beneficial effects on the people of this Colony. The Honourable Financial Secretary quoted the Finance Minister of Malaysia on budget making as saying “We still inclined to adopt the standard of the past which catered for the few rather than the many.” I feel sure honourable Members will agree with me that my proposals are intended to cater for the many and not the few.

With these remarks, Sir, I wish to register my support of the motion before the Council. (*Applause*).

MR K. A. WATSON: —Your Excellency, I am a little disappointed that all the major issues, Education, the Medical Services, Slum Clearance, whether to abolish the Colonial Secretariat, the use of paper notes instead of those ghastly coins, all these important topics have already been dealt with. I have, therefore, had to cut down my speech from 23 pages, which would have taken 2 hours and 18 minutes to read, to something of more modest proportions, and I will confine myself to the Urban Council, Traffic and, inevitably, Housing.

The picture that most people have of the work of the Urban Council is of little men sweeping up huge piles of rubbish, which have been thrown down from upstairs flats, piling them into lorries which then creep up the Castle Peak Road, holding up all other traffic, or into barges which then carefully dump it off our bathing beaches.

There are other duties, and many of the things which make life worth living are also the concern, directly or indirectly of the Urban Council. These include suitable housing, pleasant environment, good communications, space for recreation, and opportunities for spiritual and cultural enjoyment. As in so many other aspects of life in Hong Kong, many of these activities are handicapped by lack of funds or lack of staff or both. In the City Hall, for example, we have a first class library, but out of the thirteen top posts on our establishment, nine are vacant. In fact the library is being run by the managers of the City Hall, in the time they can spare from other duties. If this continues, if we cannot fill these posts, may I appeal for a review of the salaries offered.

In the Museum and Art Gallery, our problem is more lack of space. Our two small floors at the top of the High Block have been visited by more than a million people in the last three years. There is a very great interest in what we are doing, and what we would like to do in the future. This could be one of the most exciting Museums in the world, but if Hong Kong is to have a proper one, we must have more space. Government realizes that the present accommodation is inadequate, it has asked for our recommendations for expansion but it has warned us not to expect space in any new Government building for another three to five years or more.

In the field of archaeology, there is a dangerous loop-hole in our laws, the fact that anyone can apparently dig at prehistoric sites, can keep what he finds, and export it out of Hong Kong. On one occasion, I understand, there was a race to a site between a private collector

and the University Archaeological Team to dig up a vase. The collector won, and the vase landed up in the Bishop Museum in Honolulu. Fortunately there is honour among curators, and the vase has since been returned, but everyone is not as scrupulous as that. A draft Antiquities Bill was prepared in 1962 but pressure of other legislation has prevented further progress. Now that our Legal Department is more fully staffed, perhaps a higher priority might be given to the bill, which could save for Hong Kong many objects of considerable historical interest.

Your Excellency has mentioned our street cleansing problems, most of which were due to low wages. Many of our labourers are not working hard, but there is little that we can do. If the Honourable Director of Urban Services goes up to them and suggests they work a bit harder, they are likely to hand him their brooms and tell him what to do with them. If we could pay them a little more, so that it becomes a job worth having, as it was in the past, I am sure the greater effort would more than make up for the extra cost.

Having found ourselves, as it were, in the gutter, perhaps we could now look at our roads and that most frustrating and apparently insoluble problem of all large cities, the traffic. The standard of living of our people is rising, and one of the first signs of prosperity is the ownership of a motor car. This combined with poor public transport encourages the purchase and use of cars, and the rapid increase in the number of registered vehicles. This has more than doubled in six years and more than trebled in nine, from 25,000 at the beginning of 1956, to 56,000 in 1962 and to over 84,000 in 1965. Nor does there seem any reason why this trend should not continue. After all, if you get stuck in a huge traffic jam, it is much more comfortable to sit in a car than to straphang in a crowded bus. If the increase does continue at the same rate, we shall have about 190,000 vehicles in 1971, and 280,000 in 1974. I would like to explain that these are not figures just invented by me, this is going to happen unless this trend changes.

Many impressive improvements to our roads are being made, but I am afraid they are not keeping pace with rising traffic densities. I am well aware of the staffing difficulties of my honourable Friend the Director of Public Works, and the reluctance of my other honourable Friend, the Financial Secretary, to release more money in the face of what may appear to be more urgent claims. But I feel that if we accept the implication of these figures, much more strenuous steps must be taken if we are to avoid chaos.

I have expressed concern about many aspects of road-planning, including the enormous bottleneck that is almost certain to occur at the Pedder Street-Connaught Road roundabout; the proposal to close Chater Road; the lack of road improvement schemes to the west of

the Central District; the plan merely to widen Gloucester Road, instead of building a new waterfront road; the way this waterfront road tapers out beyond Victoria Park, forcing traffic into the already inadequate King's Road; the plans for increasing the population of Tsun Wan ten times, while only doubling the number of traffic lanes between it and Kowloon; the uneconomic way of doing road improvements in stages. Stage 1: dig up the roads with all the inconveniences this will cause users, and build a roundabout. Stage 2: dig up the roundabout, with all the inconvenience this will cause the users, straighten up the roads and put in 39 signal lamps. Stage 3: dig up the roads again, with all the inconvenience this will cause the users, and build a flyover. In a recent case, it was decided to build a roundabout first although a flyover would be required in 3½ to 4 years. I suggested that it ought to be built straight away. The money would have had to be spent later and all we would have saved was the interest on the money. But the cost would be higher, so much higher that perhaps the interest would not be saved, and the public would be much more inconvenienced. In another case, in which a detailed cost-benefit analysis was made, the results were so overwhelmingly in favour of the more expensive solution, that no other cost-benefit analysis has ever been carried out since.

I do not propose to add much to what my honourable Friend Mr GORDON has said about multi-storey car parks, except to express the hope that Government has given up the antiquated idea that by refusing to provide such facilities, it will somehow reduce congestion on the roads. Modern thought on this subject holds the opposite view, that it will increase it, as cars prowl round looking for scarce spaces or waiting to pick up passengers, and as our roads become clogged with illegal parkers. No car-owner is going to give up using his car, unless public transport gets much better than it is now, and there are very few signs of this.

I have left the subject of public transport to my honourable Friend, Mr Y. K. KAN. I would, however, like to express my support of his views about bus royalties. If these are inhibiting the expansion of the number of buses, then they should be removed.

I do not, however, go along with the suggestion that because there is a discriminatory tax on bus passengers, this should be taken off and passed on to another class of road user, in the form of increased duties on petrol and diesel fuel.

It might be justified if all the revenue from petrol duties, licences, and royalties was spent on roads and road improvements, so that a loss of revenue would mean less money to be spent on roads. But this is not the case. Only a small portion of our revenue goes to the roads, so that this loss would be a loss to general revenue. If, as Mr KAN

suggests, road users are taxed at the correct level, then it would be unfair to increase their burden for something which is of no benefit to them.

It is because I believe that we must try to avoid any unnecessary concentration of traffic, that I am doubtful of the merits of the proposed cross-harbour road tunnel. If it does carry the 60,000 vehicles a day which has been claimed, then we are going to create two highly congested areas, one in Hung Horn and one in Wanchai, and our road system will not be able to cope both with the normal increase we might expect, and this extra burden.

You, Sir, said in your address that you thought it important that all major questions should be aired here before a line of action is finally settled. I hope that we shall be given a chance to discuss this huge project, involving hundreds of millions of dollars, a major change in our traffic pattern, the possible destruction of efficient transport services, and the creation of an enormous traffic bottle-neck, before a decision is made.

I am pleased to find that housing, which I consider to be our greatest social welfare problem, is getting the attention it deserves.

I find myself in full agreement with many of the Honourable Financial Secretary's views. I am not sure, however, what he is defending himself against when he says he cannot be held responsible if the Housing Authority decided to concentrate its plans mainly on one very large estate. Nor can the Authority be held responsible, if any blame is suggested, because this was, I am told, the only site offered to it at the time and it had therefore no choice.

I can well understand my honourable Friend's displeasure with the Authority for asking double the amount of money without consulting him, but it is perhaps understandable amongst people who think that what they are doing is of great value to the community. His statement that the Authority is not necessarily restricted to public funds as a source of finance must be taken with a grain of salt and I will not embarrass him by asking what other large-scale sources are available at a reasonable rate of interest over a period of 40 years. The best we have been able to find were a few million dollars, at 7%, repayable over three years, a reasonable rate of interest no doubt, but an impossible repayment period.

I appreciate the change in emphasis caused by the acceptance of an accelerated squatter resettlement programme and the long-term implications of the licensed areas. With limited resources, the question is, for whom should we build public housing? If we say, for all those in need of decent housing at rents they can afford, this probably covers 80% of the population. Do we start at the bottom, housing the poorest first, or do we try to build a certain amount for all classes?

With such a wide income range of those who need help, I can see complications in trying to standardize on one type of public housing. It might then be necessary to introduce that bugbear of any housing manager, a rent rebate scheme.

When the Financial Secretary speaks of “subsidized” housing in Hong Kong, I think he is using this word in a very different sense to what is meant in Britain. There he would find a 3-bedroom house being let in Chester for 5/- a week, which is \$16 a month, and the same-sized house in Shrewsbury for 2/11 per week, about \$10 a month. Our so-called “subsidies” consist of land at less than the price which could be obtained in auction, a low rate of interest, and a long period of repayment. The rate of interest paid by the Housing Authority is 5%. In Britain in 1962-63, the average rate of municipal borrowing for housing varied from 3.81% in Tynemouth and 5.63% in Bootle. I think our rate of borrowing from Government is low only in relation to prevailing commercial rates, just as the \$10 a square foot for land is “low” only if you compare it to high land values resulting from the shortage of land. It is not low in comparison to the cost to Government of providing or creating the land. If, for example, it costs \$10 a square foot at Kwai Chung, and it is handed over for public housing at the same price, there is no subsidy. There is only a loss of revenue which would accrue if the land was sold at auction to a private developer, allowing him to develop it as he wished. But this price would not be obtained if the developer were restricted to low cost housing of the type that the majority need, to be rented at prices that the majority can afford. Government is constantly having to make decisions about the use of Crown land. If, in a particular case, it decides that low-cost housing is best, I do not think it is fair to compare the price charged with the price which might have been obtained for a different and perhaps very much more profitable type of housing.

I therefore suggest that the actual cost of forming the land is a more equitable basis for the cost of land for public housing, than an artificial one based on scarcity value.

This scarcity is to some extent the responsibility of Government. Is it doing enough to develop new land? Are its plans for new reclamations enough to satisfy the demand, present and anticipated, for land for private and public building, for industry, for open spaces, and for that delightful word “Government institutions”? It may be asked, what is “enough” and I would define it as “sufficient to meet all demands at a price equal to or above the cost of creating the land”. Now I realize that this may be an impossible ideal but it would be some sort of goal to aim at. I also realize the problems of insufficient staff in the Public Works Department and this would have to be one of the first obstacles to be overcome.

The other yardstick I suggest we need is a method of determining how much housing, of all types, do we need and I offer the following as another goal. "Rehouse all the squatters, and provide every family with a separate flat of its own." And by "flat" I mean a unit of accommodation even if it is only a room in a resettlement estate. To do so it would be necessary to find out how many families there are altogether, how many acceptable units of accommodation there are, and how many more would be needed. By adding the estimated annual increase, and deciding the period of time in which we are to reach our goal, we will get an annual figure of how many new units per annum would have to be built. I made a rough estimate of this sort last year, which gave the following figures, 55,000 a year for 10 years, or 46,000 a year for 15 years, or 41,000 a year for 20 years to be provided in both private and public housing. I claim no accuracy for these figures, but if careful calculation on these lines were made, we could then decide what type was needed and who was to supply it. I think that if this can be done, it would be an improvement over the present system of letting private enterprise's profit motive decide the matter in one sphere, and the capacity of Government engineers in the other.

There is no one simple panacea for our housing problems. Slum clearance and urban renewal, which have been dealt with at length by my honourable Colleague, Mr LEE, are subjects of considerable complexity. As he has emphasized, the major problem is the rehousing of occupants of the old buildings, in such a way that dislocation of their way of life is avoided as much as possible. He has also emphasized the importance of co-operation with private enterprise and I consider that this is necessary, not only in the slum areas, but also in the new satellite towns, perhaps as a joint effort to provide low-cost housing for the masses. If the proposed Housing Board is able to co-ordinate the work of planning for total housing by finding ways and means of providing housing for all classes then perhaps the possibility of eliminating the high rents and appallingly bad living conditions may one day be achieved.

Sir, I have pleasure in supporting the Motion before Council. (*Applause*).

MR P. C. Woo:—Your Excellency, law is not merely a body of rules to be obeyed, but is an essential part of our civilization, and in order to play its part there must be a continuous process of flux and development so as to keep pace with the march of time. The legislature has an essential role to play in developing the law and adapting it to the needs of society. If law is to come within measurable distance of performing its true social function, it must be kept up to date.

Antiquated laws can cause hardship to certain sections of the community: a striking example has been pointed out by my honourable and learned Friend, Mr C. Y. KWAN, in his speech advocating the repeal of the ancient, feudal and inequitable Chinese law and customs of a defunct dynasty, which still apply in Hong Kong to-day in relation to the law of succession of Chinese intestates. I think we are justified in agreeing with the views of the present Lord Chancellor when he said that much of the English law—and this applies to certain laws in the Colony also—is “out of date and some of it shockingly so”. Much of the law in Hong Kong is at least half a century behind the times. However, with the time limit at my disposal it would not be possible for me, as the present Lord Chancellor did in his learned treatise “Law Reform Now”, to place before this Council all the laws of Hong Kong requiring reform. I must therefore content myself in pointing out what in my opinion are the most urgent reforms of the laws on the statute book.

It might be thought that there is already a Law Reform Committee appointed by you, Sir, which can make all the necessary recommendations for law reform from time to time. However, if we look at the terms of reference of this Committee, which are “to examine and consider legislation enacted in the United Kingdom having regard especially to the Reports of the Law Reform Committee appointed by the Lord Chancellor on the 16th June 1952 and to make recommendations in the light of local circumstances for the reform of the laws of the Colony”, we can at once see that the Committee's powers for suggesting law reforms are limited. Furthermore, the Committee is composed of members who are busy in their normal day-to-day avocations and it is unreasonable to expect them to sit continuously to consider law reforms in Hong Kong without interrupting the normal functions of their office and occupations. It would also be too much to expect them to devote most, if not all, of their time for such a purpose.

I suggest that there should be a standing Committee consisting of at least two experienced members of the Legal Department, whose appointment should be full time and whose functions should be to review, bring up and keep up to date the laws of the Colony. The Committee should be required to give due and urgent consideration to comments on the state of the law from the judiciary as well as to any concrete proposals for the reform of the law from the representatives of industries, commerce, and the professions as well as from other interested bodies and persons.

I now turn to deal specifically with one of the more urgent reforms which I think should be carried out without delay. The legislation which after the war has affected a large section of the community is

tenancy law. Commencing with the Landlord and Tenant Proclamation of the Military Administration and right up to the present time, piecemeal legislation affecting landlords and tenants has been passed from time to time. The Ordinances in question are the Landlord and Tenant Ordinance (Cap. 255) which replaced the Landlord and Tenant Proclamation; the Tenancy (Prolonged Duration) Ordinance 1952, and its amendments; the Tenancy (Notice of Termination) Ordinance of 1962; the Rent Increases (Domestic Premises) Control Ordinance 1963, and finally the Demolished Buildings (Re-development of Sites) Ordinance of 1963.

The number and interrelationship of these Ordinances alone are good grounds for simplification, consolidation, and reform. They contain inconsistencies and obscurities which are the despair of practising lawyers. The need for reform of the tenancy laws is all the greater as these laws result in inequality and hardship as between tenant and tenant, tenant and landlord, and landlord and landlord.

To give some examples of inconsistencies, confusion and unsatisfactory features of this conglomeration of legislation:

Under the Landlord and Tenant Ordinance, in exemption proceedings an agreement between the landlord and tenant for payment of compensation has to be approved by a Tenancy Tribunal, whereas under the Demolished Buildings (Re-Development of Sites) Ordinance any protected tenant may enter into an agreement in writing with the owner for payment of compensation without having the same being first approved by a Tenancy Tribunal.

One of the most striking features of the exemption procedure which has affected many thousands of landlords and tenants in the Colony is the omission to provide in the Landlord and Tenant Ordinance any principles or any limitations concerning the assessment of compensation, a matter of great importance to both landlords and tenants.

Then, frequently there is the difficulty of ascertaining to which Court a litigant should go for redress; whether the case should go to the Supreme Court or the District Court is sometimes not clear. The Rent Increases (Domestic Premises) Control Ordinance gives unlimited jurisdiction to the District Court but the District Court under the District Court Ordinance can only hear cases where the rental or rateable value does not exceed \$5,000 per annum.

Again, in the Rent Increases (Domestic Premises) Control Ordinance 1963, there is no provision to enable the parties to contract out of the provisions of the Ordinance if the term is less than three years. The intention of this Ordinance is to protect existing tenancies in new buildings, and unless the tenancy is within the exceptions provided for

in the Ordinance the parties cannot even agree to create a tenancy for a term less than three years without being caught by the provisions of the Ordinance, I cannot see any reason why the parties cannot be allowed to enter into a short term tenancy of domestic premises if they desire to do so. On the other hand, in respect of business premises, which do not come under the 1963 Ordinance, the parties are permitted to contract out of the Tenancy (Notice of Termination) Ordinance 1962, for a short term for a particular purpose or if the same has been duly approved by the Secretary for Chinese Affairs.

The Landlord and Tenant legislation was introduced, I believe, with the aim of pegging rents to a fair level.

Regarding "fair rent", I feel that the present "permitted rent" for pre-war premises has quite lost touch with reality. The Landlord and Tenant Ordinance was last amended to permit increases in rent as far back as 1953 and there have been drastic changes in the circumstances of the Colony and in the value of money in the intervening twelve years. Permitted rents for many pre-war premises are so low as to be ludicrous. It is not unusual to find that the rent payable under an "approved lease" of pre-war premises is many times more than the "permitted rent". For example: I once came across a case where the standard rent of a floor of pre-war premises was only \$28 per month but the rent payable under an approved lease was as much as \$450. This clearly shows that the permitted rent for that floor was far lower than the rent which the tenant of the approved lease was quite prepared and willing to pay. I am not opposing the policy of regulating rents, but I do object to any statutory "permitted rent" being wholly out of touch with reality. What was a fair rent in 1945 is not a fair rent in 1965. I agree that tenants should be protected from undue pressure from landlords to pay exorbitant rent; but I am of the opinion that it is unfair that landlords should be penalized for the benefit of a certain privileged section of the Colony's tenants.

I also feel that the mode of protection provided by our Ordinances now seems out of date. I hope that a new mode of protection will be introduced on the lines of Part II of the Landlord and Tenant Act of 1954 in England, which is more reasonable and flexible. Although complaints have often been heard of the mode of protection afforded by the Rents Act (which was adopted and adapted for Hong Kong in our existing legislation), it appears that there is little or no complaint as to the method now provided by Part II of the Landlord and Tenant Act 1954. I strongly urge that we should give serious consideration to this mode of protection.

Another branch of the law requiring reform is the Law of Hire-Purchase.

Hire-purchase is a bailment by the owner or a chattel by an agreement which also gives the hirer an option to return or purchase the goods at some stage. It is not a simple sale of goods to be paid by instalments. It is a hybrid of hire and a simple sale. For practical purposes, the distinction between hire-purchase and credit sale is that in hire-purchase property in the chattel does not pass to the hirer-purchaser until payments are complete whereas in a credit sale property passes at the beginning.

Hire-purchase is devised to protect the seller of the goods which are to be paid by instalments because until all the instalments are fully paid, the hirer cannot pass the title in the goods to a third party except in market overt. However, from the hirer-purchaser's point of view he is not in so favourable a position as a purchaser in credit sale. It is extremely doubtful whether the hirer-purchaser has the benefits of the conditions and warranties implied by the Sale of Goods Ordinance. Hence, more often than not, the hirer-purchaser is left without remedy against the owner of the goods (who is in fact the seller eventually) if there are any defects in the goods.

Protective legislation was therefore introduced for the first time in the United Kingdom in 1938 in favour of the hirer-purchaser. The protection was further extended by the Hire Purchase Acts 1954 and 1963. Now, goods of value not exceeding £2,000 under hire-purchase agreement come within the protection. The 1963 Act also dealt with certain evils created by hire-purchase. For example, to counter the activities of certain over-enthusiastic doorstep salesmen, the Act gives the hirer a right to serve a notice of cancellation on the owner where the hirer signs the agreement at a place otherwise than "appropriate trade premises". Also, the 1963 Act for the first time protects the innocent third party who bought goods from the hirer-purchaser without notice of a subsisting hire-purchase agreement.

In Hong Kong there are many hire-purchase agreements in respect of motor cars, air conditioners and various other articles, yet there is no such law as the Hire-Purchase Acts in England. It is true that a successful conduct of business depends, to a very large extent, on mutual confidence, but the present law in Hong Kong has in no way restrained unscrupulous persons from cunning practices falling short of actual fraud. It is therefore necessary that we should have a hire-purchase law modelled after the English Acts so as to strengthen the hirer's position and to give every protection to the innocent buyer from the hirer-purchaser. If such a law is enforced in the Colony I am sure the financial companies and dealers will be more careful in checking both the credit-worthiness of their customers and the quality of the goods supplied. I advocate that we should adopt the English Acts of hire-purchase so as to give the necessary protection to parties in hire-purchase agreements.

Another reform is the Law of Limitation of Actions. The purpose of limiting actions are threefold. First, long dormant claims have more of cruelty than justice in them; secondly, a defendant might have lost the evidence to disprove a stale claim; and thirdly, persons with good causes of actions should pursue them with reasonable diligence.

But the Law of Limitation of Actions in Hong Kong is not only archaic but is also in a state of confusion in that it is governed by certain very old and long repealed Acts of Parliament. It will come as a surprise to many to learn that the following Acts are still applicable in Hong Kong:

The Limitation Act 1623 with its amendments of 1705;

The Statute of Frauds Amendment Act 1828;

The Civil Procedure Act 1833;

The Real Property Limitation Acts 1833 and 1837; and

The Crown Suits Act 1769.

It is therefore most unsatisfactory that resort should have to be made to these defunct Acts which are still part of the Law of the Colony. Modern text-books no longer deal with these ancient Acts.

In England the Limitation Act 1939 repealed all Acts of Limitation and re-enacts most of their sections making that Act not only an amending but also a consolidating Act. The Act of 1939 was further amended by the Law Reform Limitation of Actions Act 1954 and finally by the Limitation Act 1963. Yet we in Hong Kong are still governed by Acts as old as 1623. It is therefore clearly time that we should have a consolidation Ordinance to put in order those archaic and, in a sense, chaotic laws of limitation to suit the circumstances of the present day.

Archaic laws cause great inconvenience and hardship in a community, but antiquated procedure may also amount to a denial of justice. Litigants should have their cases decided by Courts of Law as speedily as possible and should not be hedged about and often thwarted by out of date rules of procedure. Legal practitioners can quote the extraordinary example of a legal battle over the will of a person who died in 1882, which was only concluded in 1962, and in this period of 80 years no less than twelve actions came before the Courts. I cannot help quoting the words of Jeremy Bentham who said: "The parties, unheard of and unthought of, pay their way through the office (of the High Court) like half-starved flies crawling through a row of spiders". Our Code of Civil Procedure was first made in 1873 and was partly modelled after the Indian Code of Civil Procedure, but it is not complete in itself, and the English rules of procedure will apply if there is no express provision in our Code concerning that particular

subject matter. It is true that from time to time the Rules Committee has made amendments to deal with isolated topics but these amendments are only made if and when the rules are found to be inadequate in practice. Furthermore, no systematic revision of such rules has been made as was done recently in England. In 1962 the then Lord Chancellor completed a revision of the Rules of the Supreme Court, which came in force in January 1964. It would be of great benefit to litigants if these new sets of rules of the Supreme Court in England were studied with a view to deciding whether these are suitable for adoption in Hong Kong. We have already adopted the English Divorce Rules as well as the Probate Rules and I see no reason why we should not follow the Rules of Procedure in England in other Civil Cases. I am sure lawyers here would welcome this reform, which would eliminate the necessity at present to study the Supreme Court Ordinance and the Code of Civil Procedure with an eye on the English rules of procedure regarding actions in the Supreme Court, and the necessity to study the District Court Ordinance, District Court Rules, the Supreme Court Ordinance, and the Code of Civil Procedure with an eye on the English rules in District Court actions.

Closely related to the laws of Procedure is the jurisdiction of the Courts. The jurisdiction of the District Court at present in money claims is limited to the sum of \$5,000. It was back in 1953 that the Summary Jurisdiction of the Supreme Court (now the District Court) was raised from \$1,000 to \$5,000, but the value of money has fallen a good deal in the meantime. Experience has shown that many actions where the subject matter of a claim slightly exceeds the sum of \$5,000, have been brought in the Supreme Court, and the litigants have found that they had to pay legal costs out of all proportion to the amount of the claim. This is indeed a great hardship and many litigants are forced to waive any balance above the sum of \$5,000 in order to bring their cases within the jurisdiction of the District Court. One added advantage in actions in the District Court is that such cases can be disposed of within a period of three months whereas a case in the Supreme Court often takes nine months or more to bring to trial. With the high costs of living, the fall in value of the dollar and the advantages of the more expeditious District Court procedure, I think that the time has now come when there should be an increase in the pecuniary jurisdiction of the District Court from \$5,000 to \$15,000.

I understand that the Legal Aid Committee has made a Second Interim Report on legal aid in civil cases and that Government is now considering its recommendations. I do not therefore propose to say much on this subject until the said Report is published. However, I would like to see that a legal aid fund be established by Government in order to pay for legal services in deserving cases. The legal aided person may of course be required to make contribution to the fund in

an amount to be decided by a Board of Legal Aid in accordance with his means.

The present system under the Supreme Court Ordinance of giving free legal aid to the so called “paupers” should not be maintained. A pauper is defined in the Supreme Court Ordinance as a person “not possessed of property to the amount of \$500 in value his wearing apparel and the subject matter of the action or proceedings only excluded”. This definition is not only uncertain in terms but also disregards the income earned by the person. A person may have quite a substantial income but still he can claim to be a pauper if two persons are prepared to swear that he is not in possession of property to the amount of \$500 in value.

Furthermore, there is no investigation as regards the applicant's means and the Registrar of the Supreme Court has to assign solicitor and counsel to him if the purely procedural provisions of that section are duly complied with.

As regards legal aid in criminal cases I think that not only should such aid be given in serious cases in the Supreme Court and the District Court as it is now, but in deserving cases the Magistrates should be empowered to grant legal aid to the accused as in the long run it will save considerable time and expense if by reason of such aid the accused is able at an early stage to establish his innocence to the charge laid against him thus preventing any injustice being done to him.

Finally, I take this opportunity to make a few comments on the institution of Ombudsman. It is a system existing in the Scandinavian countries. It was adopted by New Zealand a little over two years ago where the Ombudsman is called the “Parliamentary Commissioner for Investigations”. Lord Shawcross who supported such an institution in England in his preface to the Report of the organization known as “Justice” on “The Citizen and the Administration”, says: “The general standards of administration in this country are high, probably indeed higher than in any other. But with the existence of a great bureaucracy there are inevitably occasions, not insignificant in number, when through error or indifference, injustice is done—or appears to be done. The man of substance can deal with these situations. He is near to the establishment; he enjoys the status or possesses the influence which will ensure him the ear of those in authority. He can afford to pursue such legal remedies as may be available. He knows his way around. But too often the little man, the ordinary humble citizen, is incapable of asserting himself . . . . The little man has become too used to being pushed around, it rarely occurs to him that there is any appeal from what 'they' have decided. And as this Report shows too often in fact there is not”.

The Ombudsman system enables the ordinary citizen to make complaints against discretionary decisions and also acts of maladministration of officials who are biased and unfair in their dealings with the public.

In the report of the Parliamentary Commissioner for Investigations in New Zealand, Sir Guy Powles points out that he found “nothing really sinful” but did find “mistakes, carelessness, delays, rigidity, and perhaps heartlessness”. As one commentator of the report says:

“This is precisely why an Ombudsman is necessary; the danger is not of dishonesty in the administration but of the occupational failings of administrators”.

I think it is interesting to quote Sir Guy's words when he says: “Many people whose complaints I have had to classify as unjustified have been satisfied to receive a full and careful explanation of the reasons behind decisions. They have realized that they have not been so badly treated and have written to tell me so”. This shows the great advantage that the ordinary citizen should have a full and satisfactory explanation of any administrative decisions.

Sir Guy also points out another aspect of unsatisfactory administration when he remarks: “I have had occasion to make recommendations to reverse departmental decisions where the citizen had failed to do something through ignorance of departmental requirements. Loosely worded circulars, omissions from explanatory pamphlets and inadequate information by one department of another's contact with the particular circumstances are cases in point. In some cases I could only make recommendations to avoid such situations in the future”. Such problems not only exist in New Zealand but they do exist in other modern states and are of particular significance in Hong Kong owing to the language difficulties.

From what I have said above, we can readily see that the Ombudsman secretariat mentioned by you. Sir, in your opening speech of this debate has the nucleus of this institution. Indeed the general public can, if they have any complaints or require any advice from the Unofficial Members of the Executive and Legislative Councils, without fear or hindrance, approach the Secretariat and their cases will be readily taken up for them by the Unofficial Members. I do not think I am stretching this point too far when I make this remarks as we will give the citizens the fullest opportunity of venting their grievances real or imaginary.

Whether we should have an Ombudsman in the full sense of this institution is however a debatable point. Is such a system really necessary in Hong Kong? After all it has attracted a good deal of concern and discussion in the United Kingdom for many years and even the present Government is divided as to whether or not such

an institution should be introduced in England. However, I think Government should give very careful consideration to the pros and cons of appointing an Ombudsman in Hong Kong. One must realize that the struggle between liberty and authority in modern states is ever unending and such an institution as the Ombudsman is purely an attempt to reconcile the needs of the human society with the rights, liberties and privileges of the ordinary citizen.

Before I sit down I would like to add that I am in full agreement with the remarks of my honourable Friend Mr Dhun RUTTONJEE on the question of revising the charges of the Tung Wah Group of Hospitals, which suggestion has already had the support of the Medical Development Plan Standing Committee of which my friend and myself are members.

Sir, with the above observations I support the Motion before Council.  
*(Applause).*

MR G. R. ROSS:—Your Excellency, my honourable Friend, the Financial Secretary has again presented a painless budget and I congratulate him on his sound management of our finances. At the same time I pay tribute to the efforts of our hard-working community who contribute in no small measure to our continued success. Ours is a joint enterprise, and the product of our labours both in Government and commerce brings to mind the words of Kipling about the rewards of gardening—

“When your back stops aching  
And your hands begin to harden,  
You will find yourself a partner  
In the Glory of a Garden.”

In this garden of fragrant streams and expensive reservoirs there are many fine blooms, but their survival centres around one plant which we need to nourish with every means at our disposal. The specimen to which I refer is our Export Trade upon which blossoms such flowers as medical and health, education, housing, resettlement, social welfare; in fact the whole of our prosperity—if not security—depends upon its continued propagation.

By way of husbandry, I welcome the steps Government has taken in the past year to foster our trade and industry. Your Excellency recently announced a provisional Productivity Council and Centre, and steps have also been taken to set up an Industrial Training Advisory Committee to assess the needs for vocational training. Plans are in

hand for the extension of the Technical College, the building of a new Technical Institute and more technical training in secondary schools. Students who have in the past gone abroad for technical training frequently have found better opportunities overseas. It is right therefore that we should train our young men here, but I confess to some misgivings, because too often it seems that too many of our industries have no time for new methods.

Trade figures continue to go up in apparent defiance of the restrictions imposed upon us. We are repeatedly the target of sectional interests in our overseas markets, but it matters not. Our products are cheap; they represent value for money and we can undersell most of our competitors.

How long can this go on for? More developing countries are emulating our example, and the time may come when we are no longer competitive. The rest of the world is adopting automation and there may well be a turning point when prices start to go down as a result. For years we have suffered from an excess of people and now it is claimed there is a shortage of labour. Could it be that we are not using what we have as well as we should? To this extent, our planning for the future is fully justified. Where then is our deficiency?

A prominent British banker remarked the other day that there is no escaping from the ultimate test of efficiency which underlies all industrial and financial organizations—the test is do they make a profit or not? Something like 75% of our production comes from 25% of our factories, but an important 25% of our production comes from all the others. Much of this is a rice bowl economy of family concerns. Sole owners, assisted by their cousins, their sisters and their aunts. Competition is fierce; price cutting is rife and quality suffers. Buyers from abroad are the prospectors, and in our anxiety to live and to trade we line their pockets with gold. If we are not to be trampled upon and cast aside when our usefulness is done, I suggest we should sit down now and earnestly consider whether some form of export price control might not be profitably introduced.

When the 15% surcharge on imports was imposed by the United Kingdom last October it boomeranged back to Hong Kong. The full effect has yet to be seen, but the immediate effect was to cut prices in order to retain orders. Wage bills had to be met and for many it was a simple choice of business at a loss or no business at all. Happily the surcharge will shortly be reduced, but it would be a mistake to think that prices will immediately go up again. We have prided ourselves on our free economy which has worked so well, but perhaps it is time to re-appraise the position. There are some who would advocate retaliatory measures against restrictions, but this would avail us nothing. The world would not care. We should therefore see what we can do to curb

incessant price cutting and opportunist methods of selling so as to ensure sufficient margins of profit as to be able to afford improved management and techniques.

It would not be in the nature of things to merge these small industries into large ones. Independence is a worthy characteristic of our people. At the same time it is in this sector of our community that there is a crying need for more industrial land at economical prices. My honourable Friend, Mr R. C. LEE, pleaded their case in this Council two years ago and made several suggestions. To safeguard against speculation and incompetency perhaps we could think in terms of some kind of export co-operative. A model village of small industrialists wedded to and guaranteed by exporters who know their worth. Management and production, industrial design and packaging, could be moulded into the whole and none of them would lose their identity or incentive.

My honourable Friend, Mr FUNG Hon-chu referred to the Export Credit Insurance scheme. Nearly two years have elapsed since the publication of the Working Party's report on Export Credit Insurance. One of its recommendations was the secondment of an experienced officer from the Export Credit Guarantee Department in London, for a period of two years. Unfortunately this could not be arranged, but about three months ago we had the benefit of the advice of a senior official of E. C. G. D. who made an on-the-spot investigation. It is to be hoped that his findings were favourable and that such a scheme will soon be announced. It is indeed a very necessary adjunct to our development of new markets which in turn are so essential to our future well-being.

Your Excellency's reference to a trade promotional organization was most encouraging. The Hong Kong General Chamber of Commerce took the initiative some years ago in the field of public relations and trade promotion abroad, and in 1963 Government undertook to provide funds for these purposes; A joint committee of the Chamber and the Federation of Hong Kong Industries administers these funds and while we are proud of our achievements to date there still remains a great deal to be done. I cannot speak too highly of the valuable contributions of our two representatives in Europe and the United States of America, who have generated so much interest and activity that those of us who are part-time can scarcely keep pace with it. We have filled a need and proved the value of this work, but the time has come when a fully staffed Council should take over the job of co-ordinating and directing our export promotion efforts at home and overseas. An enormous selling job remains to be done. Prestige exhibits might very well give way to specialized trade fairs. We might even subsidize commercial exhibits for approved industries. To develop new markets—in the Middle East for example—we might launch a group sales co-operative

as other countries do. All of these could fall within the compound of a Trade Promotion Council. Hong Kong's relationship with the Common Market countries will be of tremendous importance during the next year or two. Government's intention to open an office in Brussels is therefore highly commendable, and while it properly reserves to itself the maintenance of channels of trade at international level, I would urge the closest possible liaison with the Joint Committee, or the Trade Promotion Council to be, and their professional consultants. This is a question of united we stand or divided we fall, and it would be a very grave mistake if we went our separate ways in a matter of such vital importance to our economy. I am sure, Sir, that I can safely say the value of this proposed Council is recognized by all, and I most strongly urge that we do not delay its inauguration.

Our trade and our port are synonymous; one cannot do much without the other. We have been renowned for our efficiency in the past and it is important that we keep it that way. The pattern of trade has changed since the entrepot days, and our port facilities have to change too. It is therefore pleasing to note that a committee is at present sitting to consider both the short and long term future of public cargo handling and port facilities.

Last year we were plagued by an unusual number of typhoons which played havoc with ships and schedules. We can do nothing to prevent these catastrophes, but there is a great deal we can do to prepare for them and ensure our prompt recovery when the storms have passed. Our weakness lies in the inadequate number of typhoon shelters in the harbour. Reclamation versus the need for safe anchorages. Land sales versus a vital section of our economy. It has been suggested that the Royal Observatory might modify its system of signals and in effect wait until the last moment to give warning of an approaching storm. This I disagree with most strongly. For one thing we have our fishing fleets to consider and for another we would not fool anybody. Whether the warning comes from the Royal Observatory or Mainland China, the fact remains that with the approach of a typhoon there is a general rush for shelter. Harbour craft, which might otherwise have used their own good sense and continued working up to the last moment, now join the scramble lest they be shut out altogether. As a result, when the skies clear many cargoes are locked in for days waiting their turn to come out again. Ocean carriers wait in vain and finally close their hatches and sail.

I appeal in the strongest possible terms for more typhoon shelters. I understand the Aldrich Bay scheme has been on the drawing boards for a very long time and I ask that it be upgraded and given immediate priority. I believe too there are plans for a shelter in the neighbourhood of Stonecutters Island and Cheung Sha Wan which I hope will receive

early consideration. Perhaps the stretch of water between the Airport runway and the China Light and Power station could be earmarked for the same purpose. It is already late, but may I suggest, as a temporary measure to meet the dangers of the coming season, that an earth bund be erected in the vicinity of the Kowloon Bay reclamation?

A firm of London consultants was recently commissioned by the Tourist Association to study the feasibility of a resort area and a convention site. Geographically Hong Kong would seem to be ideally suited for international conventions, and it would be a pity if we allowed this business to go by default. I also understand a select committee of the Urban Council is thinking about an indoor sports stadium. Either of these projects would lend themselves to the incorporation of an exhibition hall, or better still a combination of all three. In this event, serious thought should be given to the incorporation of a bi-lingual service with headphones and qualified interpreters. I trust the reports when completed will merit Government's support.

If I may return to our garden again, there is one more very important plant which is invisible. I refer to our tourist trade. When the tax on hotel accommodation was first mooted I was in two minds about it, but I now fully support my honourable Friend, the Financial Secretary although I note that my honourable Friend, Mr GORDON is at variance with this view. To my mind it is a pity that this tax was dubbed an "hotel tax". The hotels will not pay it; it will be borne by the tourist as it is in so many other places in the world, and I cannot conceive that it will make Hong Kong any less popular to the travelling public. The Tourist Association is already doing a very fine promotional job and given the chance—and the additional funds—there is every indication that it will be able to encourage still more visitors to our shores. Two years ago at this debate the provision of better facilities for tourists at the top Peak Tram station was mentioned. In reply the Honourable the Colonial Secretary indicated that this was a question of priorities and it would have to wait its turn. I believe the matter was first raised in 1960, and I feel it is a very great shame that this natural tourist attraction—probably our most wonderful scenic site—is not developed. As a former member of the Port Executive Committee I would be failing in my duty if I did not put in a word here for an effective harbour cleaning service. Aside from the filth which gets around propellers and impedes the harbour traffic, this flotsam and jetsam is a disgusting sight which does us no credit and nullifies another of our attractions.

A glance at an old painting or print of the Colony shows quite clearly what a barren rock this once was. Over the years much has been done by afforestation to give it a new look, but in recent years we seem to have lost ground. I know this matter has been raised before, and I know there are problems of expense, but surely something more

could be done to cover the scars on our landscape caused by the relentless march of progress. Tourists cry out in dismay and ask where is our beauty gone. Many magnificent old trees have disappeared, felled by the axe of P. W. D. or Urban Council to make way for bus stops or redevelopment. In this connexion I should like to support a suggestion which recently appeared in the correspondence columns of the press, namely that some authoritative body be set up to protect the few remaining trees and to actively pursue extensive planting in the urban areas. I appreciate that vandalism will result in high casualties among new plantings, but perhaps the Forestry Department could acquire the mechanical means to plant more mature specimens.

Your Excellency, I beg to support the motion before Council. (*Applause*).

### ADJOURNMENT

THE COLONIAL SECRETARY:—Sir, I move that the debate on the resolution before Council be adjourned until the next meeting of Council.

THE FINANCIAL SECRETARY seconded.

The question was put and agreed to.

HIS EXCELLENCY THE GOVERNOR:—The debate is accordingly adjourned and Council will next meet at 2. 30 on Thursday, 25th March.