

OFFICIAL REPORT OF PROCEEDINGS**Meetings of 24th and 25th March 1966****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
THE HONOURABLE MICHAEL DAVID IRVING GASS, CMG
COLONIAL SECRETARY
THE HONOURABLE MAURICE HEENAN, CMG QC,
ATTORNEY GENERAL
THE HONOURABLE JOHN CRICHTON McDOUALL, CMG
SECRETARY FOR CHINESE AFFAIRS
THE HONOURABLE JOHN JAMES COWPERTHWAITHE, CMG, OBE
FINANCIAL SECRETARY
THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED
DIRECTOR OF COMMERCE AND INDUSTRY
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
THE HONOURABLE JOHN PHILIP ASERAPPA
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE DAVID WHINFIELD BARCLAY BARON
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE JAMES TINKER WAKEFIELD
COMMISSIONER OF LABOUR
THE HONOURABLE GEOFFREY MARSH TINGLE
DIRECTOR OF URBAN SERVICES
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE
THE HONOURABLE KWAN CHO-YIU, CBE
THE HONOURABLE SIDNEY SAMUEL GORDON, OBE
THE HONOURABLE LI FOOK-SHU, OBE
THE HONOURABLE FUNG HON-CHU, OBE
THE HONOURABLE TANG PING-YUAN
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE SZETO WAI
THE HONOURABLE WILFRED WONG SIEN-BING
MR ANDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*)

ABSENT

THE HONOURABLE KAN YUET-KEUNG, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE

MINUTES

The Minutes of the meeting of Council held on 10th/11th March 1966, were confirmed.

REPORT OF THE SELECT COMMITTEE ON THE ESTIMATES FOR 1966-67

HIS EXCELLENCY THE GOVERNOR: —We will now resume the debate on the motion for adoption of the Report of the Select Committee on the Estimates.

MR J. T. WAKEFIELD: —Your Excellency, I wish to refer, first of all, to the subject of the training of operatives for industry, a matter to which my honourable Friend Mr FUNG made reference at length, and on which the Honourable P. Y. TANG said a few words. There is no doubt whatsoever that if Hong Kong's industry is to continue to expand and maintain its competitive position in markets abroad, there must be efficient training programmes for new recruits into industry, as well as training facilities to improve the skills of those now employed in our factories and workshops.

It was with this object in mind that Government set up the Industrial Training Advisory Committee under my Chairmanship in November last year, and of which Committee Mr FUNG is a member. Since then, under its terms of reference, the Advisory Committee, as a first step, has made recommendations, which have been accepted by Government, on the establishment of 6 Industrial Committees. These 6 Industrial Committees are now in being. Each Committee is currently engaged in considering the future manpower needs for its industry, as well as assessing all the facilities at present available for the training of operatives and determining minimum standards for the various skills in that industry; each Committee is also required to make recommendations to the Advisory Committee as to how all types of existing training facilities can be improved or expanded for its particular industry. The 6 Industrial Committees cover the following sectors of industry:

- : the clothing and garment industry;
- : the textile industry including spinning, weaving and knitting;
- : the plastics industry;
- : the building and civil engineering industries;
- : the electronics industry; and
- : the engineering trades such as fitters, turners, mechanics, tool and die-makers.

It is the intention that additional Industrial Committees will be established later to deal with other important industries here in Hong Kong.

Industrial training covers a very wide field ranging from the training of operatives or craftsmen for industry, the training of technicians for industry and the training of technologists. The main burden of responsibility for technician training rests with Government, the bulk of the recurrent expenditure for this training being provided from public funds, though it must not be forgotten that considerable capital grants have been provided by industry itself over the past few years for the development of the Hong Kong Technical College which now has 11,750 students enrolled in its part-time and full-time study courses. The majority of these courses are for the training of technicians, though craftsman training is also given in a number of trades common to many industries as, for example, the training of electricians, bricklayers, fitters and mechanics. My honourable Friend Mr SZETO Wai referred briefly to the technical institute planned for the Island; this item is now in Category B of the Public Works Programme and planning is well in hand. This institute is designed to give instruction principally for craftsmen in industry. We must not, however, forget the very good work now being done by a number of voluntary organizations in the training of craftsmen and technicians, principally the former. Here, too, the Advisory Committee will both co-ordinate, and assist in improving training after the Industrial Committees have decided upon the required standards of skills.

The responsibility for the training of our technologists rests, principally, with the Universities, while the training of skilled craftsmen, except for that to which I have already made reference, rests with employers, either individually or in collaboration with various trade organizations.

While the Industrial Training Advisory Committee, together with the 6 Industrial Committees now in being, will concentrate their efforts on the need for adequate training facilities for operatives or craftsmen for industry, they will, no doubt, also give thought to the adequacy of the facilities now available, or planned, for the training of technicians and technologists.

I have dealt at some length with the plans now in hand to improve industrial training facilities, but until firm recommendations have been made to the Advisory Committee as to how operative training facilities in particular industries should be improved and expanded, it would be premature to attempt to say how such training should be financed. However, as I have already indicated, industry itself must be prepared to bear the main burden for the cost of training its future craftsmen and operatives. To assist in this Government is prepared to offer subsidies in the form of free land grants; as an alternative, Government may be prepared to give careful consideration to loans from the Development Loan Fund to industrial boards to purchase flatted factory space for

training purposes, it being recognized that this form of assistance would help in getting training schemes under way much quicker. Nevertheless it would still be up to industry to meet all other capital and recurrent costs involved and this would be in accordance with the practice in Britain where the only Government subvention towards operative training in industry is the free instruction provided in technical colleges or colleges of further education for those trainees who are released 1 day a week by their employers. As my honourable Friend Mr FUNG pointed out, in Britain industrial training is financed by compulsory levies on industry. This power derives from the Industrial Training Act of 1964 whereby Industrial Boards are empowered to exact levies on all undertakings in particular trades as a means of financing training within their trades; —levies based upon the training needs of the industry concerned, and not upon the industry's ability to pay, as my honourable Friend suggested for Hong Kong. As an example, the Engineering Board will be collecting its first annual levies this month at the rate of £ 25 per employee (I stress that this is per employee not per trainee) —thus a sum of £ 75 million, as annual levy, will shortly be collected from this industry alone. This is equivalent to a 2½% payroll-levy on the engineering industry. I should explain that part or all of this is refundable to any firm that can demonstrate to the Engineering Board that it already operates an adequate training programme for its recruits. The United Kingdom Act was designed to overcome the difficulty of poaching of skilled operatives in industry in Britain where, as in Hong Kong, the more enlightened industrialists who were providing full training facilities for their new intakes were losing these operatives after training to other industrialists who were not prepared to operate training programmes. Mr FUNG aptly referred to this practice as "body-snatching".

Perhaps we in Hong Kong need similar legislative provision to set up Industrial Boards and give them powers to levy training charges—this is a matter to which I am sure the Industrial Training Advisory Committee will give careful consideration—but it is as well to sound a word of warning now that industry must be prepared to bear the costs, whether by way of a levy or otherwise, with Government assistance limited to what I have indicated already.

I turn now to my honourable Friend's remarks about assessing Hong Kong's manpower needs. I should first like to comment on his statement that a steadily increasing number of youngsters do not come back at the conclusion of their studies abroad, and that local people are migrating elsewhere in search of greater opportunities. If such cases do amount to significant numbers, it is obvious that this is to the detriment of Hong Kong. But I feel that I must point out that the underlying cause for such a feeling on the part of those going or remaining abroad is nearly always a lack of incentives in the parent country in relation to wages, prospects for promotion, physical conditions of employment,

etc. If these incentives are lacking, then indeed it is difficult to stop this loss of trained talent. I feel sure that any comprehensive examination of our overall manpower problems would need to take a long look at existing incentives offered by employers in Hong Kong.

The Special Committee on Higher Education is currently examining the problems of high level manpower and, I understand, will be making a report within a few months. The various Industrial Committees, to which I have referred earlier, will, during the current year, be examining the manpower needs of as many as possible of Hong Kong's major industries. In this work, it is expected that the Committees will be assisted by a vocational training expert from the International Labour Office, assisted for a limited period by a similar expert on manpower.

However, between high level manpower and industrial manpower, there is a vast field which has not yet been investigated. In particular, the growing tourist and entertainment industries together with the whole field of commerce are likely to absorb an increasing proportion of new entrants to the labour market; and without some survey it is impossible to gauge the extent of the resultant pressures. In November last during his visit to Hong Kong, I took the opportunity of discussing this matter, together with that of social security, with Mr FOGGON, Labour Adviser to the UK Ministry of Overseas Development; and I can at this stage say that this problem is currently being examined in detail in my Department and that I hope shortly to be able to present recommendations on it.

On the related subject of a career advice service for young people, which Mr FUNG raised in this debate, I am at the moment examining the feasibility of a modest vocational guidance and placement service for industrial trainees and school leavers and an approach on this matter will be made to Government in the near future.

My honourable Friend Mr P. Y. TANG, has referred to the development of health programmes in industry and in particular to the provision of subsidized medical care for workers.

The policy is to encourage large industrial concerns to provide clinic facilities, where practical, and to staff these clinics with full or part-time doctors and nurses. Existing clinics in industrial enterprises already employ 65 doctors and 70 nurses and provide cover for about 15% of the workforce in registered factories. The difficulty standing in the way of a substantial increase in this type of coverage is the fact that a large majority of Hong Kong's industrial workforce is employed in small factories where the provision of clinics with medical or nursing staff would not be economically feasible.

Health care in industry in Hong Kong has tended to follow closely the traditional lines of development in Western Europe and the United States. This traditional pattern has resulted in industry providing,

initially, a safe working environment for workers; secondly, adequate first aid services; and latterly, comprehensive medical care as part of improved welfare facilities. Government has, over the years, actively stimulated this development in a number of fields; first-aid training facilities have been organized for industrial workers for a number of years and over 1,000 workers have received such training to date; Government also provides X-ray services through mobile X-ray units, advice on industrial health and safety measures, as well as medical surveillance of workers engaged in hazardous occupations.

The policy of Government is to provide cheap medical, health and welfare services, on the basis of need, for the community as a whole and any such services for industrial workers beyond that basis will have to be provided by industry itself as part of better working conditions for their workers. Many industrialists are already well aware that positive improvements in working conditions make for higher productivity and better industrial relations.

My honourable Friend Mr WATSON has suggested that in the debate last year on social welfare, Government shied away from the idea of social security measures for Hong Kong and conjured up the bogey of the welfare state.

He was no doubt referring to what my honourable Friend the Financial Secretary said in this Chamber on 12th May last year when he repeated his previously stated view that, at our present stage of economic development, public funds can be used to provide free or heavily subsidized services only on the basis of need, and not generally for the benefit of all, irrespective of need. I share this opinion but, as the Financial Secretary said last year, there are certain types of social security measures which do not involve a danger of massive expenditure before adequate contributory funds have been built up. Such measures include the provision of pensions for the aged which had been specifically commended at that time by my honourable Friend, Mr GORDON. However, pensions for the aged are but one aspect of social security. Social security may be defined as the protection which society may provide against those contingencies of life from which the individual cannot be expected to protect himself and his family by his own efforts and foresight. These contingencies include such matters as sickness, industrial injury and occupational disease, invalidity, unemployment and death, all of which may result in loss of income, either temporary or permanent, and in some cases, a need for medical care. For women, maternity is a further contingency.

Honourable Members will be interested to know that following the debate last May on social welfare, a number of Government departments have now been consulted on the various aspects of social security, and as a result, an interdepartmental working party on social security was

set up last month under my Chairmanship. The Working Party is examining what limited social security measures are now available to people living in Hong Kong and it is required to make suggestions on what immediate improvements might be made in existing arrangements and on what new schemes might be considered for introduction in the future. Last autumn two Government officers—one from my Department and one from the Social Welfare Department—attended an I.L.O. Asian Regional Training Course in Japan on Planning and Administration of Social Security and this will, no doubt, assist my Committee to get a clearer picture of the various possibilities and problems in this field.

Two of my honourable Friends have referred to the problem of air pollution. This is a complex subject but our problem arises from two main sources—industrial undertakings, including power stations, and motor vehicles. As the tempo of industrialization increases and as more and more motor vehicles appear on our roads, the size of the problem is likely to assume similar proportions to that encountered in many major industrial areas in the world. There has, understandably, been public apprehension over the hazards to health and property presented by air pollutants. While a great deal has recently been said about air pollution being a hazard to health, and indeed growing volumes of data from other countries are confirming this view, the association is by no means clear cut.

Pollutants take many forms and it is not necessarily the case that smoke, dust, soot and grit that are visible, constitute a greater hazard than the gases and fumes that are invisible. Weather conditions, topography and urban lay-out further complicate the air pollution picture as do the actual concentrations of the various pollutants. Air pollution is clearly a problem which we need to know a lot more about in the circumstances of Hong Kong, and the Industrial Health Division of my Department has already begun a series of experiments to secure more specific information about some aspects of air pollution in Hong Kong. Government is also giving early consideration to a proposal to establish a committee to study the general question of air pollution and possible methods of control.

In the meantime, in the sphere of industrial undertakings, for which I am responsible, I am exercising some measure of control under the provisions of the Clean Air Ordinance. Factory owners are being encouraged wherever possible to construct tall chimneys to help in the dispersal of pollutants and also by renewing or modernizing existing furnaces to reduce excessive dark smoke. Honourable Members are no doubt aware that three Smoke Control Areas embracing Kwun Tong, Sha Tin, North Point, Shau Kei Wan and Chai Wan have already been declared under this Ordinance. In the case of the China Light and Power Company Ltd which has been a target for complaints, efforts

are now being made to secure the services of an expert advisor from Britain to look into the Company's special problems.

I have not dealt with the problem of exhaust fumes from motor vehicles as my honourable Friend the Attorney General will be dealing with this subject later on in this debate.

MR D. W. B. BAR ON: —Your Excellency, this being my first and last contribution to the Budget Debate, it will be neither long nor short, but of moderate length.

The Honourable TSE Yu-chuen made three points relating to social welfare. Firstly he urged Government to exempt from taxation gifts for charitable purposes; my honourable Friend the Financial Secretary will be dealing with this proposal later. Secondly he suggested that more ought to be done to reform juvenile delinquents; and he referred particularly to pupils expelled from schools because of bad behaviour. I believe that in fact it is not often that pupils are expelled from school on this account. Now the causes of what may be described as some increase both in the incidence and in the gravity of juvenile crime are complex and there is very little direct evidence which could enable one to speak at all precisely on this subject; but one cause is, in my opinion, the effect upon family relationships and traditional patterns of behaviour of changes in conditions of living and employment due largely to the rapid industrialization of Hong Kong over the last 15 years or so; it would indeed be surprising if such rapid changes did not take their toll in terms of strain and pressure on people and their relationships, even in Hong Kong where people are so amazingly adaptable. Opinions on this subject differ very widely; but positive evidence—which may or may not confirm my view—should be forthcoming from the survey of urban family life to be undertaken shortly.

Various positive measures should, I believe, assist indirectly in helping our young people who are growing up to adjust themselves to this rapidly changing environment; I have in mind the further development of youth work of all kinds and more scope for indoor and outdoor recreation and for intellectual and physical initiative and adventure; as well as more methodical provision for pre-technical and technical training; and vocational guidance a matter referred to a minute ago by my honourable Friend the Commissioner of Labour. A good deal is already being done and Government has strongly supported organizations such as the Hong Kong Federation of Youth Groups, the Society of Boys' Centres, the Hong Kong Sea School and others, which are making a valuable contribution; and I would hope, with the Honourable G. R. Ross, that Government will be ready to support equally strongly an

Outward Bound School. Unfortunately our joint resources, particularly in organizational capacity, and in trained and experienced administrators and youth leaders, as well as in space within easy reach of the areas where most of our young people live and work, are limited and this tends to restrict the pace at which youth work, which is still rather new to Hong Kong, can be developed and expanded effectively. But progress is being made with measures which should assist in helping people to adjust to changing social conditions.

It seems important, Sir, to distinguish between positive youth work—which should indirectly have a preventive effect—and correctional measures. The Honourable Mr TSE suggested in his speech that Government should establish remand homes for the moral salvation and training of misguided young men; I suppose he is thinking of compulsory detention by Court of Law—because young men are very unlikely to enter an institution voluntarily. I am inclined to think that our correctional facilities (as opposed to our capacity to develop positive or preventive measures) are reasonably adequate: in the first place a young offender may be supervised by a Probation Officer, and the Court may also direct, if he has left home or his home conditions are bad, that he should live in a Probation Home or stay at night in a Probation Hostel, if he is employed in the daytime; and the first such Hostel will be opened at Kwun Tong in two or three months. A more severe measure for boys between 8 and 16 would be detention in the Castle Peak Boys' Home, for 2 to 5 years' training directed towards readjustment to society, treatment similar to that in an approved school in Britain. More drastic treatment would be detention in a Training Centre for boys between the ages of 14 and 21 or, in exceptional circumstances, in prison. I have purposely said nothing about girls, Sir, because they seldom at present fall foul of the Law—and long may this inequality continue. A second Approved School and a further Training Centre are to be built and I doubt whether more places of detention need to be planned at present. Rather should we seek, I suggest, to help young people to "spread their wings", so to speak, before they begin to turn against society, by offering them more opportunities for every kind of recreation and development. There is a real need for experiment, innovation and an imaginative approach both on the official and on the voluntary side. My Department would intend to do everything within its power to support voluntary effort in such directions, as well as taking a direct hand wherever practicable.

In distinguishing between positive and correctional measures, I do not imply, Sir, that nothing positive is being done in correctional institutions or by the probation service: quite the contrary. Indeed, social workers who work with those who have fallen out of their niche in the community, so to speak (whether or not they have become anti-social or have broken the Law), achieve something highly positive and constructive,

if they succeed in helping these individuals to restore their relationship with society.

The social worker's task, for instance in helping a teenage girl who has left her family, perhaps because of impatience with the traditional disciplines of the older generation, and has then got into serious psychological or moral difficulties, is indeed a complex and a delicate one. I must say that I am sometimes disturbed at the limited recognition still accorded by the community at large to the need for a professional approach in helping people to solve their own problems of personality and environment. Surely this task requires resources of training and skill, as well as of wisdom, sympathy and experience, in no way inferior in quality to those which, as everyone now recognizes, are needed in such professions as medicine and teaching. However I do think that, in a society which is fast becoming more sophisticated and complex, the social worker is receiving increasing recognition as a professional person whose skill is essential to the healthy development of our community.

The Honourable TSE Yu-chuen's final point was that voluntary social welfare organizations should be given as much support as possible; and he did recognize that support has increased over the years. I can assure him that my Department will continue to offer the fullest advice and assistance to voluntary agencies, whenever we are asked and to work closely with them in the development of the social welfare services which are needed. So far as financial subventions are concerned, the total has increased from rather more than two million dollars in the financial year 1958 to 1959 to nearly seven million dollars in the draft Estimates for next year. As the joint planning process on which we are now engaged with the Hong Kong Council of Social Service proceeds, it should be very much easier to see where the greatest gaps are in our present services and to move ahead in co-ordination with voluntary effort in trying to fill these gaps as quickly as resources permit.

According to Mr WATSON, Government seems much less sure about the extent to which it should participate in the social welfare field than in certain others. If this assertion is intended critically, then it appears to me ill-timed in relation to the Statement of Social Welfare Policy approved by this Council last May, which made a real attempt to clarify and define, in general terms, the role and scope of official and voluntary effort respectively. Clear-cut boundaries between the two are genuinely difficult to fix, except where the whole of one form of work tends to fall on one side or the other—for instance day—time and institutional care of children on the voluntary or probation and corrections on the official side. But is not the lack of clear-cut boundaries a sign of the importance and value of co-operative effort in providing social welfare services? Is it necessarily always a bad thing? However, one product of the joint planning process now in train should be much more precise indications

of intention for the development of each form of official and voluntary service over the next few years. It is reasonable therefore to claim that Government participation in social welfare work in Hong Kong has already been defined in general terms and is in process of being defined more specifically in the course of joint planning with the voluntary organizations.

My honourable Friend the Commissioner of Labour has just dealt with the question of social security measures.

At the end of his reference to social welfare, Mr WATSON did add with, I thought, a note of approbation, that there were also signs of change in Hong Kong; this sign of a change in Mr WATSON since his speech last May is greatly to be welcomed, although I am afraid that I cannot endorse his suggestion that the developments which he lists are the fruit of, in his words, "astringent comments"—in fact none of them are.

May I refer briefly, Sir, to the final item in what Mr WATSON described as "welcome innovations", namely the visit of Professor Lady Gertrude WILLIAMS in December and January to advise the Government whether a full scale survey of social welfare services would be feasible and valuable. I am glad to be able to say, Sir, that Lady WILLIAMS' Report has recently been received and will be printed and published in English and Chinese as soon as possible.

Your Excellency, I have the honour to support the motion before Council.

MR W. D. GREGG: —Your Excellency, my honourable Friend Mr Sidney GORDON has asked me to comment on a number of educational topics. The first of those relates to vacancies in primary schools. I must first correct the impression given to my honourable Friend that there are 2,000 vacant places in primary schools in the Wong Tai Sin area. His correspondent may have had in mind the vacant places which existed a year ago in subsidized primary schools in Wong Tau Hom Resettlement Estate. Since September last these places have almost all been taken up. Indeed there are now very few vacant places in subsidized primary schools in the well established resettlement estates or elsewhere for that matter. I am not of course referring to empty classrooms in new schools which are required for the progressive and orderly build-up of classes in future years, but to genuine vacancies which exist in established classes. I cannot but agree that these should be eliminated. To this end it has now been arranged that details of such vacancies are notified to Resettlement Officers for display on their estate notice boards to the general public. Moreover it has also been arranged through the co-operation of the companies concerned for vacancies to be notified through all radio channels at least three times a year.

In this connexion Mr GORDON also expressed some doubts as to the continuing need for evening primary schools. These courses were originally established to cope with the great shortage of day school places. They could not be regarded as a satisfactory alternative to normal day education for young pupils, but as a temporary stop-gap they have been extremely valuable. Since day places have become increasingly available the enrolment in evening primary schools has steadily dropped from a peak figure of 54,000 in March 1963 to about 40,000 today, of which some 10,000 are subsidized by Government. Recent conversations with Managements indicate that the process of reduction is likely to continue. It is interesting to note that in the subsidized sector well over 50% of the pupils are overage by several years, and they would therefore find it extremely difficult to obtain admission now in a normal day school and in any case many of them are young adolescents who have a job of some kind during the day. Thus, they represent a class of young person which for one reason or another has missed the normal primary education bus and they are making up for missed opportunities. Future policy should I think be to confine these courses to the older group and to discourage the admission so far as possible of very young children of normal primary school age. But, of course, honourable Members will be well aware of certain socio-economic forces at work in Hong Kong which make it difficult for all children to attend day school regularly, and I think we should be wise not to seek to shut off entirely the alternative avenue of education which the night school offers. Compulsory education by itself does not offer a complete solution to these difficult cases, because it does not remove the real difficulty. In any case compulsory education has more than one side to it. It not only imposes a legal obligation on the parent to secure proper education for all his children, but it implies a moral obligation on the part of the State to provide universal facilities either free of direct charge or at a fee which is so low, that a plea of financial hardship could not succeed as a defence. It will be some time yet before Hong Kong can achieve this situation. Until universal state-aided education is a reality, compulsory education measures can have no real force or meaning.

Even when this stage is reached the problem of enforcement which is nowhere easy will be doubly difficult in Hong Kong. It will involve a sizeable force of School Attendance Officers—or Education Welfare Officers as they are now more fashionably called. One can visualize the scene in which such an officer is chasing a gang of seeming truants on a hot morning around the streets of Wan Chai, and, when he finally catches up with them being confronted with the perfect alibi, "Sorry, Sir, but actually we are in the p.m. session!"

MR GORDON also raised the question of the revised staff ratio in primary schools. Honourable Members will recall that I dealt with this matter at some length in the debate on the Education White Paper.

Several honourable Members in this present Budget Debate have urged upon Government the need for a close examination of its use of manpower and money in the public services in view of the great expansion of those services in recent years. The expansion of primary education which is planned to take place within this decade is by no means the least of these enterprises. For this reason after the most careful consideration of the advice given, Government decided that a relatively small addition to the teaching load could be made without serious detriment either to the staff or to the pupils. This modification should not in normal circumstances involve the loss of more than one or two free periods of thirty-five minutes each in the working week, and yet to restore the former ratio would involve additional expenditure of the order of \$14½ million per annum at existing salary levels by the time primary expansion had reached the levels planned for 1970 or 1971.

Finally, Mr GORDON raises an interesting point in his remarks about the possibility of a relationship between lack of the proper type of schooling and juvenile delinquency. I would not rule out the possibility of a correlation in the educational patterns of children involved in juvenile crimes in Hong Kong but as far as I am aware no detailed research has yet been undertaken here in this field. It is pertinent to note however that the results of studies in other countries indicate clearly that juvenile delinquency is not restricted to the educationally under-privileged.

MR GORDON went on to say that the statistics from such a study might even show that the need here is to insist on regular PT periods in all schools. As far as I know no evidence has been produced either here or elsewhere which would point to a correlation between juvenile delinquency and the lack of compulsory Physical Education in schools. There are, however, sound educational reasons for insisting on Physical Education in schools, whenever possible, and it is a requirement in all government and aided schools that there should be at least two periods of PT per week. As far as private schools are concerned it is difficult to insist on compulsory PT periods in all of these schools as there are many which operate in buildings not designed for school use. My staff, however, are always ready to advise schools on the development of physical education programmes based on the use of whatever facilities are available within the schools and in nearby public recreation areas. An indication of the success of this effort is the fact that bookings of parks, playgrounds and recreational areas under the general control of the Urban Council continue at a very high level and there were no less than 9,000 bookings made during the last quarter.

The present trend in physical education is to get away from the concept that it is merely an elaborate programme of physical exercises preferably performed in a gymnasium. Physical education is now regarded as an integral part of the educational development of the child in the fullest sense and this explains the modern emphasis on recreational physical

training which embraces outdoor activities of all kinds. This concept is particularly important in Hong Kong with its limited playing fields for school children. Officers of my department have, for some time now, been developing outdoor training schemes of various kinds and the success of these schemes has convinced me that there is a real need in Hong Kong for their further development through the establishment of a permanent outdoor training centre, where school children can take part in a wide variety of activities connected both with their study and physical education.

This leads me to the mention made by my honourable Friend, Mr G. R. Ross, of the possible establishment of an Outward Bound Trust in Hong Kong. As honourable Members will be aware, Mr Ross has himself taken the initiative to establish such a trust in Hong Kong, an undertaking which deserves and which I believe is attracting the support of all those sections of commerce and industry which are interested in ways of developing the character and powers of leadership of their young employees. Outward Bound has enjoyed great success in Britain during the last twenty years or so and subsequently in other parts of the Commonwealth. This success has depended largely on two factors—firstly expert and highly trained staff and secondly the support of the large employing organizations. I am confident that if an Outward Bound School is established in the New Territories, the Government, as a good employer, will provide opportunities for selected young officers from some, if not all, of its departments to attend the courses.

Sir, I beg to support the Motion.

DR P. H. TENG: —Your Excellency, my honourable Friend Mr RUTTONJEE in his reference to matters concerning the Tung Wah Group of Hospitals alluded to the work of the Tung Wah Hospital Working Party. As Government's Adviser on medical policy I must say that I would not be true to my convictions if I did not share Mr RUTTONJEE'S concern that the recurrent subvention to the Tung Wah Group of Hospitals for the coming financial year is of the order of \$24 million. I also agree with my honourable Friend that although the constitution of the Tung Wah Group states that the hospitals should be administered chiefly as free hospitals, prudence demands that such an ideal must be backed by the hard logic of practicability in the changing circumstances of Hong Kong today.

It has been found that nearly 4 million persons who had received medical attention in the registered and exempted charity clinics were able to pay an average of \$3 per attendance. Amongst those who attended Government outpatient clinics during the past year, only 2.9% asked for remission of the fee of \$1 per attendance. Records kept at the Queen

Elizabeth Hospital during 1965 showed that only 11.4% of inpatients asked for waiving of part or the whole of the \$2 per day charged.

I fully agree with my honourable Friend that those who can contribute a small share towards the costs of their medical treatment should be asked to do so whether they are patients attending Government institutions or Government subsidized institutions. The type of patients attending the charity clinics, Government clinics and the outpatient departments of Government and the Tung Wah Group of Hospitals all come from the same social class and I am therefore at a loss to understand why any proposal to charge reasonable fees should not be supported.

It might be of interest to know that on the 28th October 1938, the Tung Wah Group of Hospitals was informed that His Excellency the Governor was prepared to recommend to the Legislature the payment of a sum of approximately \$150,000 from public funds to make up the deficit shown in the accounts for 1937 and now in 1966 Members are invited to support a request for \$24 million to meet the recurrent expenditure of these hospitals for the coming financial year.

Successive Boards of Directors of the Tung Wah Group of Hospitals have rendered invaluable service and contributed varying sums of money towards the capital and recurrent costs of running the three hospitals, the infirmaries, the schools and the charities of the Group.

In the past 8 years the Directors had raised \$7 million towards the costs of redevelopment of the Kwong Wah Hospital. This sum represented approximately 20% of the total cost of the scheme, Government's share being about \$27.6 million. The Directors had also collected about \$600,000 as their share of the contributions towards the capital costs of the infirmaries and last year, they had been responsible for about \$¾ million towards defraying the recurrent costs of all the Tung Wah Hospitals' activities, and of this sum, \$255,000 was allocated for medical work. I have produced these figures to show that the Directors not only give freely of their time and their services but that they also give valuable financial assistance, and for these, they deserve our heartfelt thanks. On the other hand, surely the burden of meeting capital and recurrent expenses should not fall only on the shoulders of the Tung Wah Directors, or of Government. Beneficiaries of this and other such heavily subsidized schemes for medical care should pay a share, however small, towards the costs of their treatment. As matters stand at present, 73% of the patients in the Tung Wah Hospitals and infirmaries receive absolutely free medical care whilst the outpatient departments are entirely non-revenue producing.

As I am in complete agreement with the views of my honourable Friend Mr RUTTONJEE on the question of fees he can rest assured that I shall always bear in mind the principle that those who can pay will be called upon to pay within their means. I would very much like to see

this principle applied to all categories of patients whether they are cared for by Government medical institutions or by institutions in receipt of Government subsidies.

On the question of Casualty services at the Kwong Wah Hospital which was set up and staffed by Medical Department personnel in July last year, I am glad to be able to say that it has worked very satisfactorily. For the period 1st July 1965 to the 28th February 1966 a total of 31,166 patients were seen at the Kwong Wah Hospital Casualty Unit and of this figure 16,027 were admitted to that hospital and 299 were referred for admission elsewhere.

Last year at this Debate, I mentioned that Government does not enjoy any monopoly in the provision of casualty services, and there is no reason why all accident and emergency cases occurring in the Colony should be the responsibility only of Government hospitals and Government doctors. I reiterate that all hospitals should share the burden of looking after such patients. I shall renew my plea with non-Government institutions and I hope that the response will not be disappointing.

On the question of the principle of Government grants to voluntary medical institutions, I can assure my honourable Friend that a code of practice is now being formulated so that any financial assistance given to these institutions will adhere closely to a set pattern and his proposal to pay recurrent costs on the basis of daily bed occupancy will be given careful consideration. This matter, as my honourable Friend is aware, is being examined by the Medical Development Plan Standing Committee.

My honourable Friend Mr GORDON was kind enough to mention that the present School Medical Scheme is a good one and worthy of support, though he has voiced some misgivings about its scope. As the administration of the School Medical Scheme is in the hands of the School Medical Services Board, I have been asked to reply on behalf of the Board. It is relevant at this stage to quote a passage taken from the 1962 Working Party's Report on the School Medical Service concerning the arrangements for medical treatment for participants in the Scheme, and I quote Chapter II Section 27: —

- (a) Doctors should be allocated to Schools on a regional basis, in areas proximate to their surgeries;
- (b) Individual patients should have no free choice of doctors, but schools should be able to choose from a list of doctors,
- (c) Doctors should be required to state where their surgeries were, and to notify changes of address;
- (d) Doctors should be required to state three hours a day six days a week during which they would give priority of consultation and treatment to patients in the Scheme.

I have been asked to state that the above recommendations unmistakably placed the Scheme on a "school to surgery" basis, the school being allocated one doctor of its own choice proximate to the school. Additionally, it is clear that the Scheme was never intended to be one of individual patient to doctor, but a school to doctor scheme.

In the case of King George V School a request from the Principal for an additional doctor with surgery on the Island was considered by the Board in February 1965. The request had to be refused for the following reasons: —

- (a) It would have proved administratively difficult.
- (b) No special concession could be granted in the case of any one school.

The Board has also considered the question of the feasibility of providing Dental and Optical care to students at a nominal additional fee and I must state that active consideration is now being given to these proposals but it is at present premature, with planning yet to be finalized, to give any details.

Lastly, the Board wishes me to state that the doctor chosen by King George V School has his surgery open every morning from Monday to Saturday from 10 a.m. to 1 p.m. and every evening from 4.30 p.m. to 9 p.m.

My honourable Friend Mr GORDON has, once again, directed my attention to the overall question of dental care and it is on this problem that I particularly wish to dwell. Mr GORDON has laid before us the most informative collection of statistical data which I note are identical with those made available to me by my dental colleagues in the service. I share his concern that the present ratio of dentist's to population is unsatisfactory, and that something should be done to increase the pool of available dentists for the general population. The simple answer would be to have a Dental School but the reasons which I gave in my Budget Speech in 1964 against the proposal for the establishment of a Dental School are equally valid today, furthermore the capital costs of such a school would now be in the region of \$10 million, and with an annual recurrent expenditure of some \$2 million. The Medical Faculty of the University of Hong Kong has just embarked on a programme of taking in 120 students annually in the next triennium for the medical course and however desirable it might be for Hong Kong to have a Dental School, I would like to reaffirm my conviction that it is more in the interests of the local community to increase the pool of doctors.

I have taken note of my honourable Friend's well informed comments regarding the shortage of dentists in the Colony, and this will be borne in mind when considering any alternative schemes. My honourable

Friend has in fact mentioned a very attractive and practical alternative, and it is the introduction of a system for the training of dental nurses. At the moment, we have a very small pool of 7 qualified dental nurses and 4 more are being trained in Penang. I agree that dental auxiliaries can perform very useful functions in an overall dental health programme particularly for children in their critical formative years to prevent them from becoming dental cripples in the future. At the present time, there are 55,890 children in the 6-7 age group, 85,151 in the 7-8 age group and 89,275 in the 8-9 age group. The feasibility of offering dental care to these and older age groups up to 18 will necessitate a very close study of the financial resources of the Colony, and the related problem of the implementation of a programme for the training of dental nurses.

My dental colleagues and I have been in very close touch with the dental services in other countries especially in Singapore where there is now a very good school for training dental nurses. I can therefore assure my honourable Friend that the whole question of the training of dental nurses in general and a scheme for offering some form of dental care to the participants of the School Medical Scheme in particular will be carefully studied.

I am grateful to my honourable Friend Mr GORDON for giving me an opportunity to refer to Your Excellency's brief mention of the investigations at present being conducted into the desirability of establishing a central nursing school in Hong Kong.

As a result of the 1964 report of the special committee on Nurse Education set up by the Council of the Royal College of Nursing, under the Chairmanship of Sir Harry PLATT, the Nursing Board of Hong Kong appointed a Working Party in May 1965 with the following terms of reference: —"To consider the whole field of nursing education and training with reference to the part which the nurse is called upon to play in the various spheres of nursing services, taking into consideration the recommendations of the Medical Development Plan and the Colony's future needs, and to make recommendations."

The Working Party was asked to bear in mind that "the implementation of their recommendations will depend on the financial resource of the institutions concerned with training and the competing claims of development, particularly those of other essential services within the institutions".

It is felt that the time has come to take a very close look into the existing pattern of nursing education not only in terms of present day needs but also in view of the Colony's future medical development.

I am sorely tempted to give my personal views on the desirability of having a uniform system of training for nurses to meet the Colony's total requirements but I should not, in fairness to the working party, anticipate

the recommendations of its members. I can, however, assure my honourable Friend that I am personally of the opinion that any scheme of centralized training that might be introduced would not only need to preserve the identity of the time honoured institutions referred to by my honourable Friend, but in order to utilize all the expertise and the training facilities available in the Colony would also have to enlist the assistance of non-Government personnel and hospitals.

Sir, I beg to support the motion before Council.

MR A. M. J. WRIGHT: —Your Excellency, to the Public Works Department the financial year now drawing to a close has been noteworthy for two reasons. Non-Recurrent expenditure has exceeded last year's figure by 20%, and is approaching \$600 million. After making allowance for the Shek Pik claim this represents an excess of about \$15 million, or rather less than 3% over the estimated expenditure for the year, and is a considerable improvement over previous years in production as well as in the accuracy of our estimating.

Without doubt production has been helped by the weather which, in spite of the very heavy rainfall in September when over 31 inches fell, was favourable to the construction industry. However, gains in this respect were to some extent offset by delays caused by contractors faced with financial difficulties. This was not widespread but some twelve or fifteen projects—including site formation and resettlement contracts—were affected. I am glad to say that so far as resettlement is concerned the difficulties are being overcome and progress is getting back to normal.

Production of this magnitude is not achieved without a great deal of effort by a large number of people. We are fortunate in Hong Kong in having a generally efficient construction industry, keen to keep abreast of modern techniques. However, the industry is finding it difficult to attract into its ranks the high quality technologists and supervisors needed for really good job management and site organization. This weakness puts an added responsibility on our own staff. I never cease to be amazed at the small number of professional and technical staff working on major Public Works Department projects when compared with the numbers used elsewhere in the world. Where, except in Hong Kong, would one see a government embark on the planning and construction of two new towns, each to be capable of housing a million people by the 1980's, without setting up a vast and complex new department? Yet here, we propose to meet this challenge by a very modest expansion of a single sub-department of the Public Works Department. I can assure my honourable Friend Mr GORDON that in such an organization there is no room for the man who does not do more than a fair days work, whatever his pay.

From New Towns one's mind turns to planning. A few years ago there was considerable criticism that we were paying too little regard to the importance of planning and, in the main, I think that the criticism was justified. Much has been done since then, but we must be careful that planning for the future is not made an excuse for doing nothing today. Important and difficult decisions can too easily be put off indefinitely on the excuse that more information is required from the planners.

Apart from the very important business of preparing draft plans under the Town Planning Ordinance, we are drawing up detailed development plans for the new towns at Kwai Chung, Castle Peak and Sha Tin; and we are planning ten years ahead for the Resettlement and Government Low Cost Housing Programme and 5 years ahead for roads.

In 1964 we set up a Water Resources Survey Unit in the Waterworks Office, to investigate the overall water requirements and resources of the Colony, with special reference to the period 1970/1980. The Unit has recently submitted its first interim report which is now being studied. In 1964, also, a Passenger Transport Survey Unit was started in the Civil Engineering Office; its initial survey is nearing completion and the data collected has been passed over to the Consultants who were appointed last year to carry out an engineering feasibility study of mass transport systems. The final report of the Mass Transport Consultants is due in the middle of next year, but already much useful information has been provided by them in their bi-monthly interim reports which are presented to the Transport Advisory Committee.

Two years ago it was decided to proceed with the preparation of a Colony Outline Plan and a unit was set up within the Crown Lands and Survey Office. The Unit is now fully operative; several working Committees have been set up and it is already apparent that the information which is being collected will be of the greatest value to such bodies as the Transport Advisory Committee and the Housing Board. The Working Party on Slum Clearance presented its report in October 1965. It attempts to find a practical solution to the problem referred to by my honourable Friend Mr WATSON—the problem of old dilapidated and dangerous buildings whose tenants are faced with sudden eviction following the service of a closure order. Copies of the report have been circulated to honourable Members of the Executive and Legislative Councils and preparations are in hand for general publication. Meanwhile, the recommendations of the Working Party are being studied by Government.

Sir, I have not mentioned every field of planning in which we are involved, but I think that I have said enough to show that we are planning for the future and we are conscious of the need for positive, as opposed to theoretical, planning. I can assure my honourable Friend Mr SZETO Wai that we do not intend to allow these plans to lapse.

My honourable Friend Mr WATSON said "we are now planning three new cities in the New Territories and it would be monstrous if we repeated in them the mistakes of the past". I agree with him. I am reminded of the Dockyard where, in preparing the plan for its development, we were very conscious of the need to avoid the mistakes of the past. Perhaps we moved too far and too quickly into the future and so brought on ourselves the condemnation of my honourable Friend Mr Y. K. KAN. He spoke of a "fiasco" and expressed the view that the failure to find a purchaser was not because of lack of interest, or the bank run, or the slump which followed, but was due to the totally unrealistic and unacceptable conditions attached to the sale.

The Conditions were certainly strict and there were many of them. Not to have included them would have opened the door to modern slum type development such as we are getting on many unrestricted sites throughout Hong Kong and Kowloon. The Conditions were the minimum necessary to ensure that the development would conform to the approved Town Planning proposals, that a successful tenderer would be legally bound by his offer, and that the main conditions could not be avoided by the sale of individual flats or other portions of the property. They were complicated by the forward looking plan which segregated pedestrians and the vehicle traffic, but they permitted a tenderer to submit his own alternative scheme if he wished to do so. If the sale could have been agreed by negotiation the Conditions of Sale might have been simpler, but under such circumstances it would have been difficult to demonstrate to the public that no special treatment was being meted out to a particular applicant.

An amended, simpler and more conventional plan is now being drawn up, but I agree with Mr SZETO Wai that no final decision on the replanning and disposal of the Dockyard area should be taken until we have before us the proposals of the Mass Transport Consultants.

My honourable Friend Mr SZETO Wai questioned the siting of the Incinerator now under construction in Kennedy Town. It is in an area which for many years has been used for offensive trades associated with the slaughter house and this is the primary reason for it—as well as the Abattoir—being sited there. Every reasonable precaution has been taken to safeguard the residential property in the neighbourhood. The incinerators are of the most modern high temperature continuous feed design and will be fitted with multi cyclone type gas cleaning gear to prevent the emission of dust particles. Provided we are not forced into the position where the incinerators have to be grossly overloaded there should be little or no smoke. As an added safeguard the incinerator has been so sited that the prevailing winds blow out to sea, away from the residential development.

In August last year the Government Civil Engineer produced a very comprehensive report on the duplication of sewers in the urban areas of Hong Kong, Kowloon and New Kowloon. I think that it was to this report that my honourable Friend Mr SZETO Wai referred when he spoke on this subject. Government is fully aware of the need to come to grips with this problem; works are already in hand at Sham Shui Po, Happy Valley and in the vicinity of Hollywood Road. It is slow difficult work, and causes much inconvenience to pedestrian and motorists alike. It is our intention to accord a high priority to the sewer duplication programme as well as to the construction of screening plants and the associated submarine outfalls; of these, four have already been completed, one is under construction and four others are being designed.

I can assure my honourable Friend Mr Ross that Aldrich Bay Typhoon Shelter has not been pruned from the Public Works Programme. Very intensive investigations are under way and a new concept in breakwater design is now being studied in an attempt to reduce the very high cost of a conventional rubble mound. I do not think we shall have completed all these investigations in time for the May meeting of Public Works Sub-Committee, but we shall have a full report and estimate ready for the August meeting.

My honourable Friend said that our typhoon shelter capacity remains static. This is not correct. Perhaps he was thinking of typhoon shelters within the harbour limits, but even here he is wrong. In the last two years we have completed a 6-acre shelter at Sam Ka Tsuen at the eastern end of the harbour, while a 27-acre shelter at Rambler Channel at its western end is nearing completion and will afford a fair measure of protection this year. Besides this, a 62-acre shelter has been built at Aberdeen West, and there can be no doubt at all that this will have a direct effect on conditions in the harbour. For in the past craft used to leave Aberdeen on the hoisting of a typhoon signal to seek shelter at Yau Ma Tei or Causeway Bay. Breakwaters are now being constructed at Aberdeen East, and this will provide a further 80 acres of sheltered anchorage before the end of 1968. I am sure that honourable Members will agree that the not inconsiderable improvement since 1964 should be taken into account when considering whether or not we should proceed immediately with the construction of the proposed shelter at Aldrich Bay. The discussions between the Colonial Secretariat and the Director of Marine about the control of non-working craft in typhoon shelters, to which I referred when replying to my honourable Friend's question in January this year, have now reached the point where final drafting instructions are being prepared so that a suitable item can be included in the Legislation drafting programme.

My honourable Friend Mr Wilfred WONG suggested that the maximum income to qualify for Government Low Cost Housing should be increased from \$400 to \$500 a month. This change was in fact made in

February last year. I do not follow the logic of his argument that this change will necessitate an increase of 30% in the Government Low Cost Housing programme; however, the building programmes are reviewed annually by the Housing Board and I am sure that the Chairman of the Board has taken note of my honourable Friend's views.

The probable peak tunnel traffic in 1971 based on the revised (1964) assessment of the Tunnel Consultants and the Road Research Laboratory is 1,940 vehicles per hour in one direction. This compares with my honourable Friend Mr WATSON's 2,500 which, I think, is based on figures in the original (1960) Traffic Survey. With a design capacity of 2,000 vehicles per hour the tunnel should be able to take up to 3,000 per hour before it reaches saturation, and this is unlikely to occur until the late 1970's or early 1980's.

If the tunnel reaches saturation, as my honourable Friend fears may happen, immediately or very shortly after it is opened, then I have little doubt that many motorists will continue to use the vehicular ferries. We are fortunate in having an efficient vehicular ferry service for which there could be a continuing demand after the tunnel is opened, even though it may not immediately reach saturation. I have never subscribed to the view that the cross harbour tunnel will automatically put the vehicular ferries out of business.

The Honourable Y. K. KAN suggested that Government's land policy encouraged the public to believe that the land boom would continue indefinitely; he also referred to Government's manipulation of land available for sale, the charging of high premia for lease renewals and lease modifications, and the exacting of what he called "penalties" on any and every pretext. I do not find it easy to reply to him because I am not at all sure what he means by "manipulation". The Honourable F. S. LI was more explicit, though incorrect, when he spoke of "recent Government policy of restricting the supply of land because of the fall in Real Estate values".

Sir, in your address you spoke of the shortage of land and the decisions taken in the 1950's to overcome it. For the last ten years the policy then laid down has been followed. A special division of the Public Works Department was set up to plan and carry out the various engineering works precedent to the creation of new land. Since 1960 about 1,000 acres of land have been formed in Hong Kong, Kowloon and New Kowloon; of this, some 440 acres have been used for Resettlement and other Government or Government aided housing, and 175 acres have been developed as public open space. This has left some 370 acres for general development and of this 290 acres have been sold for private development. That this was not more is due to the top priority given to the allocation of land for Resettlement and other forms of Government and Government aided housing.

Lest there be any misunderstanding I must emphasize that Government has not been withholding from sale any land which is formed, serviced, planned and available for sale, and for which a demand is known to exist. Industrial land continues to be offered as soon as it is ready. Lists of available residential lots are on exhibition and only await an applicant before being offered for sale.

The premia for the regrant of expired non-renewable leases and the modification of lease conditions are calculated on the current market value of the land. To calculate these premia on any other basis would present the owner with an immediate capital gain equal to the difference between the assessed premium and the market value. The only exception favours the lessee of a pre-war lot seeking a modification, for he pays only 50% of the increase in value as a premium. On the question of penalties I must remind my honourable Friend that it is a premium, not a penalty, which a purchaser pays for a variation of sale conditions to suit his own convenience. The Building Covenant period is based on an estimate of a reasonable period of time within which it should be possible to complete development on a site to the value laid down in the Covenant. This period is known in advance to the purchaser and he enters freely into a contract with Government to complete development within that period. Government does not accept the fact that a developer who has freely entered into such a contract, possibly after competition with other persons fully prepared to fulfil the lease conditions, should be allowed unilaterally to evade his contract liabilities without premium. Nevertheless, last November Government announced that anyone holding land under Conditions of Sale or Grant executed before 1st July 1965 could apply for an extension of the time limit, for one year, free of premium, in which to fulfil his Building Covenant. Similar concessions also apply in the case of land subject to an Exclusion Order made before 1st July 1965.

My honourable Friend Mr F. S. LI suggested that Crown rents, rather than a single premium, might be made the subject of auction. He thought that if this change were made revenue from land would be more calculable and more truly recurrent. In the early years of the Colony it was in fact the custom to auction the annual rent, but in 1850 the present practice was introduced and—except as varied in some cases to allow the concession of payment by instalment in order to attract industry to new towns—has been followed ever since. The reasons for following this system are more valid today than they were in 1850; the value of money is falling and most properties are tending towards subdivision into smaller and smaller units.

My honourable Friend will doubtless know that at the present time Government is experiencing difficulty in collecting annual instalments of premium, which when spread over 20 years is very similar to annual rent. There have recently been many cases of re-entry by Government

for failure to pay these instalments, notwithstanding that considerable additional time in which to pay was given. To revert to the practice of the 1840's would, I think, be likely to cause loss of revenue and would not, as suggested by my honourable Friend, be a reliable source of recurrent revenue.

Sir, I have tried to reply to the various points raised by honourable Members and, at the same time, give a brief account of some aspects of our work. In the fields of water supply, housing and land I believe that we are in a better position now than we were three years ago, and we should be able to maintain the improvement. In another very important field—communications—we are doing no more than hold our own. You referred to this subject in your address and I believe that we in the Public Works Department must concentrate more effort on this aspect of our work in the future. That this is our intention is clear from next year's estimates where the provision for roads and road improvements is over 50% above the provision in the current year's estimates.

MR D. R. HOLMES: —Your Excellency, I welcome this opportunity of replying to the observations made by our unofficial colleagues about those matters for which in my capacity as Director of Commerce and Industry I carry the initial responsibility.

First, I would like to deal with international trade relations, a matter to which my friend the Honourable Dhun RUTTONJEE has invited the Council's attention. I agree very fully with his view that the maintenance of the channels of trade is one of the most important functions of this administration. As far as my own work is concerned this aspect is growing more and more preponderant, and I and my colleagues are becoming increasingly engaged in international negotiations and in the time-consuming travelling which these involve. Naturally in these matters we are ultimately dependent, and must remain so, on the overseas representation of Her Majesty's Government in the United Kingdom, and I do not understand that Mr RUTTONJEE has in mind any change in this basic constitutional position; but whenever an important issue comes up we nowadays always do our best to send a senior official or sometimes two officials to work with the British Embassy or delegation concerned. I do nevertheless agree, however, that especially in our main markets, and in Geneva which is the main centre of multilateral trade negotiations for the western world, such *ad hoc* arrangements do not always suffice, and as members will be aware I already have an Assistant Director attached to the British Embassy in Brussels for the purpose of watching our trading interests in the countries of the European Economic Community, as well of course as my London Office which has been functioning for many years. We are now considering on the

advice of the Trade and Industry Advisory Board, whether Hong Kong representation comparable with that which we already have in Brussels could be set up in the British Embassy in Washington and in the permanent British delegation to the international organizations in Geneva. These arrangements are necessarily contingent on the agreement of Her Majesty's Government, and there may also be practical difficulties to overcome. But if the arrangements can be made, Hong Kong's trading interests will have direct diplomatic representation in our three main markets and at the seat of the two major multilateral trade organizations, namely GATT, the General Agreement on Tariffs and Trade and the United Nations Conference on Trade and Development, UNCTAD, as it is called. I shall be glad to keep my honourable Colleagues informed of the progress we are able to make towards this end, and, of course, any other member of this Council who expresses the wish to be so kept informed.

I turn now to trade promotion. My honourable Friends, Mr FUNG, Mr ROSS and Mr TANG, have all referred to the proposed new central organization for export promotion, the report on which was tabled in this Council four weeks ago. In company with them I too hope that we have now advanced beyond the stage of thought into the field of action towards the setting up of what now seems likely to be called the Trade Development Council. We cannot of course halt action on activities already in the pipeline, and these are going ahead under the direction of a committee charged with responsibility for overseeing the transitional arrangements. But many complex policy problems arise on the institutional side. A new organization of the magnitude envisaged in the Working Committee's report, from which so much is expected and which is to receive large sums of public money, cannot be constructed overnight. Mr OLIPHANT, the Director designate, and his staff are very fully aware of their responsibilities and have obtained advice from leading authorities all over the world on the question how the Council should organize itself and go to work. They are already well advanced in the task of dovetailing the existing staff of the Public Relations Committee and the specialized staff of my department who will together constitute the initial personnel of the new organization. But the trade development policies of the Council will be for it alone to decide, within the framework of the legislation incorporating the Council and the guidelines recommended in the Working Committee's report.

I hope shortly that it will be possible to introduce the legislation necessary to incorporate this new council and to provide more than half its revenues in the manner recommended in the Working Committee's report. I have heard no adverse public reaction to the recommendation that an *ad valorem* tax be levied on the value of import and export declarations registered with the Trade Statistics Office. The tax proposed is 50 cents for each \$1,000 or part thereof, with a minimum of \$2 for each declaration. This would be in substitution for the flat rate of \$2 now

charged for each declaration, \$1 of which may even now be regarded as a levy for purposes of trade promotion. The Working Committee did not feel that so small an impost would constitute any real burden on business or on the consumer and I trust that the silence of the industrial and mercantile community indicates general agreement with this view.

On Export Credit Insurance Corporation the proposed Export Credit Insurance Corporation is, I am glad to say, now at last emerging from its chrysalis of committee deliberations and official reports. Honourable Members will be aware that Mr K. D. ROBERTSON, the Commissioner-designate, has recently arrived in the Colony after an attachment to the Export Credits Guarantee Department in London. He has already set up an office with a skeleton staff where he is planning the local establishment of the organization while discussions are simultaneously in progress on various aspects of the necessary legislation. One thing is certain, that Mr ROBERTSON is determined to be in business just as soon as he has the necessary money, trained staff and legislative backing, and he is fully aware that the rates for insurance will have to be economically acceptable to the exporters. However it is clear that if this is to be achieved it will be essential for local business houses to co-operate by seeking cover from the Corporation for as wide a field of export business as possible and not only for those areas where the risks are high. I expect that the initial financial implications of the setting up of this new organization will in the fairly near future be a matter for consideration by the Finance Committee of this Council, and there will of course also be legislation to consider as soon as it is ready.

On the question, Sir, of industrial design, my honourable Friend Mr FUNG Hon-chu has suggested that greater attention should be paid to the question of industrial design in Hong Kong with the object of increasing the use of original design by Hong Kong industrialists and thus improving the quality of our products, whilst at the same time reducing our present dependence on designs that originate overseas.

I support my honourable Friend completely in his assertion that design study in Hong Kong, with particular application to industrial products, is becoming increasingly important if we are to establish more of our future export markets on the basis of brand names and high quality products. As Mr FUNG has remarked, a start has been made in the right direction with the planning of courses in industrial and commercial design in the Technical College. I know that much thought and effort have been expended in the establishment of the new premises in the Technical College which will house the commercial and industrial design sections. My friend the Director of Education, whose province and responsibility this is, considers that until the new courses have been established he cannot proceed to consider the question of a consultancy

service for industry. I do, however, accept that such a service could be of value and I shall not fail to discuss its practicability with the Director of Education in due course.

Mr FUNG also suggested that consideration be given to the establishment of a design centre in Hong Kong, presumably along the same lines as those which have been established in Britain and other countries. Such centres are not normally training establishments themselves but usually co-operate closely with the educational authorities in the preparation of training programmes for industrial designers and sometimes by arranging to bring students into contact with industry. Part of the function of a design centre is also to select and display, and otherwise publicize the best original industrial designs as a means of encouraging higher standards, a wider public consciousness of good design, and higher quality products. Whether we here in Hong Kong are ready to set up such a centre at this juncture I am not quite sure. The practical problems, including the resources available both of men and money, will be apparent to those familiar with Hong Kong and its industry. I shall be keeping this proposal under review, and shall be glad to consult Mr FUNG and to seek the benefit of his advice as our thinking develops. Members will, I think, agree that we must be well assured of the necessary support from industry, financial and otherwise, before committing public funds and resources to a project of this kind.

Mr FUNG also referred to the possibility of laying down minimum quality standards whilst at the same time maintaining the freedom from Government control which, as he rightly says, is much prized in Hong Kong.

The recent adverse publicity which certain Hong Kong products have received in markets overseas has led to considerable public discussion, and some misunderstanding, about the possibility of establishing a set of internationally acceptable standards for such products to which our manufacturers would be obliged to conform.

The Government is of course, fully alive to the detrimental effects on Hong Kong overseas trade which follow the widespread publicity given to complaints against one or two products which may be held, or alleged to constitute some degree of health or safety risk. However I must state quite plainly that at this stage the Government could not contemplate the imposition on any sector of industry of a set of technical, utility or quality standards to which industrialists would be required to work under pain of a statutory penalty. Any development along these lines would in my view represent unwarranted interference with the liberty which manufacturers at present enjoy to produce goods to whatever standards or specifications are requested by the buyers. This former flexibility has contributed in large measure to our success in the export

field. I am quite sure that industry itself would react strongly against any proposal to restrict its freedom of action in this direction.

This does not of course mean to say, Sir, that Government will not take action whenever this is considered necessary and appropriate in order to ensure that the manufacturers of any product which represents a genuine health or a genuine safety risk ceases further production and export of the item concerned until it is suitably modified. Members will be aware from press statements made during the past few months that an effective voluntary restriction on production and export was introduced while Government investigated possible health risks arising from Hong Kong-made drink coolers. At various times my department, working with the authorities of the importing country concerned, has had to seek the co-operation of Hong Kong manufacturers and exporters in withdrawing from sale, products which represented some degree of health or safety hazard. Such instances however have been few and far between and, I am glad to say, we have been accorded the fullest co-operation by the firms concerned. It is important I think, that a sense of proportion should be preserved when we are considering the problem of health and safety hazards in our industrial products. Hong Kong exports many thousands of different types of products to almost all the countries of the world and in respect of the vast majority of these products the question of health and safety hazards simply does not arise.

Whilst therefore every encouragement should be given to our industrialists to ensure a high standard of quality in their products, I believe that this should be done by discussion and persuasion rather than by statutory restriction and sanction. But I must give warning here that if persuasion fails and where in the opinion of my honourable Friend, the Director of Medical and Health Services, a serious, health risk is apparent, I shall not hesitate to advocate legislation.

Finally, Sir, in relation to the suggestions made by my honourable Friend Mr TSE Yu-chuen, I have some remarks to make about the rice trade and the controls which we still exercise upon the importation of rice. The basic purpose of these controls is to ensure the maintenance of adequate stocks at all times and to guard against certain forms of manipulation which might damage the Colony's interests if private enterprise were given an entirely free hand. These things cannot be ensured without some degree of Government regulation. I myself believe that our arrangements have served these purposes well in the past and that they continue to serve them well at the present time; but this is a matter not of doctrine but of the question what is practical and workable and effective; apart from what I have to say today I propose to seek an early opportunity to discuss the matter with Mr TSE in somewhat more detail than emerges from the remarks he made in the earlier stages of this debate.

Meanwhile the matter is brought up in this debate in the context of social welfare. It could be argued that the cost of rice is becoming less important than it used to be in the average household budget. The 1963-1964 household expenditure survey established that in the average budget of households earning less than \$500 a month about 8% is now spent on rice as compared with perhaps twice that percentage in 1947. From this it could be inferred that special measures to regulate the price of rice would be less justified now than they might have been in the past. I do not however press this argument, for I know that the average figure does not tell the whole story and I am well aware that the poorer the family the more predominant is the expenditure upon rice in the family budget. Therefore I fully accept that Government controls—imposed for purposes unrelated to social welfare considerations—must not be so operated as to inflate unduly the price to the consumer.

It has, however, always been our concern to prevent such price inflation, and at the risk of taking up more of the Council's time than I could have wished I would like to review the history and progress of the controls imposed upon this trade since the second world war. Any such review will inevitably include a good deal of statistics and figures, but since I do not wish to take up the time of the Council today with a recital of such figures I have caused to be brought up to date a fact sheet which was published last year. Copies of this fact sheet have already been supplied to honourable Members and it will be made available as a public document today. I beg leave accordingly, Sir, to present this paper to Council that it may lie upon the table.

For the first nine years after the war we operated what might be called a mixed system, partly free and unrationed, and partly rationed and price-controlled. Importers were allowed to bring in supplies of higher grade rice bought commercially from producing countries; these higher grades were unrationed and were sold in numerous rice retail shops at commercial prices. In order to provide cheap rice for those who could not afford or did not wish to pay for better qualities, Government itself imported rice and sold it in three rough and ready standard grades on ration through about 200 approved Government rice shops, whose owners were prohibited from selling other rice and received a commission on the quantity sold. A large part of the population was never registered for rice ration cards, and an attempt to extend registration to the whole population in 1953 was a failure.

The cost of rice rose steadily in post-war years, until the first really abundant post-war harvest in Thailand which led to a rapid price fall in the autumn of 1953. Rising living standards, combined with this fall in price, enabled consumers to exercise greater choice, and business in the Government rice shops fell off rapidly and hence the failure of the extended ration registration scheme in 1953. Government abolished the ration system in July 1954.

The present rice control scheme, the legal basis for which is the Importation and Exportation (Reserved Commodities) Regulations enacted by the Governor in Council in 1954, started on 1st January 1955, when the Government appointed as approved importers and stockholders 29 firms which had substantial performance in the post-war rice trade or whose connexions overseas were known to be well-established and stable, and who could command sufficient finance to hold the stocks stipulated to prevent a sudden shortage of supplies to the domestic market. In 1957 a further nine firms which had some post-war import performance, or special overseas connections, were added to the list of approved importers. And ever since this scheme was started, the Government has been alive to the latent danger of monopolistic abuses, or perhaps I should say oligopolistic, if the word is acceptable.

In return for the quotas allocated to them, these approved importers are required to undertake certain obligations to take account of likely fluctuations in supply as well as seasonal demand and the need to maintain stocks neither below the level which the general public interest demands, nor above a level which might impose an inequitable burden upon the consumer. The obligations include importing in full the basic quotas allocated, the maintenance of an adequately financed minimum reserve stock, the submission to my department of detailed weekly returns on stocks, imports and sales, and the offering of regular supplies of rice to the domestic market.

These then, in brief, are the arrangements which Mr TSE says have led to the formation amongst importers of a "price appraisal committee", in other words as I take it, of a price-fixing ring, which is said to exploit the consumer. I have already said that I hope to discuss this problem in more detail with my honourable Colleague, and I shall certainly consider it a most important part of my duties to examine very carefully all evidence produced for this proposition. But pending the production and examination of such evidence I do think that we in this Council should keep clear in our minds those facts which are already known. Of these the most important is the actual movement over the past few years of the price of rice. Since 1958, when rice prices were low, supplies were plentiful, and prices were stable, since then and now, the present time, which is one of some uncertainty about the supply position, wholesale prices for top-grade white rice have advanced by 3% whilst those for the middle and lower grades have decreased by 1%. During the same period the average price of vegetables, for example, appears to have increased by some 50%, and that of beef to take another illustration by about 13%. All these figures are officially recorded and I do not think they are open to serious question. I believe that they speak for themselves.

If on welfare grounds the Government is to control the price of rice to the consumer, the only way to do this is virtually to control the

whole trade—importation, wholesale dealing and retail sale. I think, Sir, that it will be difficult to make out a valid case for making such a change. But as I have said I shall seek an early opportunity to discuss the whole matter in greater detail with Mr TSE, who did not consult with me or my colleagues before making his initial remarks on the subject in this debate. I shall take steps to ensure that this Council is informed of the outcome of such discussions.

In conclusion, Your Excellency, I would like to say again how much I welcome the opportunity to ventilate these matters in this Council, and in a more general sense, how much I appreciate the advice and help and support I have had from unofficial sources during the last twelve months. In all the matters to which I have referred we never take a serious step without prior consultation with the many Boards and Committees that are appointed to advise on these matters, all of which have unofficial majorities; and without their advice I and my colleagues would be working in the dark.

With these remarks, Sir, and with an apology for the amount of the Council's time which I have taken up, I beg to support the motion.

MR K. A. WATSON: —Your Excellency, may I withdraw from the Chamber for a moment?

HIS EXCELLENCY THE GOVERNOR: —Yes, Mr WATSON.

THE FINANCIAL SECRETARY: —Sir, there has been such a wide range of comment on the Budget, both in general and particular terms, that it is not easy for me to deal adequately with all the points raised, so far as they concern my sphere of responsibility, in a manner that does them full justice. I hope honourable Members will excuse me where I fail to do so.

I am grateful to honourable Members for the support which, with one exception, they have promised, with more or less enthusiasm, for my proposals, most of which, in any case, stem, directly or indirectly, from the general or particular policies in the making of which they themselves are continuously engaged. On the expenditure side, at least, the draft annual estimates have become almost as much this Council's as mine.

I have been happy that proposals for increased expenditure have been much less prominent than usual; not that there have been none. Those that there have been, have been mostly, and perhaps surprisingly in our free enterprise economy, proposals for subsidizing economic and commercial activities, including some very expensive, indeed open-ended,

proposals from my honourable Friend Mr Ross. Perhaps not so surprising after all; it is natural that Government intervention by way of subsidy should meet less opposition in the business world than intervention by way of regulation or tax.

As to revenue, I have been disappointed by the absence of much advice on what new taxes we should be thinking of, rather than the old favourites. Indeed, there were proposals to remove or reduce two taxes and a proposal from one honourable Member that we should not proceed with one of the tax increases I proposed. My honourable Friend Mr GORDON, however, gave me enough cautious encouragement on a dividend tax to make further study of the proposals worthwhile. I am disappointed at the immediate reactions to a payroll tax but further consideration may change attitudes to it. It has many virtues in our context, even if naturally unpopular with employers. I must confess to being a little puzzled by my honourable Friend Mr RUTTONJEE'S reference to the need at present, as he sees it, to encourage higher productivity of capital rather than of labour, particularly as he also argued against a payroll tax as inhibiting wage increases. Historically this latter point is certainly not true in the countries that have it—America, Australia and Malaya. I still think this is a promising candidate and I shall keep hold of the kite string.

Naturally, there has been considerable comment on the proposal, after so many years, to raise the standard rate of Earnings and Profits Tax. May I first of all refute the story that this is the result of pressure from Westminster. There is no truth in this whatsoever. There was not even prior knowledge of our intentions. I do understand, however, that there was substantial betting in the corridors of Whitehall as to whether we would have to do it or not; I do not know what odds were quoted.

Two different, and very nearly opposite, views of tax evasion have been expressed by my honourable Friends Mr GORDON and Mr WONG. The latter goes so far as to claim that, if we collected what we should at present rates, we should not need to increase the rate. I certainly would not claim that there is no evasion; no tax authorities anywhere would claim this, and indeed even in Britain the rate of evasion has been calculated to be as high as my honourable Friend says it is here. It is unfortunately true that our system of separate taxes instead of a full income tax makes detection rather more difficult than elsewhere, but it is rather more difficult to base an investigation on a man's apparent total wealth. I would have expected my honourable Friend, Mr WONG, holding the views he does on the extent of evasion and the possibilities of preventing it, to have joined himself as an ally with my honourable Friend Mr F. S. LI in his long and courageous stand for a full income tax—but he had nothing to say on this. Against the difficulties presented by the nature of our tax, one must, however, put on the credit side our low rate of tax

which does not encourage anyone to take the quite serious risks involved in attempting to evade. On the other hand, my honourable Friend Mr GORDON has pointed out that the higher rate now proposed alters the odds a bit and may cause increased attempts at evasion. The Commissioner and I are very conscious of this and he has proposals for strengthening his investigation staff; but there comes a point where the yield from increased expenditure on investigation makes the return not worthwhile. The Ordinance too could do with some strengthening in this direction. One particular proposal we have been considering is whether we should seek power to pay for information leading to disclosure of evasion; it is an unpalatable device but can sometimes be justified, if popular views such as those of my honourable Friend's on the extent of evasion are based on more than speculation.

My honourable Friend Mr WONG repeats one other popular fallacy which I wish we could eradicate—that very few people pay Earnings and Profits Tax. Let me try to explain with reference to 1964-65, the last year for which we have complete records. One of the problems with a system of taxes on separate sources is that one person may receive more than one assessment, while one assessment may cover more than one individual; so that, except to the extent that taxpayers elect for personal assessment, you cannot say how many individual persons the total of assessments actually affects.

Salaries Tax is easy. Returns were received from some 10,000 employers, 38,908 tax returns were made by employees and tax was charged on 28,729 individuals. Personal assessments, too, are reasonably clear. These were charged on 36,974 individuals. As we know that there are not more than a very few thousand cases of a person chargeable to Salaries Tax electing for Personal Assessment, you have some 60,000 individual taxpayers already.

But then there were 127,466 property tax assessments, the 9,189 interest tax assessments (covering many more individuals because of bulked bank interest taxed at source) and 27,488 profits tax assessments (many of which cover a number of partners). One must relate this last figure for Profits Tax assessments to the fact that 109,000 businesses are registered under the Business Registration Ordinance, most so very small indeed that they come below the minimum taxable profit of \$7,000 a year (although they do pay \$25 a year registration fee as a minimum tax); of this 109,000, businesses 47,369 were called upon for tax returns.

Apart, then, from the 60,000 individuals known to be paying salaries tax or personal assessment, there were 154,143 non-personal assessments, which include tax paid by some of the 36,974 who later elected for personal assessment, but which conceal a very large but undeterminable number of additional individual taxpayers.

I do not count the unknown number of shareholders in incorporated companies, who, in the view of some but not of myself, are to be regarded as paying tax, because the profits from which they receive dividends are charged with Corporation Profits Tax.

All this adds up to a substantial proportion of our citizens, although it may be low by other countries' standards. But the reason for this is not so much evasion by those who should be paying tax but are not, but rather our extraordinarily high level of personal allowances, and the, largely consequential, high level of unconditional exemption from Profits Tax. We have adopted levels which do not relate, as in other countries, to the basic income on which the average family can reasonably live, but levels which exclude all but the well-to-do. This is partly for administrative reasons because at our low rate of tax it is not worthwhile collecting a multiplicity of very small sums; and partly for now largely out-dated reasons connected with war losses. My honourable Friend Mr SZETO spoke of the middle income group being hard hit by my proposals. I am not sure what he means by the middle income group; not certainly what I mean, for a man with wife and two children is totally exempt at \$1,500 a month, which is probably in the upper 10% of incomes. In Britain in 1964-65 such a man was in the upper 20% of incomes, and 25% of all tax paid there came from persons with lower incomes than this. Hence, too, the fallacy of the comparison some people try to make between the number of taxpayers and car ownership; a man can afford to run a car on a salary which is totally exempt from tax. If, therefore, my honourable Friend Mr WONG, or anyone else, wishes to see a much wider incidence of tax, what he should be recommending is a reduction in personal allowances to somewhere nearer the level that principle would suggest. In Japan, for example, the allowances for a man, wife and two children total about \$400 a month, compared with \$1,500 here; in Malaya it is just under \$750 a month. A reduction to Malayan levels would bring in a very large number of additional payers of Salaries Tax, Profits Tax and Personal Assessment. I should be interested in my honourable Friend's views of this proposition.

In any case, of course, we are not taking a formal decision to-day on the proposed increase in the standard rate of tax; or even endorsing it. The proposal will come to this Council in the form of an amending bill as soon as possible and that is the appropriate time in fact for my honourable Friend to vote against it.

As to the question of a full income tax, my views have been slightly modified over the years from those quoted by my honourable Friend Mr F. S. LI from perhaps my more innocent days, although I still believe it must come some day if our public expenditure is to grow. But, as I said when he made the same proposal before, I do not agree with my honourable Friend on the proper nature of a full income tax here. He

proposes that tax should be payable on both the local and the overseas income of residents; I would propose that we should continue to refrain from taxing overseas income (we would in any case have to give most of it back under double taxation agreements unless our rates rose disastrously) and merely tax the aggregate, of Hong Kong income in each individual's hands. This would make it rather less difficult to prevent evasion than now while making possible a form of surtax on the highest personal incomes.

My honourable Friend Mr TSE has raised again a question raised by Mr F. S. LI two years ago, that of tax exemption for charitable donations. I said two years ago that there were objections of principle in that the tax did not arise out of the charitable donation, unlike, for example, stamp duty; and that no individual should have the right to determine the expenditure of the public revenue represented by his remitted tax. I also doubted if it would have any practical effect, but I am by no means the best judge of that.

I am not entirely clear as to the details of the proposal. My honourable Friend's phrase "tax exemption" wrongly implies that donations are themselves taxed, which is not so. I presume in any case that it is not proposed that there should be a deduction, to the full extent of charitable donations, from any tax charged; but only that donations should count as a deduction from the assessable income on which tax is charged.

Even this may run into difficulties because of the nature of our tax system which makes an individual's actual tax, and his rate of tax, difficult to calculate. Perhaps my honourable Friend Mr TSE, like Mr F. S. LI, should have advocated a full income tax which would have made this proposal much easier to carry out. I do, however, retreat from my previous position in this matter to the extent of promising to look into the practical implications of a scheme of tax rebates for charitable donations made by individuals. This would not include donations by incorporated companies, except to the very limited extent that they are already deductible, that is, where they are directly related to the profit-making activities of the company—the human element is missing in companies and I don't think I could stand the Jockey Club's claim.

I am very sorry that it has been necessary for my honourable Friends Mr KWAN and Mr GORDON to bring out once again their hardy annual points on Stamp Duty. I hope this will be the last time as an amending bill went to the Law Society and other bodies for their comments early this month. As to Mr KWAN's second point about the Land Office (New Territories) Rules, I understand that this is a much more complicated matter than appears on the surface. Priority for drafting has now been accorded to it so that I hope my honourable Friend will have no occasion to raise it again next year.

My honourable Friend Mr GORDON has spoken of rates again and, with reference to the adoption of the existing valuation list for next year, has asked if it is seriously argued that "the rent at which any tenement might reasonably be expected to let", that is, its rateable value as assessed under the Rating Ordinance, is the same now as at the end of 1964. The answer is, by and large, "yes", because the valuations in the current list were not based on the highest rental levels then obtaining. My honourable Friend has been misled once again by his theory that rateable value is, or should be, based on actual rent, in spite of the variety of lease conditions and the imperfections of the market which distort actual rent. I had thought, indeed, that, there having been admittedly some movement in actual rents which would on his theory require an exactly parallel adjustment of assessed values every time an actual rent changed, he would now have changed his mind and agreed with me, even if only from the "practical" standpoint he advocates so often. My honourable Friend may also have been misled by the exaggerated stories of "depression" in the real estate market; the "depression" has tended to be concentrated in certain districts and certain types of tenements; but in any case, particularly when capital credit is scarce, rents are not nearly so susceptible to change as purchase prices.

And I may add that, although he himself refers only to cases where assessed value exceeds actual rent, his objection presumably applies equally to the many more cases where assessed value is less than actual rent. I note that my honourable Friend raised no objections when the entire valuation list was adopted in 1963 and again in 1964 following substantial rent increases on a broad scale. It seems he likes the swings without being prepared for a trip on the roundabouts; although I note, without myself admitting its applicability to this case or in general, that he also believes that in Hong Kong "the fair approach is not always the right one".

Fortunately, for annual revaluation is an impossible task in times, such as today, of an abnormal accretion of new premises to be assessed, fortunately, the definition of rateable value in the Ordinance and the practical application of it by the Commissioner and his staff avoids the need for frequent and temporary adjustments of the kind my honourable Friend advocated, in that they make allowance, as far as possible, for any disproportionately high actual rents, over and above the normal or standard trend, in the particular categories of premises or particular locations; and in times of irregular or temporary changes in the property market it is these rents that are most likely to fall.

I have some factual information to support my "academic" (as my honourable Friend would have it) exposition.

There are approximately 175,000 separately rated tenements, with a total assessed value of some \$1,250 million. The Commissioner has been notified, or has otherwise become aware of, a change in actual rent since

1st April 1965, in 4,810 cases. Of these, my honourable Friend will be surprised to learn that 1,465 are cases of rent increases, not decreases. If the Commissioner were to value them on the bases of the actual rents now charged their total assessed value would be increased by about \$2½ million; but he is, of course, precluded from increasing these assessments, even if he thought they were low on an assessed basis, by virtue of the adoption by the Governor in Council of the existing valuation.

That leaves 3,345 cases where actual rent has been reduced. These may be considered in two categories. First, there is the category where, if valuations were made now on the basis of the actual rents charged, the valuations would still be higher than the existing valuations. There are 1,337 cases of this and the aggregate increase in valuation if the actual rents were used as the basis is \$1½ million.

The last category, comprising 2,008 cases, is that where, if the Commissioner were to adopt the actual rents as the basis for his valuation, the total valuations would be reduced. The total reduction would be about \$2 million. These cases tend to be in areas where there has been over-building of flats of medium quality.

The total effect of amending assessments to changes in actual rents would therefore be an *increase* of \$2 million in rateable values.

Ratepayers who might be affected by the adoption of the existing valuation have had six weeks instead of the normal three in which to consult the Commissioner or take other action following the advance press announcement on 11th February 1966, and the Commissioner has reminded certain ratepayers, who earlier had made enquiries, of their rights. He has not only advised ratepayers to appeal to the District Courts but has also assisted them in procedural requirements and has already agreed with appellants to consent to judgment reducing valuations in 440 cases. He believes that this figure might increase to about 500.

My honourable Friend will note that the probable order of change in rateable value are insignificant in relation to the total and I hope that he will agree that it *can* be seriously argued that "the rent at which any tenement might reasonably be expected to let" has not significantly changed since 1964, and that the Commissioner is doing all he can to ensure that the adoption of the existing valuations produces few hard cases. The Commissioner intends in any event to review all valuations during 1966 for the following financial year.

My honourable Friend also alleges that rates are a form of taxation outside the control of this Council. In the sense he appears to make this allegation, it is no more so than is any ad valorem tax. But in any event it is not so, because the percentage charged for rates may be varied by this Council, although this may be done upwards only on the initiative of Government.

There has been considerable comment on, and advocacy of, Government borrowing, some of it, I think, based on a misunderstanding of what I said. I set out what I thought were the significant limitations on the raising and use of borrowed money in our economic and financial circumstances, but I certainly did not imply that I rejected borrowing altogether. Indeed, I said that next year we would be considering further what we could hope to do and could afford to do by way of borrowing and that we would see what we could do to assist the Housing Authority in its borrowing programme. I also said that I proposed to consult the World Bank again and was hopeful that a small economic mission from the Bank would visit Hong Kong in June. It is for these reasons that I have proposed to raise only an additional \$90 million in taxation next year although the estimated deficit is \$186 million, plus up to \$100 million on account of the Salaries Commission. The difference can, I hope, be made up partly from borrowing, if we find we can do so on reasonably favourable terms, and partly from reserves; or by over-collection of revenue if I have been too pessimistic.

It seems to me that my honourable Friend Mr WONG in particular has misunderstood me as he has spoken of my balancing the budget within a tolerance of plus or minus of one percent. I hope his dissent from my tax proposals is not in fact based on such a misunderstanding. The raising of \$60 million by Treasury Bills (presumably with the normal life of 91 days) or short-term bonds, as he proposes, could not by itself contribute much to our present situation; it would be a temporary and inadequate palliative. My honourable Friend Mr WONG has reminded me that high taxes can discourage foreign investors. I am well aware of that and have no intention of letting the rate of direct taxation go high, so far as that rests with me. But I would suggest to my honourable Friend that the foreign investor is at least as discouraged by high national debt for that, as all example shows, is the surest precursor of high taxation. It is important to maintain our unusual degree of solvency on which he remarks.

My honourable Friend Mr P. Y. TANG has given a fair, if not quite complete, analysis of my views on borrowing and suggests that for due repayment of loans we could rely on our future current surplus to supplement the income generated by the loans themselves. I would accept this as not unreasonable were these future surpluses actual rather than merely forecast and, if the use of surpluses to repay loans rather than make a contribution to capital expenditure did not imply the need to raise an even greater volume of loans. I have also remarked that these future current surpluses, if they arise, are largely the fruit of our not having borrowed in the past. But my honourable Friend's proposal is not in practice so very far from my own suggestion that longer term schemes can be financed partly from shorter term loans and partly from revenue.

My honourable Friend Mr GORDON has commented, apropos of our manner of accounting for the Canton Trust and Ming Tak bank loans, on what he calls outmoded and cumbersome procedures. These there may well be but I must defend our cash system of financial control. In the first place let me say, not too seriously, that it would seem less cumbersome than Mr GORDON'S own profession's procedures, which involve two entries for our one, and whose totals at the bottom of Balance Sheets have even less meaning than our unadjusted surplus or deficit. But the real trouble from a government's point of view about commercial, as opposed to cash, accounting, is that commercial accounting depends on judgments, valuations, forecasts and assumptions to a degree that would justify a description of commercial accountancy as an art rather than a science. But, if I am to have a proper control over our finances, and this Council is to have a proper control over me, we must not get into the realms of the speculative. The few countries which have tried to put their finances on a commercial basis have abandoned it in confusion. This is exemplified by my honourable Friend Mr GORDON'S comment, apropos of our not having sold as much land as we had expected, that there is no real deficit because we have still got the land. I suspect he had his tongue in his cheek, although my honourable Friend Mr WONG has apparently taken up the idea in all seriousness. A square foot of land, whatever its potential value, is not much good when Government is faced with a demand for cash; nor is its value in cash terms assured until it is sold. Again, we would have to put in our non-cash liabilities as well as our non-cash assets; one not negligible item occurs to me, our liability for future earned pensions, which, if capitalized, might be valued at several hundred million dollars (a substantial loan, in a sense, from the public service). So let us stick to cash in our accounts.

This leads me to one other point about land revenue. There has been a tendency to over-stress the importance of the fall in land sales as a factor in our deficits this year and next. The fall has not worried me unduly, and I certainly cannot recall having myself said anything alarmist about it, partly because we can always, if necessary, offset it to some extent by cutting back land development expenditure. If our revenue from land sales had been the same in 1964-65 as it has been this year we would still have had a slight surplus in 1964-65. When I spoke of the capital account being largely responsible for the forecast deficits, I was referring not so much to the fall in land sales as to the increase of over \$150 million a year in capital expenditure which has been absolutely a much more important factor. It is dangerous to attribute too much to the fall in land sales in case it obscures the fact that it is our rapidly growing expenditure that is the main cause of deficits—as I have said, for a number of years, that it inevitably would be.

My honourable Friend Mr SZETO asked if I had a veto on the Establishment Sub-Committee. I do not. My three per cent guide-line was

addressed to the Secretariat Committee which finalizes all proposals for staff increases to be submitted to the Establishment Sub-Committee; even then it was not a directive, although conceivably it might have been had the actual proposals been less modest. The recommendations on these proposals subsequently made by the Establishment Sub-Committee to the Select Committee on the Estimates are in no way subject to my veto.

Referring to my analysis of the causes of the disquieting, if temporary, developments in our economy last year, that is, over-rapid expansion of credit, over-investment in real estate development and over-speculation in stocks and shares, my honourable Friend Mr Y. K. KAN said that he had too much respect for me to suggest that I spoke from hindsight, and asked whether (I use his phrase) some effective steps could not have been taken to remedy the situation before it got out of hand. Presumably he meant steps by Government.

I am grateful for his respect but do not wholly deserve it. My analysis was, I said, one largely of retrospect. The trouble is that economic analysis of future events is a matter, not of demonstrable fact, but of judgment and opinion.

I find it a little extraordinary now, after so many years of being told that civil servants should not interfere in commercial matters because they are not qualified to do so, to hear it suggested by my honourable Friend that Government should have known what businessmen all too clearly did not know and should have imposed measures which businessmen would have fiercely resisted. If, for example, asserting an opinion that there was a danger of over-speculation in real estate, we had taken steps in 1963 to delay Landlord and Tenant exclusion cases rather than expedite them by providing extra tribunals (exclusion cases, were, incidentally, a much more important factor in speculation in real estate than Government land sales, whatever view one takes of these), or if, taking up a very tentative suggestion I made two years ago, in another context. Government had restrained the rate of private development or redevelopment by licensing instead of speeding up the work of the Building Ordinance Office, I can imagine the torrent of angry protest that would have overwhelmed us. I could multiply such examples.

I suppose it is inevitable that Government should be regarded as wrong if it interferes when in public eyes all is apparently well (particularly as, after the event, it can never prove that its intervention made things better); and equally wrong if it does not interfere and later things go bad. But, in any case, I largely agree with those that hold that Government should not in general interfere with the course of the economy merely on the strength of its own commercial judgment. If we cannot rely on the judgment of individual businessmen, taking their own risks, we have no future anyway. And, even if I could claim I was right against all other opinion in recent years, and I do not make so categorical a claim,

I think I would have been wrong to press my opinions to the point of restrictive action. For I still believe that, in the long run, the aggregate of the decisions of individual businessmen, exercising individual judgment in a free economy, even if often mistaken, is likely to do less harm than the centralized decisions of a Government; and certainly the harm is likely to be counteracted faster. As I said earlier in this debate, our economic medicine may be painful but it is fast and powerful because it can act freely. We have demonstrated this in the last twelve months. I wonder if my honourable Friend Mr KAN really wishes to advocate central planning and control of the economy.

My honourable Friend Mr WATSON, more generous than those popular entertainers, the Rolling Stones, has invited me to join him on his private cloud. I hope he will also let me use his remarkable crystal ball which apparently has a range of a hundred years. I have my own cloud too; so have we all, but who is to say which is the right cloud? But I, at least, have to achieve the difficult feat of keeping my feet on the ground at the same time.

My honourable Friend reminded me apropos of a certain tax that "it is our money and not his". I could retort "tu quoque", for it is no more his money than mine and he has no more right to impose his ideas on how it should be spent than I have, while I have very special responsibilities for its proper management. At the same time, I notice that in one passage he speaks of "the cost to Government" of some form of spending he advocates. I would suggest that he should better say "cost to the taxpayer" or "cost to the public". My own views on all matters of public revenue and public expenditure are conditioned by an acute appreciation of whose is the sacrifice that produces public revenue and to whom accrues the benefit of public spending.

That doughty demolisher of economic humbug, Mr George SCHWARTZ, once said that the two subjects on which the man in the street is incapable of reason are traffic and car parking. How true that is. My honourable Friend Mr WATSON has suggested that my views on car parking are conditioned by my own free, reserved car space. But perhaps, rather, this privilege allows me to think more dispassionately and more rationally about this subject than either the car owner who does not have such a privilege, or the majority of the people who although car-less are asked at present to foot a part of the bill—although admittedly the cost is spread so widely that they do not always realize that they are doing so.

I may add that I consider this particular personality unworthy of my honourable Friend. I have myself advocated for a long time, but unsuccessfully, that parking at Government offices should be paid for, particularly when actual money has been spent on providing facilities. I can, however, thank my honourable Friend for providing me with an occasion for resurrecting the file.

Don't I know that the motor car is here to stay? How often I have been asked this rather absurd question, which was no doubt asked of bullock carts in their day! Professor BUCHANAN has shown that in Britain, beyond a certain ratio of car to population, the private motor car as we know it and the city are incompatible. Here the incompatibility takes effect at a much lower ratio. We already have about as many cars per mile of road as cities in the West, but, if we aspire to be a car-owning democracy, we have twenty times as many potential car-owners per mile of road as any other city because of our unique density of population. I would suggest to my honourable Friend Mr WATSON an exercise in geometry in order to determine where all his cars are to go. We have difficulty in finding room to put houses for our people, even at minimal standards. One car uses more space to park than one family uses to live in. Quite apart from the money, where are we going to get the parking space, or rather the two spaces (one at home and one at work), for every family's car, even if it can be given room to circulate? At American or Australian standards we would have to find room for over 1½ million private cars to-day instead of our present 54,000; at British standards perhaps 600,000 cars.

The private motor car may well be here to stay, I concede, for a long time yet, but inevitably for the few only, whether rationed by price or by privilege. This is a basic fact to which we must relate all our transport policy. It cannot be ignored.

Fortunately, thinking on car parking is, in some circles, taking a more realistic turn. An interesting paper has just been issued by the Institute of Economic Affairs in Britain on the subject of paying for car parks. This is an association of liberal economists whose general views are very congenial to Hong Kong's free enterprise economy. May I quote from its introduction?

"Hitherto in Britain the common approach to parking has been to suppose that it is a "social service" that must be provided by public authority at low or zero price. This pamphlet demonstrates the confusion that follows from this approach, and the wastes that have been caused by the attempts to ration a scarce resource without the use of prices."

Again from the paper itself—

"Although our society accepts commercial criteria for the allocation of most goods and services—even the most militant motorists have not proposed that petrol should be supplied free to all out of general taxation—the idea that parking space can be usefully treated in the same way as office space, hotel rooms or theatre seats, seems strange to most people".

The conclusions to be drawn from this basic concept of parking space as a commodity or service like any other are that those who use

car parks must pay the full cost, and by full cost, I mean full commercial cost, that is, what is necessary to attract private resources into investment in car parks against competing opportunities for investment; and second, that the public authority should supply car parks only if there are very special reasons why private enterprise should or will not. I should add that the argument that private enterprise's prices will be too high is not such a reason. There is nothing in a claim that car park charges must be such as every motorist can afford even if a subsidy is necessary, any more than one would get away with that argument for a subsidy on office space in Central District for every business wanting to go there. Further, if the public authority undercuts commerce, commerce cannot compete and Government is left with the whole of the demand to meet.

This brings me to another related point—demand. We are given estimates of current and future demand and told how far we are falling behind. But no-one *can* estimate demand in isolation from price. Demand at full commercial rates will be very much less than at our present low rates. Demand for high class apartments could be remarkably stimulated if rents were brought down to \$60 a month. It has to be recognized, and it is recognized over a large part of our daily life, that the community's scarce economic resources can be efficiently allocated only by the price mechanism.

My honourable Friend Mr WATSON has said that he accepts that the full cost must be paid but I know that the purpose of his recent question in this chamber was to argue that there should be no charge for the value of land used for car parks except, with curious illogic, to the extent that cash was paid for it from public funds. Does he really mean that there should be differential charges for car parks on identical sites, one of which was unalienated land and the other of which was resumed for cash? If so, we had better purchase all future sites for cash and sell for cash the land we would otherwise have used.

My honourable Friend Mr SZETO has made the same point when he suggested that only the cost of formation, reclamation, etc. should be taken into account when costing sites for car parks, not their commercial value. I must disagree. I quote from the Institute of Economic Affairs paper again; the author says quite flatly that "the cost of land for parking is determined by its value in the most profitable alternative use". This is elementary economics. We apply it to the public utilities which supply the whole community—why not then to facilities for the car-owning few?

This theory of the most profitable alternative use applies equally to capital, of course. My honourable Friend Mr WATSON says that there can be no moral objection to the provision of car parks (meaning, I take it, from public funds) provided fees cover costs. Let us look at this proposition, leaving aside for the moment the proper definition of costs. The raising of capital is a different, although related, problem from that of getting a reasonable return on it; and it seems to me not at all obvious

that scarce public capital should be used for the benefit of the few. If, indeed, my honourable Friend's proposition were accepted, it would have interesting possibilities for the use of public capital for other similar purposes of limited public benefit. I would not mind borrowing a few million myself. It seems to me that the public can be expected to make available the risk capital only where there is some general public benefit to be obtained.

In this connexion, my honourable Friend Mr WATSON, when asking his recent questions in this Council, referred to the London regulation requiring the utilization of the surplus from parking meters for the purpose of financing the building of multi-storey car parks; financing, be it noted, not subsidizing. This does help with the problem of raising capital, although the logic of the connexion appears defective to me. Be that as it may, we have in recent years been spending much more capital in building car parks than we have been taking in in net meter rents.

My honourable Friend insists once again that we are making high profits on multi-storey car parks in spite of my refutation. They are in fact, on most recent estimates, losing \$2½ million a year. He quotes gross revenue figures from the Estimates in support of his contention but he must know that, quite apart from capital charges, the revenue figures have to be adjusted for recurrent expenditure on staff, etc. to give the correct operating profit or loss.

My honourable Friend has further said, I quote "In 1961 the Colonial Secretary announced Government's policy of building two new car parks a year, funds permitting, provided fees were raised to 30 cents an hour and monthly tickets to \$60". My honourable Friend must have misread the Colonial Secretary's speech, for I can find no indication that there was any connexion between building policy and the increase in charges. Charges were raised because the existing car parks were operating at a loss; and they were raised by only 50% although, to quote the Colonial Secretary in 1961, "bearing in mind the high cost of land, it will be necessary to double the present charges to recover our outlay".

As to the promise, I am now about to lay myself open to accusations of quibbling, unwarranted accusations of course. The Colonial Secretary in 1961 spoke of building two car parks a year instead of one, "for the next few years at least". In another context he said for two or three years. I don't think this announced policy was at all carefully thought out (we were probably still unduly influenced by the social service view of which I have spoken); and that it was not carefully thought out is shown by the complete absence, either in public pronouncements or in our files, of any reference to the size of the car parks it was proposed to build each year.

Now, in 1961, there were two multi-storey car parks in existence, averaging 315 spaces each, quite a substantial size by most standards. In the four years 1962-65, the announced policy would have required, at a *maximum*, seven new car parks. If the average of 315 is applied, this means 2,205 new places. We have in fact built or financed nearly 2,400, costing \$10½ million—quite apart from having been able to make available temporarily nearly 2,000 extra spaces at ground level in Central District.

We already have many more publicly financed multi-storey car parks per private car, I believe, than any city in the world—one for every 18 cars. I think London has one for about 1,000 cars. And we have not yet got our first privately financed one. I regret that I cannot accept that this is breaking a promise; by any standards it is a good record.

To look now at the future, we have completed our long promised review of parking policy and hope to make an announcement on it in the very near future. It covers many of the points raised by my honourable Friend Mr SZETO; indeed, he anticipates us on some of them. It makes a number of concessions from the theoretically correct policy—we must not be too doctrinaire, I suppose, even in the spending of public assets—but it does include very substantial increases in parking fees (although it leaves them well below rates in other cities) as well as proposals for further publicly financed car parks—the latter not offered as the price of the former, may I make it clear now.

I am sorry I have had to spend such a disproportionate amount of time on this subject for the second time in recent years; I suppose this is further evidence of its peculiar irrationality among economic subjects.

Now let me turn to certain other transport matters which have been mentioned. My honourable Friend Mr Y. K. KAN refers again to bus royalties and says in particular that bus users are more heavily taxed than other road users because of royalties. I do not know on what basis he measures the weight of taxation. On a passenger/mile basis, for example, I do not think his proposition is true. A rough calculation shows that on this basis a bus passenger pays 1.6 cents a mile in tax and royalty while a private car passenger pays 5.5 cents. On the other hand, a bus as a vehicle pays, perhaps, 50 cents a mile, while a private car pays only 11 cents a mile but then buses are bigger than cars. I would suggest that a little more research is necessary before the self-evidence of my honourable Friend's proposition is accepted.

As to his questions about the relationship between fees and costs, and between the fees charged to different types of road users, I readily confess that our concepts on this are by no means precise. I hope that

the new organization of the Commissioner for Transport will be able to study the problem and propose methods of ensuring the rationality of our fee structure.

My honourable Friend Mr SZETO charges me with illogicality in saying in one breath that increased fuel charges will go not into road works, traffic controls and such services, but into general revenue and then in another breath charging motorists for traffic aids, traffic control, etc. by an increase in car licensing fees. I am not guilty, I assure him. I was in fact trying to introduce logic into an irrational sphere but I cannot have explained myself properly. I made a classical distinction between a fee in consideration of services received and a tax on consumption for general revenue purposes. There is no reason why, even if the fee covers 100 percent of the costs of the special services, an additional tax for general purposes may not be entirely appropriate.

My honourable Friend Mr Ross has suggested that we should rationalize the four different rates of tax for diesel fuel. I agree that the present position makes difficulties for the oil companies and can lead to loss of tax. But the problem is a difficult one. The tax of 50 cents a gallon on diesel used by buses could be brought up to the new standard rate of \$1.30 by adjustment of royalty, and this will, I imagine, be considered by the Traffic Advisory Committee when advising on the Kowloon Motor Bus application for increased fares; but this particular tax in fact contributes comparatively little to the problem. Then there is the nil duty on diesel for ocean-going vessels. That special rate must, I am afraid, stay; although I would be happy to go along with my honourable Friend if he were to suggest a tax on this type of diesel to help to pay for port services (including, perhaps, typhoon shelters). That leaves the \$1.30 rate for road transport diesel and the 10 cents rate for other users, a substantial part of whom are small craft including some of our fishing fleet. These latter might stand a small increase in tax but not the average rate between the two existing taxes such as would be necessary to bring in the same revenue. Before we introduced the present dyeing and marking arrangements for low-tax diesel, I considered the possibility of a low flat rate of fuel tax for all users including road transport and a high annual licence fee, including a substantial element of taxation, for road vehicles. But the necessary fee was high enough to be open to the objection that it would be unfair to those vehicles which did comparatively little mileage, and I abandoned the idea. I would be happy to consider any other scheme.

My honourable Friend Mr WATSON will not have it that the fuel tax is general taxation and demands that it be all spent specially for the benefit of the motorist. It is in this context that he abjured me to remember that "it is our money and not his". Incidentally it is rather greedy of

him to claim the whole of the \$91 million shown under subhead 1 of revenue head 1, when over \$40 million of it is not paid by users of road transport; a substantial part of this \$40 million in fact comes from the tax on fuel oil used in power stations. My honourable Friend's simple view of the proper relationship between tax and benefits opens up some remarkable possibilities. Take the large sum I have mentioned as paid by power companies on fuel oil. What should we do for consumers of electricity with *their* money? What about free refrigerators and electric cookers for all? Or take liquor tax; if we did not have an excellent brewery already in operation and another one coming, I might suggest using the proceeds of the tax to build a brewery for the provision of free beer. The possibilities are endless. But where would we get the funds then to finance education, health and all the other social services.

But, if it is any consolation to my honourable Friend, even if I cannot agree with him on the principle, proposed capital expenditure next year on roads is approximately \$61½ million, which is, as it happens, almost exactly the same as the estimated revenue from the taxes on road transport fuel at the new rates.

My honourable Friend Mr Ross has spoken of tourism and the need to spend large sums of public money on it. I take this opportunity of paying a tribute again to the work of the Tourist Association, whose Board my honourable Friend graces, and whose subvention it has been possible to increase this year because of the expected yield from the Hotel Accommodation Tax which is due to come into effect from 1st July. Mr Ross has referred to the reports commissioned by the Association on Resort Areas and a Convention Centre. We have not yet had the views of the Association on these reports or on how the proposals in them might be financed. I may say that I have read the reports' forecasts of the amount of additional national income and public revenue which these projects would generate with considerable surprise and complete scepticism. The Oceanarium is a smaller scheme and, while I am sure that we will do all we can to help any willing sponsor in its establishment, I do not myself think that, with so many calls on the public purse for more clearly essential purposes, our help can take the form of the provision of public money. The report is under study, but I think one fact already stands out clearly; the proposal stands or falls, not as a tourist attraction, but as an amenity for our own people.

Following last year's precedent, I shall conclude by giving an up-to-date re-estimate of this year's deficit. The original revised estimate suggested a deficit of \$190 million, or, after adjustment for various exceptional transactions, \$122 million. The latest figures of revenue and expenditure now suggest an unadjusted deficit of between \$130 million

and \$140 million or an adjusted deficit of between \$62 million and \$72 million. The difference is due largely as usual to underspending.

MR K. A. WATSON: —Your Excellency, I rise on a point of personal explanation. On the subject of car-parking fees, the burden of complaint of my honourable Friend the Financial Secretary is that they do not cover the costs. As I appear to have failed to make clear that the present fees are not only covering costs but are also producing a substantial profit based on Government's own costings, I would like to try to do so now.

I refer him to Appendix 1 of the Committee Paper 14/25/62, which was considered by the Urban Amenities Select Committee of the Urban Council on the 29th of May 1962.

In this Appendix, we have Government's own costings for Car-Parks. It used, not the actual cost of the land, but the reasonable commercial value, amortized over a period of 75 years. The cost of the buildings were amortized over 25 years, with interest on both land and buildings at 6%.

HIS EXCELLENCY THE GOVERNOR: —Mr WATSON, what is the point of personal explanation?

MR K. A. WATSON: —Because I have failed to explain how the fees which are now charged do cover the costs.

HIS EXCELLENCY THE GOVERNOR: —Very well.

MR K. A. WATSON: —The estimated cost per car park space per annum for the Star Ferry and City Hall Car Parks amounted to \$1,708.58, including personal emoluments, rates, other running charges, and notional loan charges.

Figures issued recently showed that the annual cost per car-park space of the other two car parks, after deduction of income from telephone exchanges, etc., was 30% less than those in the Star Ferry and City Hall parks; if, therefore, we use the method of costing given in Appendix 1, the cost to be recovered annually is 629 places at \$1,709 and 1,658 places at \$1,197, giving a total of \$3,060,000.

In the Financial Secretary's Budget speech in 1963, he said "The net meter rents which accrue are treated, not as general revenue, but as going to help meet the capital and recurrent cost of multi-storey car parks". This revenue was included in the 1962 costings, the net revenue from each meter space being given as \$471.57. I am informed that the number of meters installed at the beginning of 1965 was 3,435 and at the end of the year 5,943. Taking an average of 4,600, this would have produced a net income of over \$2 million, leaving about \$1 million to be

covered by fees from the 2,287 spaces in these four multi-storey car parks. This works out at an average of \$440 per space per annum, or \$1.20 per day.

The actual revenue from the 3,067 places in multi-storey and open-air car parks administered by the Urban Council, during this last year is estimated to be \$2,400,000, or \$782 per space per annum. As only \$440 is required to cover costs, car parking appears to be making a net profit for Government of nearly 80%, at the present charges, and this I consider is properly described as being "substantial".

In view of the recent announcement that parking charges may be increased by 100% and the wide divergence between the views of my honourable Friend and those of the public, may I ask that before they are imposed, this Council be allowed to debate the proposal?

HIS EXCELLENCY THE GOVERNOR: —I think I had better explain a point of order here. There are two portions of standing orders under which a member may speak again to a motion, a matter of personal explanation, which is somewhat different from the type of submission that Mr WATSON has just made, that is, under Standing Order 20. Under Standing Order 16(8), a member who has spoken to a question may again be heard to offer explanation of some part of his speech which has been misunderstood, but he must not introduce new material. I think Mr WATSON has, in fact, spoken under 16(8), in which case for the guidance of members, if this point comes up again I must ask them to remember that no new matter must be introduced.

The time is now nearly 5.30 and I shall suspend the sitting of Council until 2.30 tomorrow.

25th March 1966 2.30 p.m.

Resumption of debate on the motion for adoption of the Report of the Select Committee.

HIS EXCELLENCY THE GOVERNOR: —Council will resume.

MR G. M. TINGLE: —Your Excellency, As the Financial Secretary is precluded from speaking a second time to the motion before Council it has fallen to me to make some necessary comments on the supplementary remarks on car park costs made yesterday by my honourable Friend Mr WATSON.

My honourable Friend's explanation, as I understand it, was: that his claim that multi-storey car parks are making a substantial profit

to-day was based on the evidence of a 1962 Urban Council paper, which I have not seen but which presumably quoted the costings prepared by Government in 1960, nearly six years ago, when barely a fifth of our existing car parks had been built. That being so, there would be little point, I submit, in examining my honourable Friend's figures or the validity of his deductions from them, for the costings on which he relies are both out of date and incomplete. Recurrent costs have risen, interest rates have risen, land values have risen; new car parks have been built; and moreover the abandonment of the earlier concept of car parks as a social rather than a commercial service has led to a complete re-assessment of the proper basis of costing, particularly in relation to the proper charge to be made for permanent alienation of land to this purpose.

It is not clear why my honourable Friend has armed himself for his crusade with these obsolete weapons. Mr WATSON is well aware of all the newer considerations, and of the up-to-date facts and figures, since he has, as a member of the Transport Advisory Committee, received a copy of a paper outlining Government's new and comprehensive policy on the provision of car parks in which these matters are fully analysed and the new costings justified.

He is also aware that the Transport Advisory Committee, noting this paper, said that, while it proposed to keep parking matters under review itself, it did not wish to delay decisions on Government's present proposals.

I think he may also be aware that the new policy, including the proposed basis for costing and charging, has been endorsed, apart from a relatively minor question of timing, endorsed although possibly with no great enthusiasm on the part of some members, by the Urban Amenities Select Committee of the Urban Council which deals with car park management.

The Governor in Council, to whom this Council has delegated statutory authority in these matters, has approved in principle that new charges should be introduced with effect from 1st May.

I will not to-day go into the details of the new policy and the reasons behind it, for it is hoped to make a full public statement next week.

With these remarks, Your Excellency, I beg to support the motion.

THE ATTORNEY GENERAL: —May I Sir begin with life's ending, and say a few words about the system for investigating sudden or unexplained deaths.

My honourable Friend Mr RUTTONJEE made an earnest plea for the setting up of proper Coroners' Courts with a system under which medical

assessors would be present, and he advocated also that the present system of death certification should be looked into so that inquiries could be instituted in cases which had what my honourable Friend described as a medico-legal significance.

Sir, in 1961 a Committee set up by the Honourable the Chief Justice reported on the existing law and practice relating to the office and duties of Coroner, and made certain recommendations for changes. Whereas at present permanent magistrates fulfil the functions of Coroner, this Committee recommended that full-time Coroners should be appointed. This recommendation was accepted and the post of Coroner has been created though it has not yet been filled. On the question of the qualifications for this office the Committee acknowledged that where possible a Coroner should have both medical and legal qualifications, but stipulated that the legal qualification was the more important.

Another recommendation of the Committee which has been accepted was that the law should be changed with regard to the procedure to be adopted when a dead body is received in a hospital. At present, under section 5 of the Magistrates (Coroners Powers) Ordinance, Chapter 14, the medical officer in charge of the hospital concerned is required to make a preliminary examination and then to report to the Coroner who may order an inquest if he thinks it necessary. The proposed new practice would be for the dead body to be sent to one of the public mortuaries, there to be examined by the officer in charge who would make the report to the Coroner. It will be appreciated that under this new system there will be little, if any, opportunity for a false death certificate to be issued in such a case. In mentioning this, Sir, I am not to be taken as suggesting that false or incorrect death certificates have been issued in the past, but this possibility was clearly in the minds of the members of this Committee and explains in part the reason for this recommendation.

Drafting of the necessary legislation has been proceeding in consultation with the various departments concerned, but has ceased for the time being as the Bill recently failed to hold its place on the priority list which governs the work of the law draftsmen.

Independently of the action already outlined, authority has recently been given to amend the form of death certificate required under the Births and Deaths Registration Ordinance, and the intention is that the proposed new death certificate should contribute materially towards the better reporting and control of death certificates.

I would like now Sir to turn from the subject of transient human life to a branch of our law which is so venerable as to give it an aspect of immortality.

My honourable and learned Mr C. Y. KWAN referred to the need for reform in our property law, and he gave one example and mentioned

that the Law Society had recently made representations to me requesting legislation on this and other similar topics. I would like to take this opportunity to pay tribute to the work of the Law Society in putting up these constructive suggestions for law reform. I note that their Sub-Committee on Conveyancing laboured for over five years, from 1959-1965, and that its recommendations were considered by the Committee of the Law Society for a further year. The present recommendations comprise some thirty items and were received in my Chambers at the beginning of this month. The Law Society's request is primarily a matter of law reform in the sense that the majority of the recommendations are designed to bring the law in Hong Kong into line with the relevant law in the United Kingdom, and accordingly they are now under study by the Law Reform Unit which has been established in my Chambers. You may recall, Sir, that I mentioned the formation of this Unit when speaking on this occasion last year. At present the unit consists of only two draftsmen and it may be some time before substantial results can be expected. The task of law reform is a heavy one and the unit may have to be enlarged if we are to expect to overtake the backlog of long overdue Law Reform. So far as the present proposals are concerned it will be appreciated that the Registrar General as Land Officer will have to be consulted on many, if not all, of the items; and bearing in mind the time it took the Law Society to formulate the proposals I am sure that they at least will not expect us to produce legislation at a very early date. What I can undertake, Sir, is to assure my honourable Friend that I will give the most careful consideration to the priorities which can be accorded to the various matters which come into the category of Law Reform, and then get on with the work as quickly as my existing resources, and the need for consultation, will permit.

My honourable Friend also asked that Government should examine a suggestion that the Tenancy Tribunal should be substituted for arbitrators in section 9(d) of the Buildings Ordinance 1955. He mentioned that he had been given to understand that a reference to arbitration had caused hardship to tenants in buildings affected by this section. I should mention, Sir, that this was the section introduced in September, 1964, which gave a developer a statutory right to go on to adjoining property for the purpose of erecting shoring to protect that adjoining building when the developer commenced work on his own site. The issues which are to go to arbitration concern the compensation payable as a result of interference caused by doing this shoring work. The Building Authority, which is the department most likely to have received complaints have not in fact received any and the Tenancy Enquiry Bureau of the Secretariat for Chinese Affairs who have handled some nineteen cases since January 1965, are not aware of any hardship being caused. Naturally, Government will examine any suggestion put forward where it is intended to alleviate hardship, but such an examination would be materially assisted if examples

or instances could be brought to the attention of the Colonial Secretary or myself.

Finally, Sir, may I deal with what is at least an irritation for all of us. My honourable Friend Mr Ross asked me to give serious consideration to curbing the nuisance of diesel engine smoke by providing more effective legislation than that to be found in regulation 103 of the Road Traffic (Construction and Use) Regulations 1956. This regulation was taken from the English law but I would agree with him that prosecution under this regulation, or rather the securing of a conviction thereunder, is not an easy matter.

It is self-evident, but nevertheless worth repeating, that legislation of itself solves nothing. With this sort of a problem we come up against the old question of priorities for Police duties. It may be that curbing dangerous driving and checking vehicles to see that they are in a safe mechanical condition is more important than curbing this smoke nuisance. The only satisfactory solution may lie in requiring all diesel vehicles to be fitted with a component part of the engine which ensures that the exhaust does not contain this smoke. Such legislation is, I believe, already in force in at least one part of the United States. Alternatively, in Britain there is a provision in the Motor Vehicles (Construction and Use) Regulations 1963 which is designed to prevent what is commonly called the choke being used whilst the vehicle is operating. This does not of course prevent the badly maintained vehicle from emitting smoke, but it does prevent the driver attempting to get extra power from his engine by enriching his fuel mixture which is one of the causes of smoke in the exhaust. Whether it would be practicable to introduce either of these measures in Hong Kong I cannot say.

Although, as I have said, I do not consider that amendment to the legislation will of itself necessarily provide a solution, I will see to it that our current legislation is examined with a view to making it a more effective instrument for prosecution, should the Police authorities feel that they can tackle the problem in this way.

Sir, I beg to support the motion before Council.

THE COLONIAL SECRETARY: —Your Excellency, it now falls upon me to wind up this debate on the resolution for the adoption of the report of the Select Committee on the Estimates; and to reply to such of the points raised by honourable Members as have not already been dealt with by my honourable colleagues on the official side.

Sir, in this my first appearance in the budget debate I hope honourable Members will treat with indulgence any deficiencies in my speech. If the views of certain honourable Members gain support and the retiring age is postponed I shall, of course, have plenty of time in the next fifteen years or so to improve my performance.

Most of the outstanding points are connected in one way or another with the Public Service. This is fully understandable at a time when the Public Service is expanding and a budgetary deficit is forecast; and especially so when an additional bill for the improvement of salaries is in the offing. Indeed, honourable Members would be failing in their responsibilities if they did not look at the Public Service with a critical eye and try to ensure that it gives good value for the money it costs. Many of the points brought out in this debate are helpful and well worthy of consideration; many of them in fact are already under close examination.

However, before I refer to these I would like to make one or two preliminary points. The Civil Service has indeed more than doubled in the last ten years but the cost, as a proportion of Government expenditure has remained remarkably steady—with personal emoluments at about 33 per cent of total estimated expenditure, or, to put it another way, personal emoluments plus pensions at just over 50 per cent of total recurrent expenditure. This latter figure has hardly changed for 12 years, despite various salaries revisions.

The second point to be made is that the increase in the size of the Civil Service is very far from being merely a fecund consequence of Parkinson's Law. The growth of the population in itself demands enlarged services if they are to maintain the same, let alone improved, standards. The greater part of the expansion, however, results from a public demand for greater and more sophisticated services and from the latest policies worked out in this Council in the fields of education, medical services, housing and resettlement, and social welfare.

Thirdly, I should like to dispel any idea, if it really exists, that the Civil Service consists only of white-collar desk workers, working to strict hours, with time off at intervals for tea and coffee. Of the 65,000 members of the Public Service, over 28,000 are labourers and artisans; almost 13,000 more are members of the rank and file of the disciplined services; and a high proportion of the remainder are teachers, doctors, nurses, and other technical and professional staff. Few of us are, in fact, merely pen-pushers and even we do a fair amount of overtime judging by the lights in the offices after office hours.

I have made these points partly to show that the Public Service does not consist of a large body of drones and partly to show that the estimated cost of it in the coming year is, proportionately, not markedly different from previous years. Nevertheless, this is not to say that there are grounds for complacency. Our present services cost as much as we can now afford but they are still in many respects deficient in relation to our needs. To this extent it can be said that the cost of the Public Service is disproportionately high in relation to our means; but it does not necessarily follow, as my honourable Friend Mr SZETO suggested, that the Service is either over-staffed or over-paid.

With this background let me consider some of the points made by honourable Members in speaking to this debate. My honourable Friends Mr GORDON and Mr ROSS have both stated that, in their opinion, the present retiring age of 55 is too low. To raise it would involve recasting our pensions legislation, which is based on an officer joining the Service at the age of 22 and retiring on a maximum pension at 55. This, of course, can be changed and new conditions applied to new entrants to the Service, although the extent to which serving officers would be attracted to opt for such new terms is an open question. A higher retiring age might result in a lower pensions bill, but if it tends in any way to encourage a generation of officers in the last years of its career to become time-servers and to block promotion for a more energetic generation below, then surely we should be cautious. The structure of Government Service cannot be fully parallel with practice in industry and commerce. The age of retirement is in fact, Sir, already being looked at again at the present time but there are aspects, I suggest, which require very careful consideration. Meanwhile, honourable Members may be glad to know that, generally speaking, applications by officers to serve beyond the age of 55 are sympathetically received and applications to retire before the age of 50 are not granted lightly.

My honourable Friend Mr KWAN has referred to the importance of removing the "dead wood" from the Service and has suggested that Colonial Regulations might be reviewed in this context. This is a problem which is exercising the Government also and an examination is currently being made into present procedures. In any Service of 65,000 there must be some "dead wood"; although I would not suggest anything in the nature of a petrified forest. I do, however, beg to question the judgment of my honourable Friend Mr GORDON when he suggests that a large proportion of the Service is not earning its pay. Where there is inefficiency it must be eradicated and we do our best to see that it is; at the same time the procedures for doing so must obviously ensure fair and impartial treatment for the officers concerned.

Three of my honourable Friends have criticized the leave and passage privileges given to members of the Public Service as being over-generous. I agree that, broadly speaking, they are generous and that some senior officers retain more generous conditions than would ever be given today. That they are unduly generous is arguable but I can assure honourable Members that they are now being very carefully examined in the light of the recommendations of the Salaries Commission Report.

My honourable Friend Mr TANG has referred to the difficulties of recruitment, with special reference to the Department of Commerce and Industry. I wish to assure him that the Establishment Branch of the Secretariat and the Public Services Commission are always on the watch for new ways of improving recruitment procedures. As regards the

grading and status of the head of this department, this is one of the matters which the Standing Committee on Superscale/Upperscale Salaries has recently been examining.

My honourable Friend Mr F. S. LI has asked whether the arrangements for scrutinizing departmental demands for additional staff are satisfactory. I am confident that they are and I should like to join in the tribute to the work of the Establishment Sub-Committee of the Finance Committee of this Council. It is true that not all applications for new staff get as far as the Sub-Committee; but the fact that more posts get through that Committee than my honourable Colleague the Financial Secretary would always like indicates that he exercises no veto.

My honourable Friends Mr KWAN and Mr GORDON have referred to the need for mechanization and the streamlining of government procedures. We are alive to this need and there is no doubt that the work of the Audit Department and of the Organizational Surveys Unit has been instrumental in achieving substantial savings in time, staff and costs. The staff of the Organizational Surveys Unit has doubled since 1962 but further increases will be considered as and when the need is justified.

My honourable Friend Mr RUTTONJEE has reminded me of my predecessor's undertaking to review the organization of government as a whole. I regret that I have no specific conclusions to report at this stage. This important subject will not be lost sight of but fundamental changes must inevitably be slow and I should like time to consider them.

Incidentally, Sir, in connexion with my honourable Friend's reference to the Colonial Service as a rapidly fading anachronism, he may be interested to know that since he made his speech a memorial to the Colonial Service has been unveiled in Westminster Abbey. I have not made up my mind whether I am sufficiently moribund to subscribe a contribution to the memorial.

Several honourable Members have spoken on the subject of "localizing" the Public Service. This is a subject in which I too have a deep interest but it is one on which, if I may say so, a certain amount of public misunderstanding seems to exist. Let me first restate the policy of the Government. It is to recruit overseas officers only when no suitable and qualified local candidates are available and willing to accept appointment. Furthermore, no overseas officer is recruited on permanent and pensionable terms when the post can be satisfactorily filled on contract terms or when a local officer is likely to become available to fill it within a short period. The published figures show that the proportion of local officers in the various professional, technical and general grades is increasing. The local and overseas training schemes are steadily expanding both in number and content. In each of the last eight years nearly 100 officers,

on average, have gone overseas, most of them for specialist post-graduate training lasting for a full academic year or more.

In the long-term the Colony must look largely to its own resources to staff its Public Service, if only because recruitment from overseas is becoming not only more difficult but more expensive. I do not, however, believe that it is in the best interests of the Service to try to set artificial targets for the replacement of overseas officers, as my honourable Friend Mr RUTTONJEE has suggested, since conditions vary so greatly from department to department at any given moment and too rigid adherence to a timetable could result in an unnecessary and undesirable lowering of standards of entry or promotion; but I accept his suggestion in the sense that it indicates that there is urgency in this problem. My honourable Friend may, incidentally, be interested to know that in the first department which he mentions as crying out for "localization", that is the Department for Social Welfare, there are only five overseas officers out of a total of 706.

I intend that all avenues should be explored; in particular I hope that the Special Committee on Higher Education will have some valuable advice and that the Public Services Commission, for whose future development some proposals are now under examination, will be able to devote more time to the question than it can at present.

There is, however, one aspect of this problem which I suggest calls for special attention. It seems to me that there does not exist a sufficiently strong or widespread tradition of service in the Civil Service. There is an immense reservoir in Hong Kong of willingness to give public service: the amount of time and money which individuals are ready to devote to serving the public interest in a voluntary capacity is most striking and of incalculable benefit. This, however, does not seem to extend in any general sense to a willingness to serve the public interest as a permanent member of the Civil Service, at least in the administrative and professional grades. Progress in "localization" must depend on well qualified men and women coming forward and offering themselves for government service in sufficient numbers. This does not yet appear to be the case and it seems to me a change of attitude towards government service is badly needed. This is a matter in which I hope honourable Members may be able to help.

Before I leave the subject I should like to express my appreciation of the tribute paid to the work of the Civil Service by Your Excellency in your Address to this Council. This is a well-deserved encouragement to members of the Service. I am grateful also too to the many honourable Members who, while expressing concern at certain aspects of the structure and conditions of service of the Public Service, have spoken in warm terms of the efficiency and dedication of its members generally. I would like in particular to thank my honourable Friend Mr WATSON for his

remarks about the Police Force which, as he points out, tends to be a target for unjust and irresponsible criticism. It is worth remembering that Hong Kong, among the major cities of the world, has one of the lowest crime rates and one of the highest detection rates.

I will now refer briefly to the question of the development of local government in Hong Kong, of which Your Excellency made special mention. I have listened with much interest to the views expressed by honourable Members on this subject and I welcome their endorsement of the need for a thorough and careful re-examination of this whole field and of the importance of ascertaining the true needs and wishes of the people, which my honourable Friend Mr FUNG has particularly stressed. I expect to be able to announce shortly the composition of the official working party, foreshadowed by Your Excellency, and its terms of reference. The purpose of this working party will not be to produce a blue-print for a new system of local government but to make a preliminary survey of the problems; to gather together the basic material required before reasoned decisions can be taken; and to explore practical alternative lines for possible future development. I am sure that this preliminary investigation will provide a valuable basis on which to consult public opinion and decide on the next step.

My honourable Friend Mr KWAN has asked whether section 8 of the Landlord and Tenant Ordinance cannot be amended so as to make it lawful for landlords and tenants, without having recourse to exclusion proceedings, to agree to the payment of compensation for the surrender or termination of a tenancy in a pre-war protected building. While I am in sympathy with the broad aim of "opting out", as it may be called, I am afraid that despite careful study no altogether satisfactory form of amendment has yet been found which will ensure not only that the rights of tenants are fully protected but also that the Government still retains the power to enforce redevelopment of any property of which the sitting tenants have "opted out" of their statutory protection. We shall continue to look for a solution but in the meantime I am glad to say that there is now no backlog of applications for Exclusion Orders awaiting hearing and that the time taken by the whole process of obtaining an Exclusion Order is now very significantly reduced and should not unduly inconvenience either landlord or tenants.

My honourable Friend Mr RUTTONJEE has suggested that it is time to bring the Standing Orders of this Council up to date and in this he has my very full support. As soon as an opportunity occurs I hope to initiate some consideration of this question; and it occurs to me that revising Standing Orders might be a suitable task for the Law Committee of this Council. Although this Committee is regularly appointed each year, as required by these same Standing Orders, I am told it has never yet been convened and no one can tell me why it is appointed.

My honourable Friend has also submitted some interesting proposals for putting additional burdens of work on the unofficial members of this Council; but as no other honourable Member has commented on this I find it difficult to assess what support he has. I can, however, say that the appointment of unofficials to be chairmen of advisory boards and committees is something which has been considered and is now in fact no rarity. The investigation is still continuing but, particularly in the case of statutory boards and committees, the position is not altogether free of complications.

My honourable Friend Mr FUNG has proposed that there should be changes in the names of the Secretariat for Chinese Affairs and the Colonial Secretariat, although I observe he offers no solutions himself. As a newcomer to Hong Kong they have struck me too as being possibly anomalous, at least in the English version, but they have a long history and it is as well to tread carefully in such matters. Nevertheless, Sir, there can be no harm in looking into this and I shall arrange for it to be done.

My honourable Friend Mr SZETO in his speech touched on the difficult problem of car parking arrangements for government officials. I shall not enter into all the controversial aspects of this question here because, although it may appear a simple issue, it is not so in fact. It has been examined in detail before but in view of the proposal to increase parking fees it will be examined again, without commitment.

Finally, I come to my honourable Friend Mr GORDON'S complaint about temperature readings. It appears that Hong Kong, as a member of the World Meteorological Organization, is now a party to an international agreement to introduce the Celsius scale into universal use. We seem, therefore, Sir to be a committed party to the "ruthless weeding out of the outmoded and outdated" which the honourable Member himself has so strongly advocated. It is clearly something we have now got to live with. At least, Sir, it will take a heavier shot than SSG to bring this one down.

Your Excellency, I beg to move.

MR WILFRED S. B. WONG: —Your Excellency, I beg the Council's indulgence to make a personal explanation under Standing Order No 20. In view of what I said in my speech to this resolution I wish to explain that although I shall vote for this resolution on Estimates of Revenue and Expenditure and the next Bill on Appropriation in the order of business, I do so without prejudice to my position when legislation is brought forward, in due course, to increase the standard rate of earnings and profits tax.

The question was put and agreed to.

**RESOLUTION REGARDING THE ESTIMATES OF
REVENUE AND EXPENDITURE FOR 1966-67**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Estimates of Revenue and Expenditure for 1966-67
as amended by the Report of the Select Committee be approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

APPROPRIATION (1966-67) BILL 1966

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to apply a sum not exceeding one thousand eight hundred and seventy-eight million, four hundred and thirty-nine thousand, two hundred and ten dollars to the Public Service of the financial year ending the 31st day of March 1967."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

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

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

THE FINANCIAL SECRETARY: —Sir, I rise to move that the Standing Orders be suspended to the extent necessary to allow the Appropriation (1966-67) Bill to be taken through all its stages today.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

THE FINANCIAL SECRETARY moved the Second reading of the Bill.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

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

Council then resumed.

THE FINANCIAL SECRETARY reported that the Appropriation (1966-67) Bill 1966 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.

COMMISSIONS OF INQUIRY BILL 1966

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to provide for commissions of inquiry and for purposes connected therewith."

He said: —Your Excellency, I rise to move the Second reading of a Bill intituled "An Ordinance to provide for commissions of inquiry and for purposes connected therewith" but in so doing I feel it incumbent on me to try to dispel the disquiet which the introduction of this Bill appears to have given rise to in the minds of a section of this community.

Sir, the disquiet to which I refer has been expressed particularly in regard to the provisions in the Bill which permit interested parties and their legal representatives to be excluded from part of the proceedings of a Commission of Inquiry, and also about the power to prohibit publication of all or part of the material and evidence received by such a Commission.

The Bill is what lawyers call an enabling Bill, that is to say, it gives powers to do certain things in certain ways. As I understand it, the criticism is directed against one particular way in which certain of the powers afforded could be exercised. The assumption which appears to have been made is that such powers are inconsistent with the conception of British justice and that their mere inclusion in this Bill means that their use would be the normal rule rather than the exception.

May I emphasize, Sir, that the prime purpose of this Bill is to provide the most effective method of conducting an inquiry and getting at the whole truth. The circumstances giving rise to the need for an inquiry

may vary greatly; and when moving the First reading I referred to this aspect and gave as instances the Electricity Commission and the Chan Kin-kin Inquiry which illustrate how widely different the subject matter of inquiries may be. At that time I also drew attention to two ways in which it is hoped to increase the effectiveness of an inquiry conducted under this Bill; first, there is the right afforded to members of the public to submit and have considered any document provided that it is not scurrilous or offensive; and then there is the increased protection which is to be given to witnesses who appear and give evidence.

However, Sir, having to hand a really effective method of conducting an inquiry is of little use if the Government is inhibited from using it because of the danger of some breach of security. I believe, Sir, that no responsible Government would feel free and able to order an inquiry unless it were completely satisfied that essential security could be safeguarded. I say essential security advisedly because I do not wish to be understood as suggesting for a moment that every inquiry will entail security risks.

Now, the Ordinance which is being replaced, the 1921 Tribunals of Inquiry Act in England, and the relevant legislation in Malaya, Singapore and Sabah on which this Bill is modelled, all have simple provisions which enable the public to be excluded from the inquiry, or parts of it. What this Bill does is to spell out in detail the full implications of those simple provisions, so that in Hong Kong there would be no doubts as to the existence of the necessary powers and of their effectiveness to preserve security should it ever become necessary to employ them. However, our own existing Ordinance and the legislation of our neighbours to which I have just referred confers the right on persons whose conduct is the subject of an inquiry or who are implicated or any way concerned therein to be represented by an advocate at the whole of the inquiry. It seems to me, Sir, that this is quite inconsistent with the power to order that an inquiry or part thereof should be held in camera; and therefore, if we are to have a fully effective instrument for conducting an inquiry without any risk of a breach of essential security, it becomes a logical necessity to provide the powers which can ensure maximum security. If the need for maximum security should arise, and if an inquiry is to be held, then the security consideration must obviously override the normal right of a person concerned to be represented during that part of the proceedings at which the security material is being received and considered.

I see that it has been suggested that in this respect Government servants are to be placed in a privileged position, because they are to be entitled to legal representation at the inquiry notwithstanding the power of the Commission to exclude legal representatives of persons concerned. This criticism, Sir, is founded on a misinterpretation of

clause 6 of the Bill. A public officer is not being afforded the right of legal representation in his personal capacity, but rather it is his public office that is to be so represented; that this is the intention of clause 6 is made clear in subclause (3) which provides that the legal representative of a public officer takes his instructions on what submissions he is to make to the Commission, not from the public officer concerned, but from the Colonial Secretary or from me, as Attorney General.

Sir, I have described such a Commission as an instrument of inquiry in order to emphasize that a Commission is not a Court of Law concerned with pronouncing judgment between two parties. Though the inquiry itself is deemed to be a judicial proceeding in the Bill, the purpose of this is, in the first place, to afford the protection of absolute privilege in respect of things said at the inquiry, particularly for legal representatives who are not covered by the specific protection given to witnesses; and secondly, as our law of perjury is concerned with statements made at judicial proceedings, it is intended to make it clear that this law applies to an inquiry under this Bill.

There is, of course, Sir, a choice before this Council. We could legislate for public inquiries and public inquiries only; but this would mean in practice that there could be no inquiry where the public interest required the maintenance of security on some aspect of the matter to be inquired into. The Bill provides that it is for the Governor in Council to indicate to a Commission the degree of security to be maintained at any inquiry: I believe that this legislature can trust the Governor in Council to distinguish where the real public interest lies and not to confuse it with the convenience of the administration.

There has also been criticism of the Bill on the ground that it allows a Commission of one person to be appointed. Speaking as a lawyer, Sir, I would not advocate a single person Commission in the normal course. So far as I know, all the fourteen Commissions of Inquiry appointed in Britain by joint resolution of both Houses of Parliament, since the 1921 Act have been Commissions of three or more persons; but it is noteworthy that the legislation of New Zealand, Malaya, Singapore and Sabah provides for the appointment of a single Commissioner. Obviously, it is to everyone's advantage that the public should feel the greatest confidence in the findings of fact arrived at by a Commission, and perhaps it is logical to assume that this confidence would be greater where the Commission comprises more than one and includes one or more influential private citizens. But the fact remains that circumstances may arise in which an inquiry can be conducted as effectively by one as by three, and there may be positive disadvantages in having more persons than necessary sitting on the Commission. The Bill merely enables the Governor in Council to appoint a Commission of one if this is considered to be in the public interest. This does not mean that

this Council is expressing the view that a Commission of one is better than a Commission of three or more. When one thinks of this Bill in the way which I have tried to suggest—that is, as a measure enabling an effective inquiry to be held in virtually any circumstances, including the need to preserve the strictest security—I believe, Sir, that one can readily appreciate the need for some of the other enabling provisions which have come in for criticism; for example, the enabling provision which would empower the Governor in Council to limit the material to be considered by a Commission and to specify what matters should lie outside its terms of reference, and the absence from the Bill of a provision requiring the publication of these terms of reference. If I may express an opinion, Sir, I would say that criticism would be well merited, if for example, the terms of reference of a Commission were not published under clause 2 of the Bill on any occasion where the needs of security were not overriding.

I trust, Sir, that what I have said today may go some way towards reassuring honourable Members that the misgivings which have been expressed have arisen partly from misinterpretation of certain provisions in the Bill and partly from a misunderstanding of the purpose of other provisions. Honourable Members will appreciate that criticism of this Bill has arisen only in the last few days—I believe the first public expression was on St Patrick's Day, (perhaps an appropriate occasion on which to have a go at Government), and it is only within the last three days that any representations have been received by me. I understand that similar representations may have been made to certain of my honourable unofficial colleagues and if any member feels that there should be more time for consideration of the contents of this Bill then I for one would not oppose a motion for an adjournment of the proceedings on my motion now before Your Excellency.

Sir, I beg to move.

THE FINANCIAL SECRETARY seconded.

MR C. Y. KWAN: —Sir, I have listened with great care to what my honourable Friend the Attorney General has just said by way of explanation on the Bill before us. The Bill has evoked a certain amount of public interest and the Law Society has made a request for an adjournment of the final reading of the Bill, so as to enable it to make its representation to Government thereon. In order to give us time to consider the Bill in the light of the views expressed by certain members of the public and the representation to be made by the Law Society, I, therefore, move under Standing Order 14(3) that further proceedings on the motion for the Second reading of the Bill before Council be adjourned sine die.

MR S. S. GORDON seconded.

THE COLONIAL SECRETARY: —Sir, I should like to say that Official Members would not object to an adjournment of the proceedings on this motion. The Ordinance that this Bill seeks to replace was enacted 80-odd years ago and I think, Sir, a few more days make no difference.

The question was put and agreed to.

DENTISTS REGISTRATION (AMENDMENT) BILL 1966

DR TENG PIN-HUI moved the Second reading of a Bill intituled “An Ordinance further to amend the Dentists Registration Ordinance 1959.”

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

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

Clauses 1 to 3 were agreed to.

Council then resumed.

DR TENG PIN-HUI reported that the Dentists Registration (Amendment) Bill 1966 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.

HIS EXCELLENCY THE GOVERNOR: —Honourable Members, this will be the last meeting of Council to be attended by Mr BARON; and although he has not been a substantive member of this Council for very long, I feel sure honourable Members would wish me to convey our thanks to him for the very valuable work he has done for Hong Kong during the 15-odd years he has been here. In particular, he has been a most active and thoughtful Director of Social Welfare, under whose care not only the Department but our social services generally have progressed markedly. I am sure we all wish him, and Mrs BARON, many happy and successful years after they leave Hong Kong.

MR D. W. B. BARON: —Thank you, Sir.

NEXT MEETING

HIS EXCELLENCY THE GOVERNOR: —That concludes the business for today, Gentlemen. The next meeting of Council will be held on 6th April.