

OFFICIAL REPORT OF PROCEEDINGS

Meetings of 27th and 28th March 1968

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY
MR MICHAEL DAVID IRVING GASS, CMG
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, OBE, QC
THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS
MR DAVID RONALD HOLMES, CBE, MC, ED
THE HONOURABLE THE FINANCIAL SECRETARY
MR JOHN JAMES COWPERTHWAITTE, CMG, OBE
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT, CMG
DIRECTOR OF PUBLIC WORKS
DR THE HONOURABLE TENG PIN-HUI, CMG, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE WILLIAM DAVID GREGG, CBE
DIRECTOR OF EDUCATION
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC
COMMISSIONER OF LABOUR
THE HONOURABLE ALASTAIR TODD
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE TERENCE DARE SORBY
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE GEOFFREY MARSH TINGLE
DIRECTOR OF URBAN SERVICES
THE HONOURABLE KENNETH STRATHMORE KINGHORN
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE DHUN JEANGIR RUTTONJEE, CBE
THE HONOURABLE LI FOOK-SHU, OBE
THE HONOURABLE FUNG HON-CHU, OBE
THE HONOURABLE TANG PING-YUAN, OBE
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE SZETO WAI, OBE
THE HONOURABLE WILFRED WONG SIEN-BING, OBE
THE HONOURABLE ELLEN LI SHU-PUI, OBE
THE HONOURABLE JAMES DICKSON LEACH, OBE

ABSENT

DR THE HONOURABLE CHUNG SZE-YUEN, OBE

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS
MR DONALD BARTON

27th March 1968

MINUTES

The minutes of the meeting of the Council held on 13th/14th March were confirmed.

PAPERS

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:—	
Revised Edition of the Laws Ordinance 1965.	
Revised Edition of the Laws (Correction of Error)	
Order 1968	25

Report:—

Annual Report of the School Medical Service Board for the year ended 30th September 1967.

REPORT OF THE SELECT COMMITTEE ON THE ESTIMATES FOR 1968-69

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 G. M. TINGLE:—Your Excellency, in my Budget address last year I spoke of a growing awareness in Hong Kong that the aspirations of young people demand our close and serious attention.* This needs no further emphasis from me. It has become the subject of earnest debate in all sections of the Press and amongst all thinking people. Many aspects of the problem lie, of course, outside my official sphere of interest, but one of them does not. I speak of the lighter side of living: of sport and play, of leisure time and culture.

Recreation is a word that has meant little to many of our youngsters in the past. Living has been hard in Hong Kong in the post-war years, and has left little time for play. And Government, for its part, faced with a bewildering list of claims on its limited resources, has understandably not chosen to award it the highest of priorities. But the scene has quickly changed, and properly so, because the cost to society of indefinite delay in meeting the rightful claims of youth could be a heavy one. I am happy to say that my examination of the financial proposals before us, including the Public Works Programme, leads me to

* 1967 Hansard, page 210.

conclude that some \$15 million will be spent on developing new facilities for play in the next 12 months. A fourfold increase over 1967-68; and this is not all. There are no less than 15 major recreation projects in Category B of the Public Works Programme. Design work is in hand on many of them. I expect that several will be upgraded to Category A during the year, when working drawings and contract documents will, we hope, be finalized.

These projects include a 14-acre sports ground at Aberdeen, a sports ground at King's Park, and a recreation area in the Yau Ma Tei community centre area. By this time next year the three complexes for swimming situated at Lei Cheng Uk, Kwun Tong and Morse Park which, taken together, provide no less than 24 pools, will be almost ready for public use. By then some space for public recreation at Whitfield Barracks should also have become available, as may the site for the swimming complex designed for Kennedy Town to replacing the existing cattle lairages. Detailed plans of the indoor stadium should also have advanced.

There are exciting schemes as well in planning for the New Territories. Tai Po is enjoying its recently completed sports ground. I hope that you, Sir, will accept an invitation to open an equally attractive ground this summer in Tsuen Wan. Contractors are now pushing ahead with an ambitious sports centre in Yuen Long, and I am happy to realize that our rural population will be comparatively well served when the Fanling recreation ground is finally completed.

For the City Hall too 1968-69 will be a year of continued growth and expansion. The functions of the City Hall are both recreational and educational. While it aims to serve the entire community, emphasis has been and will continue to be placed on its service to the younger generation. Young people have in fact been prominent in its usage in the past year. The City Hall Popular Concerts presented by the Urban Council attracted 25,000 persons in 19 concerts in 1967-68 and the majority of the audience have been young people. Of the 850,000 books issued by the Public Libraries during the year, 70% were taken out by students and children. In the Museum and Art Gallery school parties visit the various displays frequently and regularly. For 1968-69, it is proposed to increase the number of the City Hall Popular Concerts by 40% and to present a concert about every fortnight.

We are thus not far from a breakthrough in the provision of facilities for sports and play. We have reached a stage of development which, if maintained at this momentum, will subdue our most vociferous critics.

But there is room for a further development. The provision of space for play and the development of projects is essential, but it does not cover all the ground. I am not going to suggest that so self-reliant

[MR TINGLE]

a group as the young people of Hong Kong need or want to be regimented in their sport and play, but I do maintain that any public gains from guidance and competition in sport, or simply from the enjoyment of a spectacle. This is what I hope now to begin to provide with the Urban Council's and Government's blessing.

It would be hard to deny that the need is real. There is evidence where 10,000 people gather for a Chinese opera out-of-doors; where more than 20,000 visit a display of facilities for recreation; or if 200,000 people will wait patiently to gain entry to a Flower Show.

This recent teeming response to events sponsored by the Urban Council so impressed me that I have, with official approval, recently redeployed staff within the Urban Services Department to enable me to assign to a carefully selected officer the responsibility and task of organizing play in public pleasure grounds throughout the urban area.

His brief is necessarily wide, and his appointment experimental, as only in the coming months will he be able to assess the potential demand for a service of this kind, and be in a position to recommend a structure for any permanent organization.

Honourable Members may ask, what exactly will he do? He will attempt to entertain outdoors the young people of Hong Kong. I shall expect him to co-operate with Kaifongs in organizing a series of competitive sports events throughout the city. I hope to see districts competing against each other in basketball, volleyball, and mini-soccer competitions, that may culminate in Colony championships. I trust that he will look into the possibility of staging shows as popular as the recent Flower Show, but with subjects such as local singing birds, which are so popular here. A series of painting, sculpture and photography exhibitions, less ambitious than those at the City Hall, and where possible staged out-of-doors, I would regard as his legitimate concern. It may well be that the various organizations which were active last summer in taking young people away to summer camps would be pleased to look to him for guidance and co-ordination in their efforts. School children, Boy Scouts, and club members are relatively well cared for in this respect, but there must be many thousands of young people who belong to no organized body. It is this group which particularly concerns me.

This Recreation Officer for Youth will develop and expand the entertainment side of my department's work. The next popular Chinese variety concert will be held next Sunday in the crowded area of Wan Chai, and this, as I have said, will be but one of a continuing series throughout the summer months. We hope to present the first outdoor performance of Hong Kong's Philharmonic Orchestra in the first

week of April, and this too, I trust, will become a regular feature of our lives. To balance this classical approach, on 20th April the Recreation Officer will present the first open air dance for young people organized by Government, with two of the most popular local pop groups playing for them. If this succeeds the roof-garden of the New Blake Pier should be resounding to their beat at monthly intervals thereafter.

I see no reason why he should not encourage a much wider public involvement in his schemes. Perhaps he will invite all clubs throughout the Colony—and I speak of such clubs as the Country Club, the Hong Kong Club, the Ladies' Recreation Club, and the Yacht Club—to play host to a group of young people for a day?

He will be free to examine these ideas and many others which have already been tentatively proposed. It will require my successor to report on the public's response at the end of the summer.

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

MR K. S. KINGHORN:—Your Excellency; my honourable Friend, Mr Dickson LEACH, raised two points about the New Territories. One, which concerned the problem of water supplies to villages, will be answered later in this debate by my honourable Friend, the Director of Public Works. But I can say at this point, in anticipation of my Colleague's reply, that I consider it to be of vital importance that the people of the New Territories should be able to draw upon reliable water supplies in the same way as people in the urban area. It is evident that the need for this service should be borne constantly in mind, particularly in view of the extent to which the traditional way of life and the water supplies of New Territories villagers have been disturbed in the past by reservoir schemes constructed to supply the needs of the urban population. This is a matter, which, I can assure honourable Members, attracts the close attention of the staff of the New Territories Administration.

My honourable Friend, Mr Dickson LEACH, raised a second point concerning access roads to villages. This question too has exercised the concern of Government for a considerable time, for, as my honourable Friend pointed out, such roads bring with them betterment in the standard of living. A great deal has already been done to improve communications in the remoter parts of the New Territories under the Government programme of public works, and much has also been achieved through schemes financed under the local public works programme of the New Territories Administration. Under this latter scheme Government provides aid in the form of materials and advice and the villagers themselves make contributions in the form of labour

[MR KINGHORN]

or land. It has afforded a means of constructing many roads, footpaths and bridges. Yet much remains to be done and the District Officers, who maintain the closest touch with the people in their districts and appreciate their needs, would be happy to receive much more money for local public works than there is any real possibility of obtaining.

Sir, I am sure that the fact that only two points directly concerning the New Territories were raised in the speeches of Unofficial Members does not import any suggestion that they feel that all is well in the New Territories and that nothing more requires to be done to assist the people there. Apart from the fact that one-sixth of the population of the Colony lives in the New Territories, the importance to Hong Kong of the loyalty and well-being of the people there was made manifest last year. Dissatisfaction and infidelity towards the Government on their part could clearly have most serious consequences. This elementary observation has not been overlooked by the communists who now appear to be making a definite endeavour to subvert and suborn the loyalty of the people. I need not dwell upon recent communist attempts to penetrate the New Territories. So far they have achieved little success. Indeed the results of the Rural Committee elections which are being held at present show that the people of the New Territories as a whole wish to maintain their present progress and development under the Government without any outside interference.

If I may advert briefly to my honourable Friend Mr RUTTONJEE'S remarks on the question of a vacuum of leadership, I think it is significant that throughout the disturbances in 1967—and in some ways they were more upsetting and threatening to the people of the New Territories than to the people in the urban areas—the so-called vacuum was very quickly filled by the determined and capable leadership provided in the New Territories by the Heung Yee Kuk, under its loyal Chairman, Vice-Chairmen and Executive Committee Members. This, Sir, is the type of leadership—by, of and for the people—which is of the greatest value in times of stress. Combined with the calmness and courage of the people in the New Territories it was a vital factor in maintaining stability and order. It was fitting that a delegation of four senior members of the Heung Yee Kuk should have visited Britain in January and February of this year to re-assure New Territories people there regarding the position in Hong Kong and that they should have carried out their mission with marked success.

As the needs of development in the urban areas become increasingly difficult to meet, it is clear that we must turn more and more to the New Territories for the provision of land for the Colony's industrial and residential requirements. I need hardly emphasize the position of the New Territories in regard to future water schemes and their

enormous value as a recreation area for the people of Hong Kong. Increasing contacts between town and country people are playing a significant part in a rapidly changing pattern of social development, which has brought to the fore problems which we cannot afford to ignore. The continuing lack of capital for the development of industrial and residential land is one of them. In much that has been said in this debate by Unofficial Members on communications, services and many other vital matters which affect the common emoluments of daily living in our community, there is reflected a sharper need in the New Territories than elsewhere. The Commissioner for Census and Statistics has recently told us that the people of the New Territories are in general much poorer than the people in the urban areas. These are matters for which no easy solution is available, but I can say that they are receiving constant attention by the staff of the New Territories Administration and the many other Government departments which work wholeheartedly for the benefit of the people in the New Territories.

Finally, Sir, let me say how much I appreciate the interest which my honourable Friends the Unofficial Members of this Council and the Executive Council are showing in the problems of the New Territories. A series of visits to various districts has been arranged and is already in progress. I hope that from these visits a better understanding of the problems will emerge, that a stronger identity of interest between the aspirations of the New Territories people and the general interests of the Colony will be established, and that much good will flow from them.

Sir, I support the motion before Council.

MR T. D. SORBY:—Your Excellency, I am confident that I speak for commerce and industry when I say that the Budget which my Colleague, the Financial Secretary, introduced four weeks ago today— a “standstill” Budget, as it has been somewhat surprisingly described— was the *right kind of Budget* at this point in time to impress upon our trading partners overseas and on prospective investors, first Hong Kong’s inherent financial, commercial and industrial strength and stability; and second, its firm intention to reinforce its reserves as the essential pre-requisite to continued growth and expansion of economic activity and schemes for social betterment. The events of the last two weeks surely confirm the rightness of the general character of this Budget.

By this, I do not imply that many industrialists or merchants or financiers would not wish to see more being done by Government in the coming year. And indeed those honourable Members who have commented on economic matters in the earlier stages of this debate have indicated several directions in which they believe Government could usefully make or accelerate progress.

[MR SORBY]

For instance, in the opening paragraph of his speech, my honourable Friend, Dr CHUNG, emphasized the need for Government to have and to make available to the public *adequate and reliable statistics*. I very much agree and, like Dr CHUNG, I welcome the formation of the new Census and Statistics Department. The progressive centralization of scarce specialist statistical staff, now that the economy has reached a certain level of sophistication, is clearly a desirable end in itself. It could also ensure that those who supply the raw material for statistics will not be badgered by a number of different authorities concerned to obtain much the same information for different purposes. Although many wish to have better information, I am afraid many also resent the time and effort necessary to provide the basic data, or have not the resources to do so.

However, in welcoming the advent of the new department, I do not wish to imply that Government in its several parts has hitherto neglected to provide the routine statistical services for which business and administration has demonstrated a proven need. I invite the attention of honourable Members to the monthly statistical supplement to the *Gazette* in judging whether Hong Kong has really been so backward in the field of statistics as many of its critics claim. I might add that the new department is working on a handbook which summarizes the principal statistics collected since 1946. This digest should be published by the end of this year.

As you know, Sir, the Government commissioned in 1962 a study of Hong Kong's national income in the financial years 1960-61 and 1961-62, a task not easy to accomplish given the nature of our economy. The full report, a very bulky document, should be available to Government shortly. It will have established the framework for a continuing annual study which—to be realistic and meaningful—will not be inexpensive. We have, I believe, reached the stage of development where such a study is just worth, in practical terms, the expense involved.

The problem of collecting statistics of Hong Kong's industrial production is one in which Dr CHUNG and I have particular interest, I as chairman of the Productivity Council, and he as chairman of its Executive Committee. Dr CHUNG himself was chairman of a special committee of the Trade and Industry Advisory Board which reported last year on the desirability of establishing a unit to study the technical and legislative requirements for the collection and publication of meaningful industrial production statistics. I am glad to say that the Commissioner of Census and Statistics has felt able to recommend the report to Government. If we embark on this new series—which I believe we should—it will be a considerable task and will involve substantial annually recurrent expenditure. I hope the benefit which the compilation

of production statistics could bring indirectly to industry will be thought worth the inevitable small increase in overheads at the level of the individual enterprise.

Sir, throughout the speeches made by my honourable Friends, the need for improved and expanded technical and industrial training has been a recurrent theme, with which anyone who is in touch with industry must feel much sympathy. These are not matters within my competence to speak on with any authority, but they are matters in which my department has a real interest. The Director of Education and the Commissioner of Labour will be speaking, once again, about official policy and the steps being taken to implement it. Ventilation of the principles involved—which are not without their controversial aspects—is most valuable and provides much food for thought by industrialists. Education policy, alas, seems to breed rigidity and acrimony rather than enthusiasm. However, we all seem to have got a little further—but not much further—along the road during the last six months, and perhaps striking the needed vital spark is not now too distant.

I should like to pass to the related problem of employing school leavers. My honourable Friend, Dr CHUNG, has commented on the need to ensure employment for the very large numbers who will enter the labour market over the next ten years, and queries the ability of manufacturing industry as presently constituted to expand sufficiently to meet this demand. He suggests a broadening of the industrial base to include more technologically advanced and capital-intensive industries, because we have come, he considers, to the end of labour-intensive industries which can command a world export market.

I do not know how my honourable Friend derives his figure of 30,000 a year as the future level of job-seekers in manufacturing industry—I should have thought it would be substantially lower, even though such industry has absorbed an average of 22,000 a year over the last five years—but the conclusion he draws about the likely and desirable future structure of industry seems to me open to question. I agree with him that it is economically desirable that Hong Kong's industry should be as broadly based as possible and that Government should encourage, insofar as it is financially and politically practicable and economically desirable, to encourage the establishment of new and preferably more sophisticated industries and new sectors of existing industries. But they must be light industries, ideally labour-intensive; and they must inevitably continue to be export-oriented. We must for that reason alone be able to buy our raw materials and semi-manufactures in the cheapest market if we are to maintain our competitive edge in the world. We must avoid feather-bedding our own industries which cease to be competitive. By steady adherence to this policy, we have hitherto been able to trade up and expand our industries, adjust rapidly to changing

[MR SORBY]

world trading patterns, and develop new light industries, in many cases technically more advanced than hitherto. Let me quote some instances.

The metal products industry is continually expanding, and there is much scope for further expansion. The hair-wig industry is a very good example of what can be done to develop a new labour-intensive industry to take advantage of export opportunity. Following the pattern of the artificial flower and plastic toy industry, it could have a surprising multiplier effect. The wig industry has been built up virtually from nothing within four years or so, to become an employer of over 10,000 workers and to earn almost \$200 million annually in foreign exchange. The electronics industry also continues to expand its base, and I have been much encouraged to see the opening within the last few months of several plants making new electronic products. I have no doubt also that a watch manufacturing industry, which is certainly labour-intensive, would have a better than average chance of success, and would provide a new range of technical skills which could be utilized in similar sophisticated industries such as the production of mechanical and electronic instruments. This is the kind of new industry well suited to Hong Kong and which maximizes job opportunities.

I do not believe that we have by any means come to the end of this road. Nor have we exhausted the job creating possibilities of this sector. But we should quickly do so if we attempt, in the absence of a sufficiently large domestic base, to determine the way in which light industry should move by any cumbersome scheme of incentives to particular industries or enterprises.

That is not to say that Government should not continue to develop the kind of positive assistance to light industry best suited to the circumstances of Hong Kong. Honourable Members are aware of the assistance to industry given through my department's overseas commercial relations and origin certification branches in protecting our trade, not to mention other recently created autonomous institutions. But there are fresh fields in which we are quietly pegging away in collaboration with the Federation of Hong Kong Industries, and which are not the less valuable because less in the public eye. I should mention here the existence of the Sir Sik-nin CHAU Industrial Research Fund, the custody of which is in the hands of the Federation and the wish to exploit its possibilities in their minds. My honourable Friend, Dr CHUNG, implies that he does not think this sort of thing is enough, and he is right of course. There is much to do, few hands to do it, and no room whatever for complacency.

He has suggested that medium and long term capital loan facilities at present available to manufacturing industry are inadequate, and that this may be inhibiting development. This ball pushed out of play

in 1960 has been back in play since 1965, and has attracted some press comment, this year it is aimed at a more clearly defined goal. My honourable Friend suggests some form of development bank which would provide long-term fixed-interest loans to industry, and he mentions a possible Government liability of 500 million dollars. He is aware that my department has been studying this matter for some time.

It is within our departmental experience that the larger commercial banks have not wavered in their support for industrial development by providing substantial loans for projects which appear viable, and which are promoted by credit-worthy companies whose past performance and financial standing justify a prudent degree of risk. Although industrial loans are in principle short term, they are usually extended to good customers without difficulty and become, in effect, medium or even—in some cases—long term loans by Hong Kong's standards. A considerable proportion of the one billion dollars on loan by authorized banks to manufacturing industry at the end of 1967 must fall into this category.

It may well be however that the smaller industrialist, whose credit rating is not so high, finds difficulty in negotiating loans for capital investment in plant and machinery, and I would agree with Dr CHUNG that some means should be found for helping them to obtain development capital for this purpose. But, they would have to demonstrate competent management, and that new equipment will not only mean greater productivity and higher quality standards, but also a product which has reasonable future selling possibilities.

A loan institution with a capital of, say \$30 - \$50 million, specializing in assisting small-scale industry with medium term finance at fixed rates for re-equipment, would probably be able to make a useful contribution to industrial development; but I suspect that its usefulness would be inversely related to the degree of direct Government participation. I am willing to proceed with a study of this possibility with the assistance of the Trade and Industry Advisory Board. My honourable Colleague, the Financial Secretary, has told me that he has an open mind on the subject, but feels that Government finances could give a degree of support.

My honourable Friend, Dr CHUNG, came to the subject of industrial financing via a proposal that Government should establish some kind of industrial development council or board empowered to determine priorities on development, to provide inducements for new industries, and to discourage over-expansion of existing ones. He postulates the council being given some teeth, and an assurance that its recommendations will be accepted and implemented by the Government. At first sight it is a seductive, modem sounding idea. But is it really so? It may surprise some honourable Members that Mr Arthur CLARKE, as

[MR SORBY]

Financial Secretary in 1960, floated the same idea in remarkably positive terms, primarily in the context of textile restrictions.* And it was a prominent point of discussion in the Budget debate of 1962. The Colonial Secretary at the time asked some rhetorical questions, which I will paraphrase in more precise terms.†

Who decides which industry is over-expanded? And on what ground? And, in fact, does one “discourage” over-expansion of particular industries? And are they to be empowered to prescribe, for instance, a restriction on the number of existing electronics enterprises, which some people think are even now too numerous?

Who is to be responsible for—I quote—“innovation and a spirit of adventure”? Could this new institution have predicted the growth of the artificial flower or hair-wig industries or the introduction of the permanent press technique (to quote but a few examples). Could it predict here and now the unknow, indeed unknowable, developments that will, I believe, in future make a substantial contribution to taking our industry out of—I quote again—“its sun-helmet days and into the computer age”? Honourable Members may well ask.

All my experience is that Hong Kong’s entrepreneurs—industrialists, financiers, and exporters—are and will continue to be more alert and alive to the practical realities of a changing world than any group of economic mandarins. I am entirely in favour of a practical approach to inducement of industry to expand and to innovate; of working hard towards ensuring that innovation is not stifled by restrictive pressures in markets where Hong Kong’s thrustfulness sometimes creates hardship, which rich countries are best qualified to mitigate; and of creating an economic and social infrastructure which will facilitate, rather than inhibit, the expansion of our industry and higher living standards.

To my way of thinking, given the restrictions necessarily imposed by geographical and political circumstances—both internal and external, we already have an adequate and constantly evolving institutional apparatus capable of adaptation as the economy advances. What we need is more widespread awareness of our weaknesses in terms of people and of some of these same institutions; of social costs and our ability to pay for them. But we must also have the will, confidence, enthusiasm, and energy—coupled with a proper leavening of patience—to overcome these weaknesses.

New permanent institutions in the economic field, and especially those with wide-ranging terms of references involving substantial derogation from the powers of this Council, must be looked at cautiously, even with a degree of cynicism. If only for the practical reason that

* 1960 Hansard, pages 62-3.

† 1962 Hansard, pages 138-41.

we do not yet have the ability adequately to service those that already exist. This leads me on to a further point, which I shall deal with in the context of my own department; but I believe that my comments have wider relevance.

I refer to the scarcity of trained administrative staff available for new organizations and projects. Over the past two years, my department has been concerned in the establishment of three new autonomous organizations, and in each case these organizations have been—have had to be—supplied either permanently or temporarily with, in the most practical sense, qualified administrative staff which we could ill afford to lose. But we knew what we were doing, and accepted the loss in the wider public interest. This drain, together with normal wastage, has left us ill-equipped to move as rapidly as I would have wished with assistance to industry in such sectors as a Government department is best qualified to work.

We have been fortunate in the calibre of junior replacement staff, and pleased to see how much they have managed to achieve during the last twelve distracting months. All my specialized administrative staff are now being recruited locally. I cannot expect ready-made experience, because the nature of Government activity is for the most part different from that of business, and it requires at least four to five year's experience of Government service before we have an effective administrator capable of undertaking on his own the research, analysis and presentation of the complex problems thrown up today by our international commerce and the industries which support it. There is no short cut.

New committees and boards, however commercially successful or academically qualified their members, are effective only if they have a professional administration, which can present them with relevant facts, undertake precise enquiries, and finally work out the detail required to implement decisions. It is usually, although not invariably, easier to find members for a new committee than it is to find the administrative staff to support it. Honourable Members are naturally suspicious of staff proposals which are not required for immediate essential work, but the fact is that trained staff is always scarce and this, more than any other factor, limits the speed with which a department can react to new challenges without neglecting essential everyday tasks. The same goes for new institutions.

Nevertheless we do so react. And I should like to say a few words in this context about the work of the Industry Division of my department which has hitherto had to bear the burden of staff being deflected to more urgent objectives.

Much work has been done during the year, all of which is in one way or another a useful contribution to development. The origin certification system, which protects access to foreign markets for our

[MR SORBY]

industrial products, has been materially strengthened with the co-operation of the four non-Government organizations approved to issue certificates of origin. I am sorry to have to add that continued vigilance is necessary to prevent abuses. Fortunately, it seems that the Courts take an increasingly serious view of certification malpractice.

We have made progress during the last three years in dealing with overseas complaints about health and safety standards of Hong Kong products. Here the department is working in close collaboration with the Federation of Hong Kong Industries, and more recently, with the Hong Kong Productivity Centre, to provide industry with the means of improving the standard of faulty and sometimes dangerous products. This co-ordination will be expanded, but inevitably within the limits of staff availability.

An increasing amount of work is being done to promote industrial investment by foreign firms in Hong Kong industry. I am pleased to say that our efforts in this field are not unsuccessful, but I must also say it is often politic not to pin-point or trumpet success. We are constrained in many cases, and indeed prefer, to leave results to speak for themselves.

I should like to touch upon one further issue which has an indirect bearing on industrial development. This is the problem of corruption, prevention of which is itself highly wasteful of scarce staff resources. I think I can claim that my department, in close collaboration with the Anti-Corruption Branch of the Police Force, has done everything possible to reduce both the opportunities for, and the incidence of, corruption involving civil servants engaged in work connected with our specific responsibilities. We have taken as many positive measures as seem open to us to bring home to the staff and to those who might be tempted to make corrupt offers that I will not tolerate this practice. Legal action has been taken against offenders inside and outside the public service, and we have appealed many times to industrialists particularly to co-operate in eradicating this evil. Despite my best endeavours however, it remains true that opportunity exists, and must continue to exist, in many facets of my department's work, and that far too many people are still apparently willing to indulge in this dangerous and ultimately self-destructive practice. I should like to take this opportunity to bring the position to the notice of my honourable Friends and the general public, and to state my conviction that, without public support and co-operation, it is virtually impossible to eradicate, still less prevent recurrence of corruption in the public service.

I have mentioned the problem of staffing new institutions. One of these is the Trade Development Council, which has been the subject of considerable comment during this Debate. I must therefore take

up perhaps more of this Council's time than I believe the subject, however important, merits in the broad perspective of public policy, expenditure and revenue.

Two of my honourable Friends have in varying degree criticized the *administration* of the Council and the manner in which it has spent its funds. As a member of the Working Committee which recommended its establishment and now of the Council itself, and bearing in mind that the Council is by statute directly responsible to Your Excellency and dependent for its funds on an appropriation by the Legislature, I am in a position to give some views which, while personal, are informed. What I have to say will, I feel sure, have the support of the three other honourable Members who are also members of the TDC.

During the first eighteen months of the Council's statutory life, the Executive Director and his senior staff had to take over and integrate offices with widely differing working methods in five continents, and impose on them an organizational pattern quite new in Hong Kong. At the same time the Council inherited and substantially increased the trade promotion activities of its constituent components. By any standards this was a major administrative feat by the permanent staff of the Council.

The conventional statutory breakdown of the Council's estimates for the coming financial year does not lend itself to segregating administrative costs from operational expenses; this will be rectified by supplementary information in future annual reports and Estimates submissions. I do not think that the costs of administration are in fact lavish. In, for instance, European countries, twenty-five per cent of total expenditure is considered reasonable for export promotion organizations; the percentage for the TDC is of the order of ten per cent. It may not be fully appreciated that the every-day work of the great majority of the staff consists of dealing with businessmen's queries and collecting trade information, activities which may be less in the public eye than trade fairs and missions but are the essence of practical trade promotion. The TDC is as conscious as my honourable Friend, Mr TANG, of the importance of such activities, which he classified rightly as hard-core sales promotion.

One of the most difficult aspects of establishing an organization like the TDC is that there is a natural tendency for those who contribute to its support to expect it to meet immediately their individual needs in the export field. The Council can perhaps do this later, but inevitably only to a limited degree. But its first task must be to decide upon a pattern of activities which will be of the greatest benefit to Hong Kong's trade as a whole, and to organize better follow-up procedure. This it has conscientiously tried to do. It has, I believe, achieved a considerable measure of success, reflected for instance in export figures to Sweden after a two-year promotional drive.

[MR SORBY]

Above all, I think it essential to remember that the TDC is a new organization and must be given time to train its staff and to examine, improve and consolidate its policies and procedures, many of which were inherited from its under-financed and under-staffed parent organizations, the now defunct Export Promotion Division of my department and the Public Relations Committee of the General Chamber and Federation. I am nevertheless sure that the new Executive Director will bear in mind, for instance, Mr TANG'S suggestions: indeed, a number of them have been frequently considered by the Council in the course of its deliberations.

Two of my honourable Friends have drawn Your Excellency's attention to the *financing of the TDC*, in part from a substantial proportion of *ad valorem* charges levied on trade declarations. This matter has caused honourable Members some concern both before and since the legislation imposing the charges came into force on 3rd October 1966. Indeed, I spoke on the subject in last year's Budget debate and undertook to review the position in the light of experience at the end of 1967.* I have done so, in collaboration with the Council.

The views of my honourable Colleague, the Financial Secretary, on fiscal policy are well known; that is to say, direct taxation should be kept as low as possible in the best interests of the economy and that, wherever practicable, individual taxes should be levied on those who are the immediate beneficiaries: in this case of the growth in our import and export trade. My honourable Friend, Mr TANG, has argued with skill that the cost of the Council's activities should be borne wholly from general revenue. I myself am persuaded that here and now, in present circumstances, it should not. The Trade Development Council itself also has acquiesced in this view, although predictably with less than enthusiasm or even equanimity.

This then was the first part of the review which last year I undertook to make. The second concerned the quantum of funds to be made available. I am sure that most people will not disagree with the necessity for organized trade promotion, and that it is inevitably expensive. There can be endless argument as to how much money should be made available, and on the method of collection. I had to ask myself that alternative tax would be more acceptable to its immediate beneficiaries, and would it prove a sufficiently large recurrent income to meet the demand for trade promotion. This was the second part of the review.

Honourable Members are aware that this question was examined in 1965 at great length by the Working Party on Export Promotion. No one on that Committee was entirely happy with the proposed

* 1967 Hansard, page 214.

method of raising revenue, but none of us could agree on a more painless substitute. Since then my staff have re-examined the question in consultation with Your Excellency's secretariat and have found no better alternative. The Trade Development Council itself, when consulted, came to the same conclusion; neither were its members willing to see a reduction in the appropriation for trade development.

Four honourable Members have suggested this year that the Hong Kong Exporters' Association should be represented either *ex officio* or by nomination to the Council. Let us look at the background. The Council by law consists of a chairman appointed by Your Excellency, together with fourteen members, of whom seven are *ex officio*. The Director of Commerce and Industry is only one among these *ex officio* members, the others being the chairmen of the Hong Kong General Chamber of Commerce, the Federation of Hong Kong Industries, the Tourist Association and the Exchange Banks Association, the president of the Chinese Manufacturers' Association, and the Director of Information Services. Three members are nominated by the three principal commercial and industrial organizations. Four members are directly appointed *ad personam* by Your Excellency.

The reasoning behind this membership pattern is set out in paragraphs 53 and 54 of the Working Committee's report.

It was related to trade promotion activity, primarily external but also internal, at that time being undertaken by the organizations to be represented *ex officio*, their ability to dispose of ample but not unlimited funds, and possession of permanent staff to advise on and organize economical disposal of those funds. While not persuaded personally entirely of the logic of this reasoning, I do not believe that any other basis for membership will result in a Council which, given the practical need for limitation in size, would provide better representation for the various interests engaged in the export trade. The Exporters' Association has, like most, but not all, trade and industrial organizations other than those represented *ex officio* on the Council, not thought it necessary to secure its own financial and administrative autonomy. That is not to say that the active interest, special knowledge, and particular contribution by non-manufacturing exporters is not recognized in the composition of the Council. A past chairman of the Association has been appointed *ad personam* by you, Sir.

I consider that there may be a case for re-examining the composition of the Council in the light of present circumstances; as my honourable Friend, Mr Ross, has also suggested. There would clearly be difficulty in extending *ex officio* membership, but there might be some advantage in increasing the number of appointments made in a personal capacity at the expense of members nominated by the three recognizably major commercial and industrial organizations.

Introduction

[MR SORBY]

of amending legislation could perhaps induce an interesting debate on the merits or de-merits of nomination, statutorily or otherwise, by organizations representative of sectional interests, to advisory boards or councils.

Let me now turn to criticisms of inequity and the existence of anomalies in the application of the *ad valorem* levy. There is no question that inequities and anomalies do exist, that some evasion is possible, and may take time to pick up. However, I would be interested to hear of any form of taxation against which such criticisms are not made. My own and the Commissioner of Census and Statistics' main objection to the *ad valorem* levy is the mixture of statistics and taxation, compounded now that he has taken over the staff concerned with the compilation but not the collection of the trade statistics. Both of us would therefore, selfishly, welcome the elimination of the *ad valorem* cess and its replacement by a simple fee designed to cover the cost of collecting the trade statistics alone. Both of us also accept, as public servants accustomed to the compromise of practical administration, that we must look at the matter in the broader public interest.

The levy has produced a total revenue of \$9.4 million during the calendar year 1967, and the additional departmental cost of this collection is estimated at just over \$200,000. I accept that the levy is a nuisance to commerce and that in some cases import and export transactions give rise to multiple charges on the same goods. But to reduce the anomalies would give rise to considerably increased public expenditure to cover inspections and checks, and, more importantly, would necessitate additional documentation by traders. The net result would, I am convinced, give rise to more complaints and more cost to many traders.

Such information as I have on manufacturing costs, in certain instances on quality control, and in other instances on the manufacturing or entrepot advantages of Hong Kong in relation to other territories, suggests that the payment of one tenth of one per cent on in-and-out transactions is not a real determinant of the attitudes of management towards conduct of business in or through Hong Kong.

I am aware that much of the concern in the minds of foreign investors directly stems from the thought that the existing levy might be the first move towards introduction of a protective tariff. Surely nobody in their right mind could regard so minute a levy as one half of one tenth per cent on imports as a practical prelude to such a major change of the Hong Kong Government's fundamental commercial policy.

Having said this, I should add that I do have in mind a number of minor amendments to the Registration of Imports and Exports Regulations

which will reduce some anomalies and increase the time within which trade declarations may be lodged. They do not however, for the reasons I have just mentioned, go as far as those recommended by the Hong Kong General Chamber of Commerce and the Federation of Hong Kong Industries.

Sir, I have already spoken for far too long, and perhaps over contentiously, but if honourable Members would bear with me for a few more minutes, I should like to acquaint them with my broad objectives for the coming year. They are three in number:

- first, to make sure that Hong Kong does not suffer through failure on our part to keep open the channels of world trade;
- second, to improve the services the department can offer to both our established industries and to prospective industries wishing to set up in Hong Kong;
- and third, to clarify the legal basis for all the department's operations by bringing up to date and simplifying the legislation concerned with imports and exports, dutiable commodities, and so on.

The first objective is one that depends very much on the actions of other countries and international organizations which will undoubtedly reflect the financial problems the world has had to face up to during the last few weeks. It would be a brave man who would try to predict what new problems will arise in our external commercial relations. However, I am fortunate to have not only a zealous staff, but also two groups of experienced unofficial advisers on the Trade and Industry Advisory Board and the Cotton Advisory Board without whose advice, support, and unflagging energy, I might be more anxious about the future than I am.

Sir, I support the motion before Council.

MR A. TODD:—Your Excellency, in speaking of the financial provision for social welfare contained in the draft estimates, my honourable Friend Mr FUNG Hon-chu suggested that the additional provision of some \$4 million does not really represent much increase in terms of actual social welfare work. Comparison of the budgetted figure for the current year and that for next year in fact shows an increase of \$5.2 million. Though rising costs do account for some of the additional expenditure, so do increasing services. I do not know what has led my honourable Friend to suppose that the \$2 million increase in subventions is intended to take the place of an imminent reduction in the flow of foreign contributions. Some reduction in overseas support has of course already been experienced by some agencies which receive Government subvention as well as by others which have never received

[MR TODD]

or sought financial assistance from this Government; but this is not a major factor in the draft Estimates at present under discussion. It is only in one or two instances so far that funds have been specifically provided in the draft Estimates to make up a deficit in recurrent income arising from reduction of overseas donations. I would doubt if the total on this account exceeds \$200,000 in the draft Estimates.

In one case last year's provision of \$10,000 for the Lei Cheng Uk Friendly Centre has been increased to \$90,000 in 1968-69. The activities at this centre have been of much value not only to residents of the area, but also in the training of social workers, and since it became apparent that overseas support was likely to cease strenuous efforts have been made to find a local organization which could carry the work on. As it happens there now seems to be a possibility of other overseas money becoming available for a period, and the increased subvention together with the overseas resources is intended to provide a further period in which a viable local organization may be developed to carry on the work.

In another case, that of the Yang Social Service Centre, a subvention of \$30,000 has been recommended for the first time. This is a new centre built with overseas funds which at present receives overseas support for its running expenses. Local participation in the project is in the development stage. The centre provides valuable operational and training resources and the new subvention recognizes this.

The Save the Children Fund subvention is another instance where it could be said that the increase—which is a modest one—has some relevance to the risk of waning overseas support.

I do not know if the substantial increase in provision under the heading "Caritas" has led my honourable Friend to believe that this money is to replace overseas funds. But this is not so, for the running expenses of this organization have never come from overseas. Very large capital sums from overseas have been committed by this organization to the construction of several social centres. The running expenses are entirely a local commitment and the additional subvention recognizes the heavy burden that will fall upon this local organization in maintaining and operating extended services.

But if the \$2 million has not to any substantial extent gone to replace overseas money, where is it going? Well, in the first place a very substantial share of it is in the services for children and young persons. The total amount provided in subventions connected with youth work is about \$4.1 million as compared with a sum of \$3.2 million in the current year's subventions. This increase of \$900,000 account for about 46% of the total increase in subventions next year.

Part of it will help in the financing of increased summer programmes run by voluntary agencies. We expect to see a 30% increase in summer activities organized by voluntary agencies this year, and the Social Welfare Department is planning to double approximately its own recreation programmes for school children and other young people during the summer vacations and hopes also to increase the scope of its programmes during the Easter holidays as well. All this covers a relatively small part of the year.

But regular youth activities throughout the year also receive a share of the increased funds. The Boy Scouts are again recommended for an increased subvention which will enable the Association to carry on with its planned five year development scheme to double its membership. The Hong Kong Federation of Youth Groups have also been granted a considerably larger subvention, and included in this is a specific provision for the running expenses of 8 new youth centres to augment the 17 centres which they are already operating, as well as funds for a new post of Development Secretary to enable the Federation to give greater attention to the development of affiliated groups. Among the new items of subvention are contributions towards camps operated by Caritas and the YMCA. Another organization which has shown itself particularly active among young people is the Hong Kong Catholic Youth Committee which is to receive a subvention for the first time chiefly for the salary of an executive secretary who should be able to promote new activities and secure better co-ordination.

In the field of child care the total number of places in nurseries for which a subvention has been recommended shows an increase of nearly 1,000 compared with 1967-68 and accounts for \$180,000 or 7% of the overall increase in subvention.

A large addition goes to assist the admirable work carried out by the Hong Kong Society for the Blind and this in part arises directly from an increase in training facilities which has been capitally financed by the Lotteries Fund. Another fairly substantial item is the provision of about \$170,000 to various agencies providing casework service and material assistance to persons in need.

As for departmental expenditure a large part of the increase goes on new posts, and I must emphasize that all of these are intended to provide increased service. I cannot detail here the precise purpose of every new post but in general the increases will enable us to give our increasing clientele the counselling and other services that skilled casework, institutional and probation staff can provide. Not included in the draft estimates but shortly to be presented to Finance Committee will be the staff requirements of the new World Rehabilitation Fund Day Centre.

[MR TODD]

Under other charges the biggest single increase is the item of \$700,000 for general relief and public assistance. This increase is to a great extent the direct outcome of the adoption of more favourable standards of eligibility for public assistance last summer. A review of the effects of these changes is under way. Pending this review it would be wrong if I were to attempt any prediction about further changes in our system of public assistance, but in the meantime I may say that even on the present standards I think this provision may prove to be an underestimate.

Other increases include the estimated operating costs of a new Combined Training Centre and Hostel for Mentally Defective Children and Adults, the World Rehabilitation Day Centre and a new approved school, as well as an increased provision of \$105,000 (or 30% of the present figure) for the operation of group and youth services that we run directly in the department. On the specific point of vocational training for those detained in probation homes—to which Mr FUNG referred—I would mention the item of \$12,000 under special expenditure for equipment for the Castle Peak Boys' Home. This will be used to acquire lathes and drilling machines for use in a new technical class in the recently completed training block of the Home.

My honourable Friends Mrs Li and Mr Ross have asked about progress of the training centre for youth leaders. This is a part of the Lady Trench Day Nursery and Training Centre, which is to be built on a site in the Morrison Hill area and to be operated by the Social Welfare Department. So far as the training of youth leaders is concerned the building will incorporate a gymnasium and ample space for practical training and formal lectures on all aspects of youth leadership to be conducted by departmental training officers, with the assistance of occasional or part-time instructors.

Planning for the centre has been progressing on several fronts, though I have to admit that the progress is less speedy than I would wish. At the request of the Social Welfare Department, the Children and Youth Division of the Hong Kong Council of Social Service undertook a survey of member agencies to determine the extent of their need for trained youth leaders and sought their advice on the content of the training curriculum, the type of candidate to be accepted for training and other matters which are of importance in planning a youth leadership training programme. Senior officers of my Department met with members of the Children and Youth Division last month to discuss the report of their findings, and this report will, I am sure, be of considerable help in setting up the training programme.

Physical planning of the centre is continuing but I regret that some delay has been occasioned by unexpected technical difficulties and a

substantial revision of the drawings has had to be undertaken. The revised plans will shortly be submitted for approval so that upgrading of the project to category A may be sought in the May review. I am still reasonably optimistic that the centre may be completed next year.

Meantime, I am having an urgent appraisal made of the possibilities of establishing some preliminary courses before the permanent building is available. I have been making enquiries about the possibility of obtaining at an early date and for a period of about eighteen months the services of a person with good experience in the training of youth leaders. If such a person were available I think that the Social Work Training Fund could be used to provide the finance. Present indications from the Ministry of Overseas Development suggest that the prospects of obtaining such a person are quite good. If these various enquiries bear fruit I would hope that we could bring forward at least the nucleus of a training programme and also gain a good deal of valuable experience which could be incorporated into the youth leadership training when the permanent centre becomes available.

My honourable Friend Mr Tse Yu-chuen made a plea for greater attention to the needs of the aged poor especially those who are disabled. His words will no doubt strike a chord of sympathy in many quarters, and I would like to assure him that the difficulties of old people are, like those of the young, present in our minds. There are a number of voluntary agencies which we help to support and which have a particular interest in the needs of the aged poor, and the provisions of our public assistance programme and our casework services are available to them as they are to others. Among the resources at our disposal for this work are the quota for compassionate resettlement and the grant in suitable cases of fixed pitch hawkers licences, some of which go to infirm or disabled people. Apart from this the Department maintains a settlement with facilities for sheltered work for severely disabled people at Kwun Tong, some of whom, though perhaps not very many, are old people. The methods by which we encourage and assist the provision of old people's homes by those who have a special interest in this field of work include free land grants and in some cases partial grants from the Lotteries Fund.

Mr Tse also referred to the need for guidance of youth in the cultivation of moral character. Nobody is likely to dissent from the view that the wellbeing of the community depends to a great extent on the capacity of adults, whether they be parents or teachers, employers or youth leaders, to awaken and foster in the young a true appreciation of the need for sound moral values, and this is certainly one of the underlying factors in any approach to work with the young, whether it is carried out in the school, the playground, the home, or the youth club. I myself think that in any of these milieus the almost unconscious absorption of moral attitudes by the force of example and through the

[MR TODD]

influence of an environment in which it is assumed that one's fellows have inherent rights, inherent worth and inherent dignity is more effective than any amount of exposition and precept. In a much narrower and more negative context, I mentioned last year that in collaboration with other Departments we had under consideration legislation aimed at making boarding house accommodation less easily available for immoral purposes and at prohibiting the sale of liquor to young persons and regulating their employment on licensed premises; these proposals have now been settled and the legislation required is now, I believe, in process of drafting.

Several Members spoke with feeling about the problems of youth in our community. Much of what they said concerned employment, vocational training and education; on these points it would clearly be inappropriate for me to speak. Nor do I propose to say much about the several variations of the theme that a more co-ordinated approach to the problems of youth was called for, by the creation of a new Youth Department or of a Commissioner of Youth or of a new Council of Youth, for I understand that my Friend, the Honourable Colonial Secretary will have something to say on this.

I do agree whole-heartedly with those who have stressed the importance of considering young people's aspirations and needs and I can assure this Council that the Social Welfare Department is at all times willing to bear its share in the development of services which will help the young generation on the road to adult responsibility and is, in collaboration with voluntary agencies, seeking to provide for those of their needs that are properly within our competence. What I find more debatable is the assumption commonly made that the Social Welfare Department has the chief responsibility for dealing with all the problems of the younger generation. If I may venture a personal opinion, I would say that if some new organization is set up to interpret a wide variety of public policies from the viewpoint of the young, then it will have to consider how best to maintain some machinery for keeping regularly in contact with young opinion, as well as adult opinion, not solely to interpret youth's views on society but also to attempt to interpret society's expectations and needs to youth. I understand that the Children & Youth Division of the Hong Kong Council of Social Service is at present in process of trying to set up a Council of young people representative of the membership of its various youth work agencies. This is an experiment which I welcome and which should certainly be watched with interest.

In the meantime there is much that we can do with existing approaches, and there is scope for many more people to associate themselves with work among the young on a voluntary basis. Many of the

volunteers associated with our programmes are drawn from the ranks of the students and teachers in training and, while we welcome very much their participation in these ways, I would like to see the field of volunteers considerably extended. There is scope for some of our younger community leaders and members of service organizations to make a personal contribution by volunteering to help for a few days this summer with work camps, youth camps, overnight expeditions, picnics and other programmes. It is not only the Social Welfare Department that can use additional helpers; I am sure that any of the youth agencies in the Youth and Children's Division of the Hong Kong Council of Social Service would be glad to have volunteers as leaders and instructors for the boys and girls taking part in their programmes this summer. I intend, as a start, to ask the head of every Government department if he can find me at least one volunteer to swell the ranks of those who are willing to work with youngsters and I am confident that I shall not ask in vain.

One of the things that I think concerns many people is the overwhelming extent to which youth work programmes are patronized by school students. One would like to see much more involvement with the young worker, but it is often difficult to establish contact with them. I am anxious that we should reach more of these young workers, and that we should provide them with an opportunity both to meet, and to be met by, others in our community of their own age who are still pursuing their studies. What a splendid thing it will be if some of our more progressive employers will provide some of their young employees this year, perhaps as an incentive or as a reward for especially good and regular work, with a paid holiday to enable them to take part in and to benefit from some of the recreation programmes that are being organized during the summer holidays.

Sir, with these words I have pleasure in supporting the motion before Council.

HIS EXCELLENCY THE GOVERNOR: —I think perhaps honourable Members might care for a break at this point. I will therefore suspend the sitting of Council to five minutes to four o'clock.

* * *

HIS EXCELLENCY THE GOVERNOR: —Council will resume.

MR R. M. HETHERINGTON: —Sir, both my honourable Colleagues, Mrs LI and Mr TSE, referred to the problems of assisting youth in finding employment. Both seemed to be unaware of the existence of the Local Employment Service which has been operating in its present form since September 1966. I spoke about this in the Budget Debate

[MR HETHERINGTON]

last year but my remarks appear to have gone un-noticed.* This service now has four offices, on the island, in Kowloon, at Kwun Tong, and in Tsuen Wan. Each registers applicants for employment and records their occupational qualifications and experience and their preferences for future employment. Each attempts to obtain from employers precise information on vacancies and of the requirements to be met by applicants. Each refers to available employment applicants with suitable skills and appropriate qualifications. The facilities of the service are open to the public free of charge and are offered on a completely voluntary basis. A worker is under no obligation to take any employment offered. An employer is under no obligation to engage a worker introduced for a vacancy. The service of course does not create jobs but simply makes it easier, by offering a central facility, for job seekers to find employment and for employers to be brought into touch with potential workers. Moreover, it can ensure that the right people are in the right jobs.

Officers of the Labour Department feed back to the Local Employment Service any information obtained on employment prospects exactly as Mr TSE advises me should be done. Each quarter, managements of industrial undertakings are requested to provide me with statistics of vacancies in their firms. Enquiries are instituted about recruiting for these vacancies in order to ascertain if the Local Employment Service can help managements. At the end of 1967, 4,064 vacancies were reported and my officers have tried to assist managements in filling them.

It is quite clear that, at present, managements, with a few notable exceptions, including Government departments, either are unaware of the help which the Local Employment Service can give or prefer to recruit through their own machinery. The number of workers at present on the books of all four offices is about 4,600. Of these about 1,500 are below the age of 21 years. No distinction is made between those seeking employment for the first time and those wishing to change their present employment. It is probable that the number of applicants would be greater if the service could achieve greater success in placing them. During the first eleven months of the present financial year 1,026 workers were placed in employment with a best monthly performance of 129 placements in December last. It is nevertheless disappointing that the department's determined efforts to encourage the use of this free and useful service have not met with more support. I suggest that Mrs LI and Mr TSE might more profitably direct their remarks to employers rather than to me. I can not create jobs but the Local Employment Service does have a comprehensive record of the experience, skill, and preferences of a substantial number of job-seekers. I would like to receive more enquiries from employers about the qualifications and

* 1967 Hansard, pages 220-1.

experience of applicants on our books and the placement of definite requests for workers when they seek additional employees, especially young people.

In the particular field of jobs for young people who will be coming on to the labour market in the next few years, a new section of the Labour Department was recently established. This is known as the Youth Employment Advisory Service. The two senior officers of this new service have both been to the United Kingdom to study how the Youth Employment Service operates there. One of them returned as recently as early this year. This service will not be as extensive as that in the United Kingdom. Initially, it will undertake the preparation of a handbook on careers. The handbook, which will emphasize opportunities for careers in industry, will supplement and not duplicate the series of pamphlets, primarily concerned with careers in non-industrial sectors, issued by the Hong Kong Association of Careers Masters. I need not stress that the new service will liaise closely with this association. Subsequently or towards the end of the stage of preparing the handbook, the Youth Employment Advisory Service will introduce a system of group guidance by sponsoring talks on careers to secondary-school students. The major activities of this service will be essentially advisory and will not extend to the actual placement of young persons in jobs although there will be a dove-tailing of this service with the activities of the Local Employment Service. In reply to an enquiry by my honourable Colleague, Mr FUNG, the additional expenditure on the Youth Employment Advisory Service in 1968-69 is of the order of \$110,000.

I believe that these two services can provide important facilities for our young people but they will not be effective unless there is practical support from the community. They will not in themselves generate any more new employment opportunities for young people however much we encourage them to seek out satisfying and useful careers on the basis of their talents and interests. Employers alone hold the keys which will unlock the doors of the future to our youth.

I agree with Mrs LI that many features of the traditional system of apprenticeship are bad if it no longer provides for organized and proper training. I also agree that institutional vocational training can play a useful part in producing young persons properly trained in limited fields. But to meet the very large demand for skilled craftsmen in all the various trades, the more practical and less expensive system is the development of organized apprenticeship training schemes providing practical and theoretical training. It is here that industry and Government can effectively work together. A start has already been made in general planning and in the inauguration of pilot schemes under the aegis of the Industrial Training Advisory Committee. As I mentioned last month I have proposals for introducing new legislation

[MR HETHERINGTON]

to deal with important aspects of craft apprenticeship including the contents of apprenticeship contracts, the protection of apprentices, and the approval of apprenticeship training schemes. A new post of Senior Training Officer (Apprenticeship) has been provided in my departmental establishment for 1968-69.

With the notable exception of several leading firms and Government departments which operate modern apprenticeship schemes, there is little evidence that the vast majority of firms in Hong Kong has shown much initiative in the organized training of skilled workers. Industrial manpower surveys carried out up to the present by the industrial committees associated with the Industrial Training Advisory Committee confirm this situation. In highly-developed territories industrialists, both individually and by industries, accept the commitment of expenditure on training as an unavoidable but necessary item in their costs of production. Government institutions are established to play a contributory role in training but it is unusual for the whole burden to be shouldered by Government without industry sharing some of the costs. Once again, Mrs Li does not appear to have listened to the remarks which I made in my speech in the budget debate on the subject of Government assistance for co-operative training schemes last year. I announced then that Government has offered to assist in the field of operative training by granting land free of premium for the establishment of non-profit-making group-training schemes organized by employers or by granting loans from the Development Loan Fund for the purchase of flatted-factory space. Only one application for a grant of land free of premium for this purpose had been made when I spoke.* This was subsequently approved. No other applications have been received.

The difficulties which I mentioned last year in obtaining advisers from the International Labour Organization were eventually overcome, f In the summer, two advisers arrived. One who was available for three months has already reported on manpower problems and his report is being studied. The other advising on vocational training, who is here for twelve months, is working closely with the Industrial Training Advisory Committee and its associated committees. I am seeking to retain his services for a further twelve months. Manpower surveys have already been carried out in the electronics, textile, plastics, and automobile repairs and servicing industries. Further surveys in the machine shop and metal working, shipbuilding and ship repairs, building, and electrical apparatus and appliances industries are planned during the present year. From these surveys which are throwing up most useful factual information it is hoped that the Industrial Training

* 1967 Hansard, page 222.

† 1967 Hansard, page 223.

Advisory Committee will be able to recommend sound training projects of various types to meet the requirements of each and all of these industries. In addition, the Industrial Training Advisory Committee set up last year a committee on vocational training to co-ordinate vocational training at present carried out by voluntary agencies and some Government departments. The committee has already reported on existing courses of this nature and has now turned its attention to rehabilitation training where this involves some elements of vocational or industrial training and to correctional institutions where vocational training is given.

I am puzzled by the appeal by my honourable Colleague, Mr RUTTONJEE, that heads of department should not be inhibited from consulting unofficial members about policies to which legislation gives effect. I can only infer that he is not aware that, as far as the Labour Department is concerned, I have been meeting a group of them on labour matters since June of last year. We have already held eight meetings since then. As far as I am concerned, I welcome the opportunity which consultation with this group offers in respect of the activities of the Labour Department and I hope that the arrangement will continue. Mr RUTTONJEE is knocking on a door which has been open for nine months.

Several Members referred to the statement of intent which I made in this Council last month concerning the legislative programme of the Labour Department and of the Mines Department. Mr RUTTONJEE spoke disparagingly of a "rag-bag of yet-to-be fulfilled promised action". I hope that he did not mean what he said because none of the items are useless and most of them are anything but trivial. I repeat my assurance that the progress of the legislative programme is an important and continuing matter of concern to me personally. My honourable Colleague, Mr KAN, is trapped by the imagery of his own metaphor. There is no single problem. There are many complex, inter-related, and important problems. They must be tackled separately bearing in mind that the solution of one major problem may have significant effects on other problems. I agree with my honourable Colleague, Mr TANG, that, in drafting labour legislation, we must ensure that the provisions are fully compatible with local conditions. I also agree with him that legislation is meaningless if it is not enforceable. This problem is kept under consideration by periodical reviews of the manning scales of the factory and labour inspectorates and of other grades in the department in the light of the expansion of existing commitments and of additional responsibilities arising from new services. In terms of staff the increase in the strength of the department in the coming months will be greater than ever before. But these new recruits must be trained and gain experience. There are no short-cuts to building up a competent body of trained and experienced officers. The department is handicapped at present by a lack of staff of medium seniority because, in the past

[MR HETHERINGTON]

years of the locust, there was much less interest paid to the activities of the Labour Department than in recent months. During this period, I have re-organized some sections of the department into four services, the Local Employment Service and the Youth Employment Advisory Service, to which I have already referred, the Overseas Employment Service, and the Labour Relations Service. The establishment of these services has not required any legislative backing. I have deliberately emphasized the concept of service in these titles because I believe that many of the functions of the department should be designed as services to the community and I intend that they should be operated on such a basis. The newest service, the Labour Relations Service, was inaugurated just over two weeks ago when new offices were opened in Kowloon for the greater convenience of workers and managements. The majority of disputes dealt with by the department is still amenable to solution by voluntary conciliation and I hope that the newly-instituted Labour Relations Service will continue to be just as effective, if not more, as the previous organization for dealing with such matters. I have mentioned in this Council last month that studies are in train to examine what additional machinery may be necessary to supplement the work of the Labour Relations Service in the settlement of disputes not amenable to voluntary conciliation.

My honourable Colleague, Mr Dickson LEACH, expanded on the reference in his speech last month to the employment of women at night in industrial undertakings. He referred to conventions of the International Labour Organization and their application to Hong Kong. The situation is complicated and some of his facts were, understandably, incorrect. A number of conventions is involved and my honourable Colleague attaches too much significance to the denunciation by the United Kingdom of two earlier conventions on this subject. The employment of women on night work is not a general practice in the United Kingdom. It is only permitted under the permanent legislation in exceptional circumstances which, few as they are, have necessitated the denunciations. As far as Hong Kong is concerned, it would be more accurate to say that the key convention is No. 83 of 1947 concerning the application of labour standards to non-metropolitan territories. This was ratified by the United Kingdom in 1950 but is not yet in force due to insufficient ratifications. This convention schedules the provisions of 13 different conventions which should be applied to non-metropolitan territories including one relating to the employment of women at night. For this one, the decision as to application was reserved by the United Kingdom for all dependent territories. Even though it has not yet come into force the ratification of this convention by the United Kingdom must be seen as further evidence that Her Majesty's Government accepts the general principle of prohibition of employment of women at night as an aim of policy for non-metropolitan

territories. I do not therefore share the view that legislation preventing the employment of women at night is out of date. On the contrary, the indications are that some countries find difficulty in keeping pace with increasing restrictions which have been internationally accepted as standards to be aimed at. As I assured both Mr Dickson LEACH and Dr CHUNG in this Council last month I am examining this subject further.

Sir, I support the motion before Council.

MR W. D. GREGG:—Your Excellency, in his opening address in this Debate my honourable Friend the Financial Secretary drew attention to the way in which the rise in recurrent costs reflect the rapid growth of Government activity in many fields. Sometimes he said, the developments are spectacular, but more often the growth in activities designed to meet public needs is gradual and almost unnoticed, largely I suspect because the element of novelty is absent. The Financial Secretary quoted the Public Works Recurrent Estimates as an example, because they reflect the needs of many growing services. May I point to another example in the Estimates for Education. When I first came to Hong Kong less than five years ago our total educational expenditure was \$181 million for the financial year.

At the present time honourable Members are considering education votes totalling \$363½ million practically a million dollars a day, as you will see from Appendix C of the printed draft Estimates. This very steep rise in expenditure reflects the fulfilment of plans that were approved some years ago, after account had been taken of the long term financial effects on the Colony, both in revenue as well as in expenditure. The results of this expenditure are often, as the Financial Secretary pointed out, unrecognized, because the development is phased over a number of years and there is a tendency perhaps to forget both what was planned and how much it is costing both now and in the future. At the beginning of this period for example we were operating a sort of 50/50 arrangement with regard to primary education. Private schools were responsible for nearly half the education at this level, charging fees which in many cases were beyond the capacity of a large section of the community. Now Government is responsible for over 70% of primary education in schools where fees are relatively low and where fee remissions are readily obtainable in cases of need. This percentage is expected to rise to 80 within the next two or three years and it is expected to cater for all of those who seek admission to these schools. In face of this I must say that I was a little surprised to hear the Honourable Mrs Ellen LI advocating a policy under which (I quote) “Government must provide enough places for all children at the lowest possible fee, if not entirely free, at this juncture”. This is Sir, precisely what we are doing, with one qualification. Where we are satisfied that parents prefer a private school education at their own expense for one reason or another, we have no intention of discouraging them, nor do

[MR GREGG]

we propose to duplicate these places in the public sector. The progress that we have made may well be taken for granted here in Hong Kong but it never ceases to astonish the many visitors who enquire into our educational situation. I am sometimes asked why we can't go faster, why is it necessary to wait until 1970 or 1971 before we hope to achieve our planned target. One of the most important factors is that since our policy is quite rightly to provide schools near to where people live much of our primary education development is tied to housing development. In development schemes sponsored by Government the apartment blocks and the primary schools associated with them are built simultaneously and both are ready when the tenants move in. It would moreover be extremely wasteful to provide new schools now in areas which are likely to be run down as residential areas.

The growth in expenditure is not, of course, entirely attributable to primary education. In secondary education for example the number of pupils in day and night schools has risen from 122,000 to 235,000. Although the bulk of this increase is in the private sector, the public sector too has more than doubled during this period. There is another aspect of this that I would just like to mention—the growing maturity of these secondary schools. At the beginning of the period only 6,300 candidates sat for the English School Certificate. In 1968 over 30,000 have entered plus 8,000 for the Chinese School Certificate.

Mention has already been made of the expenditure on Higher Education, which now ranks sixth highest in the Heads of Account. One of the reasons why I have touched upon this financial aspect of education—not perhaps inappropriate in a Budget Debate—is to underline how cautious Government has to be in allowing new schemes to go forward which may involve a similar sort of built-in growth rate to the one I have described. An even greater caution is needed if the schemes are outside the scope of the plans which are being currently implemented. The members of the Finance Committee of this Council will no doubt recall the prolonged and detailed scrutiny to which my proposals for an educational television service were subjected. Even in a scheme like this, where I am confident that we shall get ample return on our investment in terms of quality, interest and enrichment of our educational system, it is proper that Government should not only study the details of the proposals themselves but should also be satisfied at this point of time that the priorities are right. This question of priorities is perhaps the major consideration for all new proposals in addition to the problem of the inescapable built-in growth to which I have already referred. This is the main difficulty with a proposal like free primary education, to which several honourable Members have referred. It has been alleged that I am opposed to free primary education. This is not so, quite apart from the fact that it has long been Government's declared policy,

which was re-affirmed in 1965 as a long-term rather than a short-term aim. It is all a question of priorities. If Government totally abolished all fees now there is no doubt that at the present time other educational schemes which are either under consideration, or very soon will be, would have to be postponed, perhaps indefinitely. I am bound to say that some of these, particularly those concerned with technical and vocational training, I would accord a much higher priority. I am influenced in this view by the fact that the present systems of fee remission is intended to alleviate if not entirely eliminate hardship. I appreciate Mrs Li's point that the Chinese do not like asking for charity, this is very understandable but there are over 60,000 pupils who already benefit from the scheme, in spite of this prejudice. The need for assistance has been recognized and funds provided by Government for this purpose, but the need cannot be identified properly unless individuals bring it to our notice by applying. Nevertheless consideration is being given to the abolition or perhaps the reduction of fees *en bloc* in certain schools where such relief is most likely to be most welcome. It is considered that it would be more meaningful and in line with our present policy, if relief were given in the first instance where the need appears to be greatest. This consideration is also likely to govern possible assistance with textbooks, which can be a source of some hardship in necessitous cases. No decision has yet been taken in these matters, but it seems probable that this kind of limited scheme is more likely to commend itself to Government, than for example Dr CHUNG'S suggestions in which relief is given quite indiscriminately to rich and poor alike, if the pupil happens to be in the right class at the right time. Other suggestions which I feel come into the same category are those for a School of Physical Education, a School of Music and a School of Art—highly desirable in themselves, but in the language of development programmes, not yet ready to be upgraded into Category A. These specialties are not, however, being entirely neglected and we are planning "third year" specialized training in our Colleges of Education in all three subjects. I would also draw attention to the Department of Industrial and Commercial Design in the Technical College and also to the fact that the Chinese University offers Fine Arts and Music in its degree programmes, and also extra-murally.

I will turn now to the question of vocational and technical education and training. This is, of course, a very wide subject. I take Dr CHUNG'S point regarding the inadequacy of our provision for technician training, though I hope he was referring to the quantity rather than the quality of the work of the Technical College. I certainly hope that this will be greatly improved with the establishment of the Technical Institute. The site work for this has been practically completed and all being well it should be ready for occupation by about September or October next year. Three new secondary technical schools are also in the building programme. The one for Kwun Tong is in Category A and working

[MR GREGG]

drawings to a new standard design are being prepared. When these are completed I hope it will be possible for the second one in North Kowloon also to be upgraded into Category A. The third one is planned for Kwai Chung.

Several honourable Members have raised the question of vocational training. One aspect of this concerns trade training. By this I refer to the skills which young operatives and artisans need to acquire in a wide variety of industrial undertakings. In accordance with a policy decision reached some years ago this subject which is also of interest to the Department of Commerce and Industry is one which falls more within the province of the Commissioner of Labour than the Education Department and my honourable Friend has already referred to this aspect of the matter.

My department is, however, concerned with those pupils who complete their primary courses between the ages of 12 and 13 or thereabouts, who cannot for various reasons go on to normal secondary schools whether grammar or technical. A fair number of this group may be expected to seek employment in industry, but their chances of obtaining such employment until they reach the age of 16 or so seems fairly remote. I fully share the concern which has been expressed regarding this sector of the community and I realize that a number of voluntary agencies who wish to participate in work at this level are anxiously awaiting a statement from Government indicating what policy is advocated and what measure of Government assistance they may expect towards their efforts in this field. I have already expressed the view that any scheme which does not adequately cover this approximately three year gap is unlikely to prove satisfactory or successful. I have therefore advocated institutions offering three year courses which contain a large element of basic vocational training particularly in the final year, but which also continue the general education of the students in a meaningful way. This latter point is essential in my view because of the young age of the pupils and the limited educational standards which they will have received to date. A good deal of thought has been given both to the type of buildings needed and the kind of staff required, but it has been difficult to escape the conclusion that these suggested Junior Technical Schools, which is really what they are, will cost at least as much per student to run as an ordinary secondary school; and if they are to attract the kind of student for whom they are really intended the fees cannot be set very high. Of course the proposed courses are shorter, but the number of pupils seeking admission might be very high indeed, thus committing Government to a very substantial amount of additional expenditure which will continue long into the future. This is really the crux of the matter and it must be considered

in the light of the built-in growth factor in Government spending to which I referred earlier on. However the question is due very shortly to be referred to Councils for their advice and I sincerely hope that a decision, as favourable as possible in all the circumstances, will be made on this matter before very long.

The Honourable Mr TSE Yu-chuen has advocated as follows: “The educational authorities should thoroughly revise and improve school curricular (towards the) elimination of non-essentials and the adoption of the most practicable.” I would certainly support this view and would like to assure honourable Members that school programmes are constantly being reviewed. I very much hope too that the reforms in our School Certificate examinations, to which Your Excellency referred, will encourage schools to diversify their programmes and make them more suited to the tastes and aptitudes of individual pupils. “Curriculum-renewal”, if the recent Commonwealth Education Conference is any guide, appears to be the watch-phrase of the year. A distinguished visitor at that Conference had this to say: “Modern prophets tell us that, in some subjects, knowledge is doubling every ten years. Whether this is literally true or not I do not know,—it is certainly not true of wisdom—but there is some justification for the view, now commonly expressed that new ways of teaching, learning and understanding must be found if the new generation is not to be intellectually smothered beneath the mountain of facts we are piling up.” I am, however, not too happy about Mr TSE’s next sentence which describes the reason for his suggestion. I quote: “The object is to enable youth to acquire knowledge and technical skills for their maximum benefit.” Now if my honourable Friend means that a balanced school education requires due attention to be paid to practical subjects, I would certainly agree but I hope, indeed I feel sure, that he is not suggesting that it is the job of ordinary schools to turn out ready-made skilled factory workers and that we should so adjust the curriculum as to make it virtually impossible for them to do anything else.

During the past year, Sir, there have been many fruitful discussions among the staffs of secondary schools and also between the heads of these schools on the important subject of citizenship training. I am referring to citizenship in the abstract sense of developing a greater awareness of one’s responsibilities as a member of the community. I think these discussions have been fruitful and certainly much greater emphasis is now being placed on activities which are designed to foster this spirit than perhaps was the case hitherto, and less emphasis is being placed on purely factual information about civic affairs. In this connection I am most grateful to all those commercial and industrial undertakings—a very large number—which have invited parties of pupils to visit their establishments and so to learn more and more at first hand of the complex life of our city.

[MR GREGG]

Finally, Sir, I come to the topic which has been referred to as the Youth Problem. I must confess that I find some difficulty in commenting on some of the proposals or suggestions which honourable Members have made in this debate, because I have not found it easy to identify clearly the particular problem they are seeking to solve. Let me hasten to add that this does not mean that I do not believe that any problems exist. Far from it. But, Sir, I do feel that there is too often a tendency to discuss the problem of youth, as if it were some kind of disease, like measles or chickenpox requiring a single sovereign remedy or course of treatment which somebody ought to apply. I myself have not been able to identify this particular ailment, except to say that a certain number of years separates young people from those of us who are sitting in this chamber. But I can recognize a whole range of different and often unrelated problems. A young person may have a problem of frustration because facilities for organized sports and games are inadequate, or because the particular kind of recreational activities he wants are not available, or again because he can't get the kind of education he wants, or because he can't obtain the sort of technical training he seeks, or simply because he can't secure the kind of job that he has set his heart on. I could multiply these examples many times; and they are real difficulties and situations which we as a community must always seek to improve. It may well be that there are gaps in the present machinery in both Government and non-Government agencies which must be filled, before some of these problems can be alleviated. The point I am trying to make is that these problems are separate and distinct. Some may be related in the sense that the solution of one, may go a long way towards solving others, but I feel that there is a serious danger if we try and lump them all together under the general title of "*The problem of Youth*" and imagine that some super-organization can be devised which will be able to cope with this problem with its many very distinct facets. My plea therefore is that we should avoid oversimplification, but try to and identify clearly the various problems as a first step towards applying such remedies as may be possible and practicable.

One final word, on a somewhat lighter note. Last week, Sir, I visited one of our secondary schools for girls to attend one of the sessions of a Citizenship Training Programme which has extended over much of this term. On this occasion a very lively discussion was being conducted amongst a group of students in front of the rest of the school by the Honourable Mrs Ellen Li I found the experience most refreshing and I am certain she did. The verdict of youth on that occasion seemed to be that the chief problem with which they had to contend at the present time was the Problem of Parents!

Sir, I support the motion.

DR P. H. TENG:—Your Excellency, although my honourable Unofficial Colleagues made no specific reference to my department, they all echoed public interest in the development of social services in general in which the medical services play no small part, and I therefore beg leave to offer some points relating to the work of the Medical and Health Department which might be of public interest.

In the draft estimates before this honourable Council, the Medical and Health Department is shown to have a total establishment of just over 10,000 persons consisting of professional, technical and other grades. During the past year no less than 7.3 million out-patients were seen in the department's clinics and health centres and 111,000 in-patients were treated in the Government hospitals. It is generally known that not all of our institutions, numbering well over one hundred and varying widely in size and complexity, have been adequately staffed but we have endeavoured to keep the services going even during the difficult times we all went through last year. It is a source of great satisfaction to know that there is nowadays in Hong Kong an increasing tendency for the public to seek treatment in Government institutions, but it is also reassuring to observe that whenever the standard of service provided falls short of expectations, the aggrieved party will not hesitate to lodge a complaint. This is indeed a healthy sign. As a public servant, I welcome complaints which are brought to my personal attention. The essence of administration is to keep a constant look at existing needs, to improve the quality of existing services, and to make adequate provisions for the future within the limits of available resources. Therefore, I am always glad to be told of our shortcomings because it is only with the knowledge of our weaknesses that improvements and progress can be achieved. Whilst on the subject of complaints, I would emphasize that everything has been, is, and will be done to impress on all my Colleagues the importance of maintaining a polite and courteous attitude towards members of the public. Likewise, everything is being done to prevent corrupt practices. However, with an establishment of 10,000 persons it is impossible to prevent beforehand a stupid Government employee from being rude or negligent, or a corrupt officer from being dishonest, but it is possible and indeed my duty to take stern measures to deal with such cases by disciplinary or police action when they are brought to light and substantiated. My Colleagues and I are anxious to serve the public but the public must help us by bringing to our personal attention their grievances so that we can serve them better. On the other hand, I will not entertain anonymous, unfounded and vague complaints. Unfair criticisms will breed dis-satisfaction amongst the ranks in the public service, and I am sure that every one will agree with me that this is not in the public interest.

Your Excellency briefly mentioned the hospitals and clinics expansion programme.* Sir, may I add some additional information on

* 1968 Hansard, page 49.

[DR TENG]

the medical development programme. At the end of 1963, there were 11,716 hospital beds, excluding isolation accommodation for leprosy patients, that is 3.34 beds for every thousand people in the population. I must emphasize that at that time the Queen Elizabeth and Kwong Wah Hospitals had been completed and that their beds are included in the figure which I have mentioned. At the end of 1967 there were 14,255 hospital beds—giving 3.72 beds per thousand people, that is an increase of over 2,500 beds, well over 600 beds per year. At present a further 2,900 beds are in actual course of construction either by Government or by Government assisted organizations. These figures combined represent an increase of some 50% of the total number of functional beds in all hospitals in Hong Kong (Government, Government-assisted and private) just over 4 years ago. Our general clinic provision programme, at the rate of one per 100,000 people in the urban areas, and, using a smaller clinic, at the rate of one per 50,000 in the rural areas, is progressing satisfactorily. In February, we opened a new clinic at Castle Peak. Another, at Chai Wan, is under construction, and others are planned for Kwai Chung North, Kwai Chung South and Kowloon East, the last two as the first parts of phased development schemes which eventually will provide not only general clinics but also chest clinics and other specialist facilities in these areas. But buildings without the necessary trained staff are, of course, useless and it is here that we are experiencing difficulties. Renovation of facilities for the training of nurses at Queen Mary Hospital has been completed, while the training of auxiliary nursing personnel to undertake the basic and routine nursing duties involved in patient care, and thus to free the more highly trained nursing staff for technical and specialized nursing tasks, is proceeding according to plan. The training of other professionals concerned in maintaining, and in improving and extending, medical and health services is also progressing well.

Your Excellency made special mention of the effectiveness of the measures taken to control infectious diseases* and so I do not propose to elaborate on this aspect of my Department's work. However, there is one campaign which I feel deserve a review at this time, namely the inoculation drive against measles. During recent years measles has emerged as a major cause of death in young children, not due to the disease itself but attributable to the complications. We studied carefully the development of vaccines against this disease and in 1966 undertook a trial to assess their value in the context of Hong Kong. Results were satisfactory and at the end of last year we embarked on one of the first inoculation campaigns to be organized by any national health organization. In view of the nature of our campaign and of the fact that, due to the use of attenuated vaccine, complications can occur in certain cases, we have based the first phase upon Maternal and

* 1968 Hansard, page 44.

Child Health clinics so that individual, rather than mass, publicity and explanation could be used and that expert advice and reassurance can be given to all parents. Results have been reasonably satisfactory, although the response has not been as high and good as anticipated. However, we have gained valuable experience not only in the use of the vaccine on a large scale but also of some of the public reactions to them; this experience has been the basis for the planning now in hand for a mass campaign later in the year in an attempt to combat the epidemic of measles which is expected to occur during the coming winter.

Sir, I shall now deal with the question of shortage of doctors. It has been said that to provide such a service as described, a large staff of medical personnel is required. Of the total establishment of over 600 doctors, there are at present 97 vacancies. Between 1st April 1967 and 21st March, 1968, 83 doctors have resigned. The main source of recruitment is from the pool of the new medical graduates of the University of Hong Kong. In the five years 1963-1967, the University produced 345 doctors; of this number however, only 183 joined Government service, and of these, 105 are still with us. Of those officers who resigned, the average length of stay has been reduced from 2 years and 9 months in 1963, to only 6½ months in 1967. Every effort has been made to maintain sufficient staff in all institutions so that in no instance has there been curtailment of services. This has only been made possible by withholding leave and stretching the staff to their utmost, and I would like to express my gratitude for their unselfishness. As an additional inducement, during the year, the doctors have been given the opportunity to take sessions in the evening clinics. For those who participate, they get on the average 2-3 sessions a month, which they attend after their day's work and they get extra pay for each session. This way, it has been possible to withdraw some doctors who were engaged solely in these evening clinics and put them back on the daytime schedule; also it enables others to earn a little bit more. Another measure which has just recently been introduced is to offer local doctors a 3-year contract on the completion of which they will get a gratuity. This is designed to attract those who do not intend to make a career in the service and yet will be willing to stay for a few years. As serving officers are not eligible to change to such terms, these contracts are aimed at attracting doctors outside the service as yet another form of employment and as an alternative to private practice. Furthermore, another means of filling vacancies is the offer made recently to those persons who satisfied a panel of specialists in 1964 and were then permitted to practice in charity clinics exempted from registration under the Medical Clinics Ordinance. Over 180 have applied, and they are now in the process of being interviewed.

It is often said, Sir, and generally conceded, that Government service for a doctor can never be as remunerative as private practice, but I will say that conditions of service not only for doctors but also for

[DR TENG]

other para-medical staff are under constant review and no effort is spared by the Department to make appointments more attractive. In addition, there is a training programme which enables suitable officers to receive post-graduate instruction at Government expense, leading to specialist qualifications. When they are ready, they are sent abroad for further experience and to take their examinations. When they return, they are obliged to serve Government for only 3 years. As a result of this scheme, there are now local officers who are specialists in every field in the Department. Thus, because of such opportunities, there is indeed a further inducement for the young doctor, who is able and willing, to acquire a specialist qualification.

Sir, in 1968-69, the Medical and Health Department has to spend \$190 million, or about 10% of the total Budget, on a medical service which is nearly free for the needy section of the people of Hong Kong, a fact, surprisingly, not as generally known as expected. Anyone who wishes to see a doctor in a Government clinic has only to pay \$1, which includes medicine and any kind of investigation or form of treatment. If the patient cannot afford \$1, then the charge is reduced or entirely waived after he is interviewed by a medical social worker. Should the patient require admission into hospital, the daily charge is \$2, including everything, meals, medicine, surgery, X-ray, physiotherapy, the lot, whereas the cost of dry ration alone for a third class patient is \$2.08 per day. Again this charge can be reduced or waived. Besides, help is given to dependants if the bread winner is incapacitated, and any patient who needs it when he is discharged, with the emphasis on resettlement and rehabilitation. Government provides free ante-natal and post-natal care to expectant and nursing mothers in the Maternal and Child Health Centres, and there are many maternity beds for which the daily charge is \$2 in hospitals but is free in the maternity wards of Health Centres. Children are taken care of immediately after birth in these Centres, to which they go for periodic examinations and for the entire immunization programme, all provided free. Certain other conditions such as infectious diseases, tuberculosis, leprosy and social hygiene are treated free as a public health measure.

Another aspect of expenditure is subvention for medical facilities provided by non-Government organizations. In this year's estimates, \$54.6 million are earmarked for a number of institutions, including all hospitals in the Colony which are run on a non-profit-making basis and which provide free beds. As years go by, the amount involved in this item has been steadily increased. In 1953-54, the vote amounted to only \$5½ million, in 1963-64 \$27.7 million and for the current financial year ending 31st March \$46.3 million. The biggest portion goes to the Tung Wah Group of Hospitals, which received \$2.5 million in 1948-49, \$7.4 million in 1958-59, and \$29.3 million for the coming financial year,

just about half of the total. Time does not permit me to give a complete list of other voluntary organizations which receive Government subventions but I would like to take this opportunity to express Government's appreciation and gratitude to all those who are concerned with these organizations for giving such valuable help in providing low-cost or free medical care and various kinds of services to the people of Hong Kong.

Sir, all of us have experienced a difficult time this past year and I feel very proud and grateful to say that our staff have stood the test magnificently. At no time, in spite of the disturbances, token strikes and transport shortage, did any of our institutions suffer because of lack of staff. However difficult conditions might have been, they turned up for work often disregarding great inconvenience, sometimes at considerable risk and not infrequently in defiance of threat and intimidation. Of the total of over 10,000 staff of all grades, only 32 were considered unworthy of receiving the honourable Colonial Secretary's letter of appreciation, and among 4,600 minor staff who were eligible for the special allowance of \$50 only 61 were adjudged as undeserving. I may also mention that we have had only 2 cases of Court charges for offences in connexion with the disturbances, but against these, I can enumerate many examples of great devotion to duty and exemplary conduct. Of course the Medical and Health Department is not the only Department in Government to have been so fortunate. I must therefore pay a special tribute to all my colleagues for their devotion to duty. It will also be appropriate for me, Sir, to mention the support given by the Medical, Nursing, Dental, Pharmaceutical and other allied professions in Hong Kong to Government in the difficult days of last summer. The Department has always had the closest co-operation from the professional associations and the civic-minded citizens who serve on the statutory Boards and other Committees and I am deeply grateful to all of them for their support and help.

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

MR A. M. J. WRIGHT:—Your Excellency, while listening to some of the speeches made by honourable Members I wondered if there was not some confusion as to the meaning of the Public Works Non-Recurrent Estimates; particularly the extent to which the 400 or more projects listed and for which very large capital expenditure has been approved, constitute a programme of development to which Government is committed for many years ahead.

The implementation of the Public Works programme is a continuous operation; the ending of one financial year on March the 31st and the start of another on April 1st has no special significance to the contractors, engineers and architects carrying out the 400 or so contracts which are

[MR WRIGHT]

in hand at any one time. A new contract worth \$50 million or more is as likely to be signed in the last week of one financial year as it is in the first week of the next.

The extent of the programme is therefore not truly reflected in the \$365 million which we expect to spend next year and which this Council is being asked to vote in the Public Works Non-Recurrent Estimates. It is reflected rather in the \$4,000 million worth of work for which funds have been approved and which are included in the four Public Works heads of the Estimates, and to which Government is already committed in one way or another. Of this sum, over \$2,000 million has already been spent and the remaining \$2,000 million will be spent in the next 4 or 5 years. This, of course, would not be the end of the programme, for last year the Public Works Sub-Committee of Finance Committee injected some 100 new projects into the Programme, bringing up to well over 200 in number, and something over \$2,000 million in cost, the Category B items for which design work is in hand.

These Category B items constitute our future design programme; it covers a wide range of projects and includes investigation into new reservoirs in the Sai Kung Peninsula, the extension to Kai Tak Airport — of which the runway extension forms only a part—new housing schemes to meet the Housing Board's latest recommendations, many of the complex North East Corridor road proposals, and the new motorway between Castle Peak and Tsuen Wan, to name but a few.

During the last 5 years expenditure on capital works has totalled over \$2,400 million, at an average of just under \$500 million a year; I have no doubt that the next 5 years will see this figure maintained or even increased. The programme is implemented as fast as our resources and staff allow. We call on consulting engineers and private architects when a project is of such a specialist nature or when our own staff is insufficient to meet the demands being made upon it. The rate of expenditure can be affected by many factors; an increase or decrease in the cost of construction for instance; the speed with which we acquire or clear land and complete site formation; the availability of materials — particularly the delivery of plant and equipment from abroad; the bringing into the programme of very costly new projects such as new reservoirs, the extension of Kai Tak Airport or the development of Castle Peak and Sha Tin New Towns. Last year two new factors of major importance affected our rate of expenditure—an overall drop in building costs and the communist confrontation.

Honourable Members will be interested to know that on Resettlement and Government Low Cost Housing contracts, on which we have

been spending an average rate of \$119 million per year for the last five years, prices have dropped by some 25% since 1965. A resettlement flat for 6 persons, excluding land and site formation but complete with its own w.c., running water and private balcony on a formed site, which would have cost \$4,200 in 1965 is costing only \$3,000 today. For Government Low Cost Housing comparable figures are \$5,100 in 1965 and \$4,000 today. As our Estimates for 1967-68 were prepared on the basis of the prices ruling during 1966, reductions of this magnitude have resulted in considerable savings in 1967-68. Future expenditure for the same, or even increased, output will be considerably reduced since expenditure on the many large contracts totalling well over \$100 million which have been signed at these very advantageous rates during the last 15 months will continue through until 1969 and 1970, and I see no reason why costs for this type of work should increase materially in the future.

Other types of building and civil engineering works (except for a small number of marine works such as the Aldrich Bay breakwater referred to by my honourable Friend the Financial Secretary) have not enjoyed such large reductions in cost. There has, nevertheless, been a general drop in prices, with the possible exception of site formation. In very broad terms I would say that current prices are some 10 to 15% below the 1965 rates.

Honourable Members may well wonder why prices for Resettlement and Low Cost Housing have dropped so much more than other types of construction. The cost of this type of work has always been low; even in 1965, when prices were at their peak, we were paying no more than \$1.30 per cubic foot net building cost. Recent contracts are down to less than 90 cents per cubic foot net building cost. May I sound a note of warning about the dangers of using these cube foot costs out of context. They refer to builders work only and exclude site formation, lifts and other heavy equipment such as salt water flushing pumps all of which are increasing in cost. There is no doubt that improved techniques, the repetitive nature of the work and the very high degree of standardization which has been attained are major factors in keeping the cost down. Besides this, we have strong competition between experienced and well equipped contractors and, due to the recession in private building, there is a sufficiency of good quality labour, experienced in this type of work. Output is high, materials are easily obtainable locally, aggregate for concrete work is much reduced in price, and turnover is quick.

The second major cause of last year's under-expenditure, as I have already said, was the communist confrontation. The resultant under-expenditure is not a saving because work which could not be done last year will have to be done this year. Let me hasten to add that no

[MR WRIGHT]

Public Works projects were cancelled on this account and none were deferred at the tender stage. All delays which occurred were on contracts which were in hand.

During May, June and July transport difficulties, curfews and the fear of curfews resulted in a large proportion of the labour force arriving on site late and leaving early, with a resultant drop in output. Lack of materials, particularly cement, steel and plywood imported from China caused serious delays, especially on some housing contracts. In August and September all site formation projects came to a halt because of the ban on the delivery of explosives, and since September site formation work on many sites has been proceeding at a reduced speed because of the controls over the delivery and use of explosives. Delays caused by the control of blasting on site formation and other preliminary work affects, not so much the expenditure on the actual site formation contracts, but rather the commencement of the major works which follow, the building of resettlement blocks on a formed site, the laying of road surfaces, sewers and water mains, the construction of service reservoirs. It is on these follow up contracts that the money is spent, and it is these follow up contracts which have been delayed.

There were other, but less significant, factors which affected the rate of expenditure last year. For instance; uncertainty about the cross-harbour tunnel necessitated deferment of work to which Government is committed at the two landfalls; the financial difficulties of a few contractors whose contracts had to be terminated; delays in the delivery of plant and equipment from abroad; delays in finalizing the accounts on some of the Plover Cove contracts and, I fear, the apparently incurable tendency for some PWD staff to be over optimistic in their estimating. They assume that large sums of money can be spent on projects when land acquisition has not been finalized, and design and contract documents are still at a comparatively early stage. Like some of my Unofficial Colleagues they do not appreciate the time it takes for a complex project to get off the ground, particularly if the various administrative and statutory procedures—which are necessary for the protection of the rights of the public—are to be followed.

It has always been and still is the practice to make limited use of private architects, and I imagine that my honourable Friend Mr Wilfred WONG raised this matter because we are making rather less use of them now than we were a few years ago. In its report for 1959-60 Public Works Sub-Committee referred to the fact that 27 different firms of private architects had been appointed for 56 PWD projects. These firms were chosen after we had written to every architect in private practice asking him if he wished to be put on a list for government

projects. After replies had been received offices were visited and the capabilities of the applicants assessed. The Public Works Sub-Committee report went on to express disappointment at the rate of progress on these 56 projects being undertaken by private architects and added and I quote: "We appreciate that many of the works being executed for Government departments involve difficulties of planning, co-ordination and procedure, all of which hamper the private architect". As a result of this report and a subsequent costing exercise, the establishment of the Architectural Office was increased in order to reduce its dependence on private architects. At the same time the Director of Public Works was given authority to continue to appoint private architects when he considered it necessary to maintain the rate of production.

The remarks made by Public Works Sub-Committee are as true today as they were in 1960. Though private architects may not be so busy as they were a few years ago I am convinced that the Architectural Office can deal with the building needs of Government departments and meet the requirements of Government financial control and tendering procedure, far more efficiently and at a lower cost than would be the case if a high proportion of our work was given to private architects.

At this point I would like to record that, with only 3 exceptions out of nearly 50, every architect, structural engineer and building services engineer in the Architectural Office is a local officer; so also are many of the senior architects and engineers, and the standards have never been higher. It would be most unfortunate if, as suggested by my honourable Friend, this organization should be allowed to run down.

My honourable Friend Mrs Ellen LI spoke of the large number of people still in need of housing. It is for these people, as well as for people living on land required for development, that the Housing Board recommended in their latest report a combined Resettlement and Government Low Cost Housing programme to accommodate 990,000 people in the six years from 1st April 1967 to 31st March 1973.

The first year of this recommended 6-year programme is nearing completion, and in it we have completed buildings to accommodate 164,250 people, while we have under construction today estates to house another 301,000:—188,000 in Resettlement and 113,000 in Government Low Cost Housing. These figures will, I hope, successfully nail the lie that Government is cutting down on its housing programme. Far from it, production has never been higher.

Besides all this living accommodation we completed 8 24-classroom schools in Resettlement estates last year and we have 35 24-classroom schools in Resettlement and Low Cost Housing estates under construction. These estates also include, in many cases in separate buildings, such facilities as estate welfare and community centres, restaurants,

[MR WRIGHT]

hawker bazaars, Kindergartens, post offices, clinics, banks and, of course, shops.

My honourable Friend advocated the use of smaller sites and also referred to Urban Renewal. She will be glad to know that we have prepared schemes for new resettlement estates on small sites at Chai Wan, Aberdeen, Pok Fu Lam and Kennedy Town. So far as Urban Renewal is concerned our feasibility study into the pilot scheme area recommended by the Working Party is progressing well and I hope to be able to submit a report before the end of May with our detailed proposals and a reasonably accurate assessment of costs.

My honourable Friend Mr WATSON also spoke of housing and referred to the shortage of sites which will be facing us after 1972 or 1973. I agree with him that Castle Peak has few attractions for large scale housing unless, or until, a considerable amount of industry can be attracted there. Sha Tin is rather better suited for development as a dormitory town, but I am horrified at the prospect of half a million people, or even a quarter of a million people, living at Sha Tin and commuting to Tsim Sha Tsui or the Island. I believe that if Sha Tin and Castle Peak can be developed fairly slowly and (I mean slow by Hong Kong standards, say, at a rate of 20,000 people a year) there should be a reasonable chance of attracting industry to keep pace with this growth of population.

Fortunately, the latest figures provided by the Commissioner of Census and Statistics, based on the 1966 by-census, suggest that many of the problems associated with the rapid development of Castle Peak and Sha Tin may be reduced to manageable proportions. After the 1961 census his medium projection for the 1981 population was 6.05 million; based on the 1966 by-census it is only 5.1 million. This very much slower growth rate changes many forecasts and it is beginning to look to me as though the 284,000 households, or about 1.4 million people, to which Mr WATSON referred, who were earning less than \$600 a month in 1966, will be pretty well catered for by the 1.1 million individual units of accommodation which we expect to complete between the by-census date in 1966 and March 31st, 1973. I can see my honourable Friend Mr WATSON, and other members of the Housing Board, having to do some pretty hard thinking in the next few weeks when attempting to forecast the housing need in 1973.

My honourable Friend Mr Woo, has suggested a number of additional ways in which Government might make concessions to industrial lessees who find difficulty in meeting their contractual obligations under the conditions of sale of their lots. In fact, Government has been considerably more generous than my honourable Friends suggest in

dealing with individual cases. Extensions of time to pay overdue premium instalments have been given for more than six months and, indeed, for successive instalments of premium. Surrenders of lots have also been accepted in circumstances where Government has been reasonably satisfied that the debtor genuinely lacks the assets to honour his contractual obligations. What Government cannot accept is the proposition that as a general rule it should be expected to give precedence to other creditors or to a lessee's other financial interests simply because that is how a lessee wishes to organize his own affairs. It has not been Government's experience that lessees have been willing to make concessions to Government when there is an advantage to themselves in sticking to their original bargain. In these circumstances I regret that I cannot offer any hope of more general concessions over premium payments than are already being made to individual lessees or indeed to any reduction in the interest rate applied to delayed payments. This interest rate is itself already below the market level, and if reduced further, might well encourage still further delays in payment, whilst being unfair to other more punctilious lessees.

My honourable Friend has suggested that concessions should be made by way of reductions in the building covenants applied to individual lots and by alteration of the user of the property, free of any charge, where this is reasonable. In general, building covenants have not been imposed beyond what would represent reasonably full development of the lot. This reasonably full development seldom if ever involves as large an investment of capital as the individual lessee himself wishes to make in his lot. Moreover, on industrial land, building covenants seldom require expenditure beyond that necessary to produce a two-storey factory building. Where sale terms have been restricted for special sales, building covenants have been adjusted to fit the needs of the individual industry concerned. I cannot therefore agree with my honourable Friend that any general concession is necessary or desirable. However, if individual lessees feel that in their own cases particular circumstances justify some concession, then I can only suggest that they apply to Government and their reason will always be given careful consideration.

The question of change of use and the premium that may be charged for this raises different problems in different cases. Government's policy is to charge a premium if the value of a lot is enhanced by a modification. Zoning controls might in some cases rule out a change in use. Subject, however, to these reservations, I see no reason why landowners with particular problems should not put their proposals to Government which is always prepared to examine carefully individual applications on their merits.

My honourable Friend has also suggested that a way should be found for co-owners of lots carrying multi-storey development to pay

[MR WRIGHT]

separately their share of premium or Crown rent without having to make a joint payment with other co-owners. As a general proposition this is unexceptionable and indeed as my honourable Friend must be aware. Government is already preparing legislation for the apportionment of premium and Crown rent in cases like this. I hope that this legislation may reach this Council within the current year, but until it does and becomes law, I am afraid that there is very little that we can do to assist those owners who are all too often prejudiced by the lack of co-operation of their fellow owners. Whilst this new legislation is awaited. Government is trying not to be too demanding in genuine cases of hardship.

In regard to my honourable Friend Mr Woo's reference to the Demolished Buildings (Re-Development of Sites) Ordinance, he will be glad to know that Government has under consideration the whole problem of hardship facing the owners of buildings declared dangerous and made subject to the Demolished Buildings (Re-Development of Sites) Ordinance.

My honourable Friend Mr Dickson LEACH spoke about piped water supply in the New Territories. By piped water, I assume that he refers to a mains water supply, for most villages in the New Territories have already been provided with a piped water supply based upon wells and dams in streams. I do not think he is quite right when he says that piped water is "authorized to all villages within 200 yards of main roads carrying water pipes under or alongside". He is, I imagine, referring to Section 10(a) of the Waterworks Ordinance which says "except when so directed by the Governor in Council the Water Authority shall be under no obligation to connect with the Waterworks the inside services of any premises which are more than 200 yards from a main". The position is that if water is available a metered connection to premises will be given subject to the payment of a deposit and the statutory fees.

The question of water supplies to villages is under continuous review by the Director of Water Supplies and the District Commissioner, New Territories. At present a number of schemes to improve the availability of water are in progress or being planned under Government's programme of public works. The schemes include Tai Po, Sheung Shui, Fanling, Pat Heung and Castle Peak in the Yuen Long area, Sha Tin and Cheung Chau. In addition to these larger schemes, the Director of Water Supplies works closely with the New Territories Administration in preparing a main-laying programme the object of which is to make extensions to the present mains system wherever practicable to provide public standpipes as well as domestic supplies to those individual house-owners who want them in as many villages as possible. In 1967-68 \$550,000 was spent on minor extensions of

the distribution network in the New Territories. An expenditure of \$750,000 is planned for 1968-69.

I have always admired, but at the same time been rather confused, by my honourable Friend Mr WATSON'S use of figures and his methods of statistical analysis. For instance, he compares a sum of \$33 million provided in subheads 1—27, 51—92 and 130—151 of Head 62 of the Public Works Estimates with \$160 million he claims that Government received from road users last year. I do not know whether the latter figure is correct, but I do know, and I think my honourable Friend knows, that a great deal more than \$33 million is provided in the Estimates for road works and bridges. Apart from block votes and recurrent votes, considerable road building expenditure is included in the votes for our land development and resettlement schemes. A more correct figure for the amount provided in next year's Estimates for road works and bridges is \$66 million, and this includes the expenditure of \$2.5 million on the car parking buildings at Yau Ma Tei and the Central Reclamation near Rumsey Street. I wish it were more, and I am certain that if the Government Civil Engineer had asked for a good deal more, he would have got it. The controlling factor is his ability to spend money on approved road projects, the total cost of which is in excess of \$300 million, not the Financial Secretary's willingness to allocate funds to him.

Yet, is the rate of expenditure so inadequate? So much is being done in the way of road improvements and road construction at any one time in the urban areas that there is a danger of our adding to the traffic congestion. Regrettably we cannot build flyovers or improve roundabouts and road junctions, lay water mains from Plover Cove and replace our completely inadequate sewers, without causing considerable local congestion. Even now because of the very high traffic volumes using our roads, after consultation with the Traffic Police we sometimes have to delay the start of one project until another is finished.

My honourable Friend's suggestion that we should construct grade separated structures with 1 in 10 gradients in 20 yard long approaches, comprising a flyover in one direction and an underpass at right angles is a novel one. This would give a headroom of 10 feet to the underpass. This would not only constitute a very grave danger but would necessitate the diversion of lorries with high loads, fire appliances and double-decker buses to alternative routes. It would also effectively prevent right turning traffic movements. There is little doubt that if a similar restriction on turning movements were applied to a junction without the grade separation, a traffic capacity of the same order could be obtained by installing simple traffic lights. Since doubledecker buses, fire engines and highly loaded lorries would not thereby be precluded from using the junction, the latter solution is preferable to that suggested by my honourable Friend.

[MR WRIGHT]

My honourable Friend, Mr SZETO Wai spoke about the North-East Corridor and expressed regret that no funds had been provided to enable a start to be made in 1968-69. As he is no doubt aware, several parts of the North-East Corridor scheme are already included in the Public Works Programme in Category B, and the remainder have been recommended by me for inclusion at the next meeting of PWSC. The Government Civil Engineer will be recommending upgrading to Category A as soon as he is in a position to do so, and he confidently expects to get some sections upgraded during the year. Until he does so, there is no point in his asking for the provision of funds. It was a tendency to ask for funds on the off-chance that they would be spent which led in the past to so much of our under-expenditure each year.

We have a very large road building programme and it is gathering impetus. In 1967-68 we completed several important projects including the Lion Rock Tunnel, and work continues on such major schemes as Kapok Drive, the Waterfront Road, Lai Chi Kok Bridge and the Coastal Road. This latter very important road link is due for completion in a few months time. In 1968-69 we shall commence four flyovers on Hong Kong Island and two in Kowloon, quite apart from a number of improvement schemes. In preparing our future programme we have been in close touch with Consultants who are undertaking the Long Term Road Study, and with their assistance, the assistance of our own Traffic Engineering Division, and the advice of the inter-departmental Road Committee and the Traffic Advisory Committee we can be sure that the money we spend is being spent in the best possible way. We could spend faster if we did not consult in this manner, and if we ignored the many administrative and statutory procedures which have been laid down to safeguard the interests of the public. I am thinking in particular of the time taken and the considerable amount of staff effort required to comply with the requirements of the Public Reclamation and Works Ordinance and the Street (Alterations) Ordinance, and in dealing with objections and the subsequent hearings of the objections. I am not suggesting that these procedures should be abandoned, but we are always looking for ways to streamline them so that we can spend more time on productive work.

The Mass Transport Survey is still being studied and has yet to be considered in depth by the Transport Advisory Committee.* Not surprisingly, we in the PWD have given it a great deal of serious study and it has provoked a good deal of argument. We have concluded, particularly in the light of the revised population projections of which I have already spoken, that both the Sha Tin line and the Island line could well be deferred until a need for one or the other is clearly demonstrated. In coming to this conclusion we took into account that

* 1968 Hansard, page 24.

no significant increase in population is expected in the urban areas of Hong Kong between Kennedy Town and Shau Kei Wan. We also took into account our current road building programme and, subject to extending the reclamation progressively westward, the comparative ease with which the Waterfront Road could be continued to Kennedy Town, also the great improvements in surface transport that must eventuate when these plans have been implemented. In case there is any misunderstanding let me add that we are checking all our PWD development plans as well as private proposals against the complete scheme recommended by the Consultants. It is my intention that we should do nothing to frustrate its ultimate construction if found necessary.

Most of the new Resettlement and Government Low Cost Housing estates now being built are either at Ngau Tau Kok which would be served by the Kwun Tong line, or at Kwai Chung which would be served by the Tsuen Wan line. In addition to the PWD, the Housing Authority is building a large estate at Ping Shek and Mei Foo Investments Ltd has a very large housing project under construction at Lai Chi Kok. These developments will add very considerably to the heavy transport load which already exists and like my honourable Friend, Mr SZETO Wai, I can see no practical alternative to an urban railway system, part elevated and part underground.

For the last two weeks our Consultants have been working overtime to provide us with revised figures for trips and income taking into account the revised population projections and assuming that only the Tsuen Wan and Kwun Tong lines would be built, with a terminus at Central on Hong Kong Island. A supplementary report was presented last weekend, the main points of which can be summarized thus:

- (a) The construction of the Sha Tin line by 1986 is no longer justified because of the anticipated drop in population growth.
- (b) Even if the Sha Tin line is not built a direct connection with the existing Kowloon/Canton Railway at Kowloon Tong Station on the proposed Kwun Tong line can be provided.
- (c) The reduction in traffic on the Mong Kok/Tsim Sha Tsui/Hong Kong Central corridor is such that only a single line is required down Nathan Road and under the harbour.
- (d) The estimated cost of the two lines is:

Civil Engineering Work—	
including Fees and	
Contingencies	\$ 868 Million
Rolling Stock, Equipment	
and Furnishings	488 ..
Land Acquisition	154 ..
giving a Total:	<u>\$1,510 Million</u> for the two major lines

[MR WRIGHT]

- (e) Assuming, as the Consultants did in their original report, that part of the Kwun Tong Line would be operational by 1974 and the entire Kwun Tong and Tsuen Wan lines by 1976, we estimate that gross annual revenue will be \$41 million in 1974 when the first stage is in operation, and \$83 million in 1976 when both lines are completed. By 1986 gross revenue will be in excess of \$100 million a year.

I fully appreciate the problems of financing an undertaking of this size and I believe that my honourable Friend the Financial Secretary will be speaking on this aspect tomorrow. I would only say that these revised proposals are a good deal less frightening than those with which we were faced when the Report was first tabled last month. I must emphasize, Sir, that the main report and the supplementary report still have to be considered by the Transport Advisory Committee, but in view of the public interest on the subject it seems appropriate that I should let honourable Members know what is happening and the lines on which the Public Works Department is thinking.

Last year followed the pattern of previous years in that we had to face many new and unexpected difficulties as well as some which we had experienced before. Both the communist confrontation and the severe drought had an effect on our output, but on the whole our work continued with very little interruption. The credit for this goes in no small measure to Hong Kong's contractors and the workers in the construction industry, as well as to PWD staff of all grades. Without them nothing could be achieved.

Sir, I beg to support the motion.

HIS EXCELLBNCY THE GOVERNOR:—I now suspend the sitting of Council until 2.30 p.m. tomorrow, the 28th March.

* * *

28th March 1968

HIS EXCELLENCY THE GOVERNOR:—Good afternoon. Council will now resume.

THE SECRETARY FOR CHINESE AFFAIRS:—Sir, I would like to speak briefly on two subjects, first about the City District Officer scheme, and second about the changes proposed in the law relating to Chinese marriages.

On the first point I and my colleagues in the Secretariat for Chinese Affairs have been encouraged by the remarks made about the City District Officer scheme by Unofficial Members in the earlier stage of this Debate, and also by the reactions of the public generally. The particular points made by honourable Members will be borne carefully in mind as the scheme is developed, and meanwhile I should like to make a brief progress report. As Members are aware, the superstructure of the new scheme has already been brought into being, that is to say action has been taken to create the superscale posts that are required and to fill them with suitably qualified officers. This has enabled us to make a good deal of progress with the planning of the scheme. The next stage will be to put forward proposals to the Finance Committee of this Council for the other more junior posts which are required for this very substantial expansion of the Secretariat for Chinese Affairs, and also proposals for the extra expenditure required under “Other Charges”. It is my aim and hope that this should be done in the course of the next few weeks.

Turning now to the long-outstanding question of Chinese marriages, whilst the events of 1967 made it difficult to devote as much administrative effort to this matter as one would have wished, I am glad to be able to report that there is now no practical obstacle to proceeding with the drafting work and to giving it a high degree of priority. I should however give some account of the public reactions to the White Paper which was tabled in this Council on the 17th May last year.* So far as the public at large are concerned there has been very little in the way of comment, although we did give these matters all the publicity which our resources allow; but early this year we did receive a lengthy paper on this subject from the Bar Association of Hong Kong. This paper, of which copies are now being given to honourable Members of this Council and also of the Executive Council, contained many thoughtful and constructive ideas, and I should like to take this opportunity of saying how much we appreciate the effort which the members of the Bar Association have obviously put into its preparation. We have also received valuable comments from members of the Judiciary and also from two of the women’s organizations. All these helpful contributions will be given the fullest consideration as we now proceed

* 1967 Hansard, page 301.

with the preparation of a Bill, based on the principles set out in the White Paper, for the consideration of this honourable Council.

Sir, I support the motion.

THE FINANCIAL SECRETARY:—Sir, I have never been sure whether it is better in this Debate to speak scrappily by attempting to answer honourable Members piecemeal, and in specific terms, on the wide range of matters they have raised; or to try instead to distil some general consensus from what they have said and speak in more general terms. This year it is more difficult than usual to discern a consensus, at least in matters in my special province, and the choice must therefore inevitably be a degree of scrappiness.

I have had some advice on taxation. My honourable Friend Mr RUTTONJEE is disappointed that I have not imposed swingeing increases, and his tribute to what he calls “political realities”. His disappointment is shared, so far as I can see, only by our Communists whose hopes of an occasion for agitation have been sadly frustrated by our financial strength. This is not very welcome company, I know, for my honourable Friend. I wonder what really are the political realities here.

My honourable Friend has accused me of appearing (not for the first time) to be unable to accept the logic of my own arguments. My honourable Friend himself appears (and perhaps I might echo him, appears not for the first time) not to have understood those arguments. I have never asserted that, to quote, him “Hong Kong is now reaching a plateau of economic development”. We are still growing, and growing fast by most standards. What I have been saying is that our expenditure on public services is growing faster. I have always regarded the fostering of economic development as one of the most important tasks, if not *the* most important task, of my office and I would consider it most illogical to discourage it, and the natural growth of revenue it brings, by increasing taxes merely for the sake of setting aside additional reserves, even if we could reasonably take the view that the present was a politically easier time than others to do so. It would be shortsighted in the extreme.

My honourable Friend is a fine coiner of phrases. He has accused me of “sacrificing our future on the altar of financial orthodoxy”. I find this odd. If he had spoken of sacrificing our present on that altar, I could have understood, for it is present abstinence which brings future reward and I prefer to take the longer view and not a panicky “eat, drink and be gloomy” short-term one which sacrifices the future to the present. The important thing is to ensure that our revenue grows to keep pace with our necessary social development. Additional taxation now would not help to solve that problem and might, by inhibiting economic growth, make it more difficult. There is, I believe, a political as well as an economic trap set for us here, deliberately by our enemies and unconsciously by our friends.

But possibly I am arguing unnecessarily with my honourable Friend, for I believe he is rather a lonely voice in this matter. I do not in any case dispute his political courage, although if he had given details of the increases in taxation he favours, his courage would have been made even more manifest; I dispute only his wisdom.

My honourable Friend Mr Woo has given me a statement of his general views of tax policy, which may be summarized as no further direct taxation but indirect taxation so long as its incidence is not wide. I am afraid that this does not really help much with the problem. Expenditure by the rich on luxuries is not in sufficient volume to generate substantial revenue (and we must remember also the tourist trade in luxuries). I am afraid (and I have said this before) that the only really substantial reservoir of tax revenue, if we exclude, as I think we must, taxation of the necessities of life, is direct taxation and we are all conscious of the limits on that. That is why I said, when introducing the Budget this year, that the scope for additional taxation is more limited than is generally recognized. I would have found it useful if there had been some comment on the two tentative suggestions I made myself in 1966—a corporation dividends tax and a payroll tax.*

My honourable Friend Mr Woo has also referred to hard cases arising under the arrangement introduced this year for reduced stamp duty on transactions in low value property. I am most grateful to him for drawing my attention to this. While cases such as he describes are fairly few, (only 122 out of a total of 9824 concessionary cases last year), we must certainly take steps to eliminate this. A certain amount can be done by use of existing discretion but legislation may be necessary.

My honourable Friend Mr Dickson LEACH has made two revenue proposals both of which have attractions, a port passenger charge and off-course betting. I do not think, however, that I could justify the first of these as, unlike the case of the Airport or the Macau Ferry Terminal, no substantial cost falls on public funds from the arrival or departure of passengers by sea. We have an investment in the Ocean Terminal on which we are receiving 6% interest, while general port charges can cover other costs (although they are in need of some revision). As to off-course betting this is certainly one case where we have unfortunately to consider the political realities. I see no hope myself until the public clearly demand it.

My honourable Friend Mr WONG has suggested raising about \$3 million by increasing the Business Registration Fee from \$25 to \$50. Although every little helps, this would not make much of a contribution to our revenue needs. But in any case I should not be very happy with it. When we first introduced Business Registration the fee was put at \$200 as a kind of minimum profits tax, but we found that we had to exercise powers of remission to prevent hardship for very small businesses

* 1966 Hansard, pages 80 & 84.

[THE FINANCIAL SECRETARY]

so extensively that the administrative burden was excessive and we reduced it to \$25. Were we to increase the fee to \$50 now we would have to liberalize and complicate the present exemption rules and the yield would be considerably less than my honourable Friend suggests. Its main contribution in any case is not the direct raising of revenue but the indirect effect of bringing to the notice of the Inland Revenue Department potential payers of profits tax; but I shall bear my honourable Friend's suggestion in mind.

I might mention tax evasion at this stage. I welcome very much my honourable Friend Mr RUTTONJEE'S support for our proposals to put more teeth into the Ordinance and hope that his views are shared by all honourable Members. For I suspect that the forces of opposition are mobilizing.

My honourable Friend Mr WONG has said that he believes that there should be 100,000 salaries tax payers rather than the present 74,000. I should be interested in how he reaches this conclusion. In this context it is of interest that the Department has additional files for 81,000 potential salaries taxpayers which it keeps under review.

Taxation leads me on to the theme of borrowing. My honourable Friend Mr SZETO misrepresents my views completely when he speaks of my, I quote, "irreconcilable opposition to oversea borrowing, in fact, any borrowing". I wonder why he thinks I have been wooing the World Bank for the last seven years. And, as to borrowing in general, two years ago I imposed on honourable Members a lengthy exposition of my views; it fills nearly three pages of Handsard.* Briefly, these views are that I have no objection to public borrowing for specific capital projects which will generate enough income to pay off interest and capital during the term of the loan; and that public medium or long-term loans must not rank as liquid assets of the banking system. The problem is where to find money that has these qualifications and no one has yet provided me with an answer to that problem. It is easy to speak of issuing public loans but "issue" is the wrong word; we have to "sell" them and that is quite a different matter. As I have said before, the only really long-term money is tax money.

My honourable Friend Mr Woo has suggested the issue of instruments of the nature of British Premium Bonds. The difficulty here is that it is of the essence of premium bonds that they are encashable at full face value at fairly short notice. This precludes use of the proceeds of such bonds on long term projects.

I now turn to monetary arrangements. I am happy to hear that my honourable Friend Mr TANG agrees with me that the stability of our currency must be a prime aim of our financial policy even if my honourable

* 1966 Hansard, pages 74-6.

Friend Mr RUTTONJEE objects to the financial orthodoxy this must impose on us in our exposed economic situation. My honourable Friend Mr KAN castigated me for my reticence in speaking on this subject. I trust that he was castigating me not so much because I deserve it (for he is very well aware of the facts of the situation) as to enable me to plead elsewhere for rapid decisions to relieve me from his castigation.

My honourable Friend Mr WONG welcomed the use of the surplus in the Exchange Fund to maintain the value of the Hong Kong dollar as, I quote, “the first step in making the Hong Kong dollar a managed currency”. I must object that it is not our intention to make it a “managed currency” in the proper sense of the phrase. I said in a recent adjournment debate that it was not easy for a currency in an economy like ours to function as it should without a strong link with an established reserve currency or with gold.

Now a few rather scattered points. My honourable Friend Mr Ross spoke of a saving of \$111 million this financial year and my honourable Friend Mrs LI divided the surplus with two of her Colleagues and proposed to use her share to finance her own preferred scheme of expenditure. But I must stress that there is no “saving” of this magnitude. Quite apart from the writing off against it of devaluation losses on the General Revenue Balance, it largely represents mere postponement of public works which have still to be carried out. It does not mean that there are substantially more funds available for other purposes. I should add here that a revised estimate of this year’s surplus is now \$120 million. The increase results almost wholly from a further shortfall of expenditure.

My honourable Friend Mr FUNG has attempted to show that next year’s increase in expenditure is more apparent than real, by comparing next year’s estimates with this year’s original estimates rather than with this year’s revised estimates, as I did, and then writing off what small increase is left on his calculation against higher costs due to devaluation. He certainly has a point on the basis of comparison; his basis is probably the more valid in most years but the sharp drop in capital expenditure makes it invalid this year. I, in fact, compared, not total expenditure, but recurrent expenditure, as best reflecting the rapid growth of public services. On the basis I used, the increase is 10½%; on Mr FUNG’S basis it would be over 8% which is still high; while the effect of devaluation on the estimates is virtually neutral, some costs being increased by our small devaluation and some reduced by sterling’s greater devaluation. Mr FUNG’S attempt to devalue our rate of growth of public services, as demonstrated by public expenditure, is therefore invalid.

My honourable Friend the Director of Public Works has already corrected my honourable Friend Mr WATSON’S figure for the funds to

[THE FINANCIAL SECRETARY]

be spent on road construction next year. I have a bone to pick with him myself about this. I complained last year when he produced his own figures, without having them checked, to try to show how much more we took from land transport by way of taxation, fees etc., than we put back by way of expenditure. This year he did ask me for our figures but such a short time before he was due to speak that it was possible only to make a rough calculation. That rough calculation was \$154 million for revenue and \$110 million for expenditure. But apparently this difference was not enough to make the point he wished to make, so that, while quoting the total figure for revenue, he selected only a small part of the expenditure as worthy of mention, that is, only the expenditure on certain new road works, so creating a very false impression. His case must be weak if he must present such, shall I say, selective evidence.

My honourable Friend Mr Ross has made an interesting suggestion about the compulsory fixing of exchange for both imports and exports. I understand that the exchange banks are considering a limited application of his proposal to imports, designed to prevent the kind of windfall gain enjoyed by certain importers last year at the expense of banks, and to reduce the cost of exchange cover on exports. But I have three objections to my honourable Friend's wider proposal that exchange control powers be used to require the fixing of exchange by merchants on entering into both export and import contracts. The first is that I think it excessively paternalistic to require a merchant to protect himself against a risk he is prepared to take. Secondly, I think it wrong to impose a condition which is likely to cause one group of merchants a loss, for the purpose of providing the other group with protection at no cost to them. Thirdly, I do not think it is in fact practicable to enforce such a system. I am sorry to be so negative, but I am sure that the solution to my honourable Friend's problem should not depend on compulsion but on the provision of voluntary protection on insurance principles.

My honourable Friend the Director of Public Works has already spoken of the practical aspects of the so-called Mass Transit proposal. I should like to speak about some of the financial aspects. But before I do there is one general aspect of the Report, and of the Passenger Transport Survey, which I should like to refer to. My honourable Friend Mr SZETO has spoken of the "absolute necessity" of this scheme and has said that we "cannot afford not to adopt it". Other have used the same absolute terms. But I would suggest that such comment is exaggerated. There is nowadays, I believe, far too much uncritical respect for the technical expert. A report of this kind, no matter how beautifully reproduced, should not be exempt from critical examination. The authors are indeed expert in certain fields and I would have no wish

to dispute their views in these fields; but a critical reading of the whole report shows that perhaps 25% of technical expertise has been diluted with 75% of opinion, speculation and crystal ball gazing (on assumptions, one of which—population—has already proved to be wildly out as the consultants had every reason to suspect after the 1966 By-census); and the 75% then tends to be accorded the same degree of authority as the 25%. I cannot believe for example that anything useful can be said today about income distribution or car-ownership in 1986. It is true that one must look ahead but one must recognize that such looks ahead are not, and cannot be, scientifically accurate. They are subject to the widest margins of error. It is noteworthy, for example, that the traffic using the Lion Rock Tunnel is running at only about 50% of the forecast figure. I am not blaming the forecasters but stressing the great uncertainty of forecasts in this field. A favourite forecaster's word like "parameter" has a scientific sound, but all it means is "conjectural future relationships between conjectural future factors". The Report must be examined, and the due priority to be given to the Scheme determined, with its true nature in mind.

My honourable Friend Mr SZETO has suggested that the fees for this survey, amounting to \$3½ million, implied from the beginning a cost of the order now suggested and that I would have been the first to object to the commissioning of such a costly investigation had I entertained no hope of its realization. I am not sure of the logic of the first proposition; but, as to the second, I recall that, when the proposal went to Finance Committee, a member said that he would vote the money required (originally rather less than \$3½ million) if I would say that I thought it worthwhile spending it. I said that I thought it was worthwhile in order to show, perhaps, what we could not do rather than what we could do, and so bring us down to earth. I think that it has achieved the first purpose; and possibly also the second.

I think it is a pity that the Consultants were so enthusiastic about their grand scheme of perfection for, as so often, the best may prove the enemy of the good. For, when it comes to finance, the protagonists of the scheme, including the Consultants, contort themselves into agonizing attitudes when trying to prove the scheme's practicality. The Consultants show quite conclusively that, on any remotely possible basis for borrowing money, the scheme can never pay but will go on building up a bigger and bigger debt. It would reach \$6,000 million by 1991, only seven years after completion, and continue to grow thereafter by over \$350 million a year. That is why they speak euphemistically about "assistance" from public funds in the earlier stages. What they mean by that is a very large subsidy indeed at the expense of the general taxpayer and possibly also from bus users. It is no good being mealy-mouthed about this, for a subsidy is what it is. No other basis will work—even if we can borrow. And, if we can't borrow, the whole

[THE FINANCIAL SECRETARY]

capital will have to come from the whole body of taxpayers virtually free of charge, at the expense of other public services; for it certainly cannot be wholly additional to other public expenditure.

My honourable Friend Mr WATSON has clearly felt this difficulty as his solution derives from his remarkable forecast of the future growth of public revenues which, by inference, he would use to subsidise the project painlessly. He recognizes that his forecast may seem “highly over-optimistic” but it is in fact in the realms of fantasy. In extrapolating post-war revenue growth he has forgotten to make any allowance for the increased rates of taxation imposed from time to time, while he completely ignores the fact that rates of growth have now dropped from the average of 13% or so at one time experienced to 8% in 1966-67 (after taking into account increased taxation that year) and to under 5% in 1967-68. This fall in the rate of revenue growth was inevitable once we had got our labour resources fully employed. My honourable Friend is talking fantasy and I suspect he knows it.

My honourable Friend Mr SZETO too is clearly up against the same difficulty for he proposes to finance the scheme by a loan from the World Bank of completely inconceivable magnitude even if they were prepared to lend us money at all, and were prepared to do so for an urban transport scheme, which they have not done elsewhere, I believe; and by a second loan which would absorb more than one sixth of the total resources available over the next ten years to the Asian Development Bank, an organization of which we are not yet members and which is likely in any case to give a pretty low priority to loan applications from Hong Kong.

I know that I will be accused in some circles of caution, lack of imagination and so on, for these words. But we have got to give the project a cool appraisal in the light of our resources and of our priorities for using them, and in that light I cannot see how we can afford not to reject it as it stands.

One of the merits of the complete scheme in the eyes of the Consultants was its greater degree of commercial viability—were it possible to raise the capital. The more modest partial scheme which the Director of Public Works has outlined may possibly be within the practical limits of finance (although not without sacrifice of other public services); but I think it is clear that the lower capital cost will represent a substantially higher public subsidy to each of the smaller number of passengers using it, because it excludes a line which, while less essential, would likely be the least unprofitable. I think, however, that, with the lower population projections, there is not the same urgency as was once supposed and we can afford the time to give the scheme the

close and detailed consideration it still requires. Furthermore, the lower population figures would mean even higher subsidies in the early years if we attempted to keep to the original timetable.

Still on the subject of public transport, my honourable Friend Mr WATSON has wondered for how long our franchised companies, faced with rising costs and reluctance to raise fares, can go on operating and has suggested that we might sooner rather than later be forced to consider running them as non-profit public service corporations. I am happy that he did not say “subsidised public service corporations”. I am not in a position to say much about this today, but I understand that the Commissioner of Transport hopes to complete financial studies of the profitability of these companies this year, and we may then be able to see the problem Mr WATSON raises more clearly.

Our two honourable Members for technology, Mr WONG and Dr CHUNG (who is unfortunately not with us today) have each made an interesting proposal for a new economic institution, interesting proposals but, I believe, not ones which enjoy much support from their Colleagues.

Mr WONG’S proposal is a formal economic advisory committee with very wide powers of reference. It is kind of Mr WONG to wish to relieve me of the burden of my responsibilities, but I am afraid that I cannot abdicate from them; and, of course, we already have access to a great deal of economic and financial advice in various fields.

It seems to me in any case that Mr WONG’S suggestion is based on a rather theoretical or academic view of economic matters; it smacks a bit of the textbook. It is a view which is not really relevant to the realities of our own economic situation, which are external rather than internal and so not wholly in our own control. I cannot see, for example, what price control on staple foods would achieve for us, except interfere with and distort supplies. Our economic situation has found no place in the textbooks for many years and the scope for experiment with the “New Economics” is severely limited here.

Dr CHUNG’S Industrial Development Council has already been the subject of comment from my honourable Friend the Director of Commerce and Industry. I would like to add a few comments of my own for Dr CHUNG’S proposal fills me with considerable dismay, and I apologise if my remarks appear to some extent to repeat what Mr SORBY has already said. It is not so much the idea of such a Council that dismays me (although Dr CHUNG does suggest that Government should abdicate from responsibilities in industrial matters) but the attitude adverse to freedom of private enterprise which is implicit in its suggested functions. These are “to establish priorities on development, to provide inducements for new industries and to discourage over-expansion of existing ones”—a complete blueprint for government regulation of

[THE FINANCIAL SECRETARY]

industry, negative as well as positive, even if my honourable Friend shies away from the word “planning”. I am afraid that I do not believe that any body of men can have enough knowledge of the past, the present and the future to establish “development priorities”—which presumably means procuring some developments as being good and prohibiting others as being bad. The second purpose—special inducements to new industries—must inevitably mean distortion and stunting of the growth of industry as policies of granting protection and privilege to so-called “pioneer” industries elsewhere have shown clearly.

Presumably these two first functions should be read in conjunction with another passage where Dr CHUNG suggests that Government should provide loans at attractive interest rates, say 5 per cent, to, and I quote, “specific priorities of development for desirable industries” (which privilege he argues, rather obscurely, should not be regarded as a subsidy). What mystifies me is how he or any one else can determine what is a desirable type of industry such as should qualify for special assistance of this kind. In my own simple way I should have thought that a desirable industry was, almost by definition, one which could establish itself and thrive without special assistance in ordinary market conditions. Anything else suggests a degree of omniscience which I, at least, am not prepared to credit even the most expert with. I trust the commercial judgment only of those who are themselves taking the risks.

May I here quote a remark made a hundred years ago by John Samuel SWIRE, one of the founders of Butterfield and Swire. He said “I do not believe in the gift of prophecy—anyway, I don’t possess that talent and I should get rid of any man in my employ who considered that he could see far ahead”.

But it is the Council’s third suggested function which dismays me most—discouragement of over-expansion of existing industries. By what standard can one possibly measure over-expansion? On what basis can one forecast it? On whose judgement can we rely? Who is to decide who is to have the good fortune to reap what I have heard called “the spoils of economic planning”? Do we no longer put our faith in the judgement of free private enterprise? I can myself recall being told repeatedly, in the early post-war years and at intervals thereafter, that the cotton spinning industry was over-expanding. It has expanded many times since then and still thrives. I recall even more vividly a prominent and influential businessman telling me in 1956 that Government must take early steps to restrict the further growth of the garment industry because it was already too large; since then it has expanded its exports by ten times or \$2,000 million a year. I, for one, will not forget that lesson.

One of the things that most surprises me about my honourable Friend's remarks is that he characterizes his proposal for state intervention in, and control of, industry as "innovation and a spirit of adventure" and condemns free private enterprise as "prosaic precedent". This is a strange paradox. I would put it precisely the other way round. What he advocates is based on the "prosaic precedent" of many of our rivals who have to resort to wooing industry with artificial aids and have had remarkably little success at it. Recent events have shown that enterprising spirits still prefer our economic freedom to the restrictive swaddling clothes offered elsewhere. Possibly I am a romantic in this but I, for one, do not believe that our spirit of adventure is in need of artificial stimulation—nor do I believe that we can afford the wasteful application of our scarce resources which they would entail—we are neither desperate enough, nor rich enough, for such expedients to make economic sense. It is, of course, all the fashion today to cry in any commercial difficulty, "why doesn't the Government do something about it". But I would rather go back to the old days when even the most modest attempt by Government to intervene in commerce and industry was rudely rebuffed than contemplate the kind of guided and protected economy Dr CHUNG appears to propose.

Did I not know my honourable Friend better, I should have suspected that he was speaking for vested interests at the expense of the community. But what I really believe is that both he and Mr WONG are innocently guilty of the twentieth century fallacy that technology can be applied to the conduct of human affairs. They cannot believe that anything can work efficiently unless it has been programmed by a computer and have lost faith in the forces of the market and the human actions and reactions that make it up. But no computer has yet been devised which will produce accurate results from a diet of opinion and emotion. We suffer a great deal today from the bogus certainties and precisions of the pseudo-sciences which include all the social sciences including economics. An article I recently read referred to the academic's "infernal economic arithmetic which ignores human responses". Technology is admirable on the factory floor but largely irrelevant to human affairs.

Dr CHUNG and Mr WONG have also suggested an industrial development bank and the Director of Commerce and Industry has spoken about this. All I myself wish to say today is that I do not think that there can be any question of very substantial public funds being made available for such a purpose; and that the main role I can myself see government playing is to offer banks some limited guarantee of their liquidity so as to remove this risk, but not commercial risks from the making of medium term loans. But I am afraid that I have not yet thought out such an idea in any great detail.

[THE FINANCIAL SECRETARY]

Mr WONG has said that he has reason to believe that the World Bank is prepared to participate in a scheme for an industrial development bank. I do not know the source of his information. My own understanding is that the Bank is not prepared to lend us any funds at all at present because they believe that we do not need credit; and that in any event the Bank's adviser on development banks is inclined to the view that Hong Kong has too sophisticated a financial structure to require an industrial development bank. And, indeed, on the strength of our record, it would be plausible to claim that we are more blessed by a superabundance of enterprise than cursed by shortage of capital.

I have been surprised, I must confess, that this year's Budget has been characterized by some as a "standstill" Budget, a phrase used, I believe, by the Finance Minister of Singapore to describe his own Budget this year. Although taxation certainly remains unchanged, I do not know how such a substantial increase in recurrent expenditure can possibly be described as "standstill". It is as if one were to complain that a car travelling at 60 mph was standing parked at the kerb because the driver does not accelerate instantaneously to 75 mph. There may, of course, be an optical illusion of this sort but it should be recognized as such. I have a suspicion however that, however fast we were moving, there would still be cries of "faster, faster". This is in the nature of things because it is one of the basic beliefs of our critics that a Government is by definition slow and ineffectual; therefore whatever we do can be characterized, again by definition, as late and inadequate without further examination or thought. This is, as I say, in the nature of things.

But I think that the reason for some of the present misconceptions lies at least partly in the fact that in many quarters there is still inadequate understanding and recognition of what we are in fact going to do next year and of the full scope (and financial implications) of our future programmes. My official Colleagues have now given some account of what practical purpose lies behind the bare financial figures. I intend in future years to try to give a fuller account in the published Memorandum on the Estimates, which is attached to the Estimates proper, of the new developments reflected in the Budget figures. I am afraid that we have let this potentially valuable part of the Estimates fall into an uninformative routine.

I noted also that one honourable Member implied that last year we ceased during the course of the year to consider or plan any extension of the public service. This is a serious misconception. The fact is that the continuous process of planning and decision went on uninterruptedly as it is still continuing today.

My honourable Friend the Colonial Secretary will be speaking about the structure of Government, but I should like to make a fairly personal comment; I have served this Government very nearly as long as my honourable Friend Mr RUTTONJEE. When we first met in 1945 he was a slim young Superintendent of Police and I was a slim, I hope, and very junior young administrative officer. We joined this honourable Council in the same year, although his service has been more continuous than mine. But I am afraid that I cannot agree with him that the structure of Government has not changed during these years to meet changing conditions, although I would not claim that it cannot still be improved. What I do know is that twenty years ago I could take decisions on my own authority which I could not take today or at least not without going through one or two advisory committees and probably also consulting all shades of public opinion and interest through the press and otherwise. I am not complaining about this but merely explaining one of the main reasons for the slowing down of public business. If people want consultative government, the price is increased complexity and delay in arriving at decisions. If they want speed of government, then they must accept a greater degree of authoritarianism. I suspect that the real answer is that most people prefer the latter so long, that is, as government's decisions conform with their own views; which takes us back to the beginning again.

My own public duties are strictly confined to our economy and our public finances, and so I frequently feel a certain frustration in that I must generally limit my public comment to those matters and eschew political comment. But there is one aspect of the reaction of some people to this year's Budget that I cannot keep silent about. There has been criticism in some quarters of the absence of wideranging new plans of social and economic development in my presentation of the Budget. This is, as I have explained already, based largely on a misunderstanding of the proper scope of the annual estimates, but that is not what gives me concern. What gives me concern in so much of the comment is the implication that the people of Hong Kong have to be given a reward, like children, for being good last year, and bribed, like children, into being good next year. I myself repudiate this paternalistic, indeed colonialist, attitude as a gross insult to our people; just as last year I regarded as an insult expressions of surprise (but not those of admiration) at their steadfastness under attack. That is not my idea at all of the nature of our community. If it is complacent to have a continuing faith in the strength, vitality and good sense of the real people of Hong Kong, then I would be happy to be numbered among the complacent.

Sir, I beg to support the motion.

THE COLONIAL SECRETARY:—Your Excellency, in the speeches on this motion by my honourable Friends the Unofficial Members two things to my mind stand out. First, there has been general agreement that, in spite of the assaults which—entirely unprovoked by us—were made on our way of life and economy, 1967 was in fact a year of achievement; providing further proof (if that were necessary) of the traditional resilience of our community and of its basic strength and determination to meet all challenges. Secondly, there has been expressed a general confidence in the future, linked with a warning against complacency and any undue sense of euphoria.

Such a warning, Sir, is timely but there are no grounds for interpreting it, as has been done in some quarters, as an accusation that this Government, at this moment, is either complacent or euphoric. I can assure honourable Members that it is not and has no intention of becoming so. This should be accepted as the time to put Hong Kong's future on an even surer basis.

It is, of course, fully understandable that honourable Members should be moved by a greater sense of urgency in our present situation; and that they should press at a time like this for an acceleration of existing programmes and of the planning of new ones. I do not quarrel with this and I hope that the speeches of my honourable Colleagues have gone some way at least to give reassurance. Within the limitations of our economy and our capacity I shall urge forward with all speed all those developments which our circumstances advise and justify.

Much is already in the “pipe-line” at various stages of maturity—more, indeed, than appears in the printed Estimates which are the subject of this debate; and it must not be thought that a proposal not included in these Estimates is necessarily postponed until the next.

In replying to this Debate I am faced with the same dilemma as my honourable Colleague the Financial Secretary—whether to speak on general issues or to try and reply to specific matters which have been raised. Last year I drew attention to my difficulty in assessing what degree of support among his colleagues the views of any individual speaker commanded. It is clear to me from listening to their speeches this year that, apart from a few instances in which the support of other honourable Members to some specific request was specifically confirmed, these speeches once again represent individual opinions which cannot be taken as the consensus of a majority, let alone the totality, of Members.

In these circumstances I propose to deal, in the interests of comparative brevity, with only a few selected questions of those which have not already been answered. This is no discourtesy to the authors of other questions which may appear to have been ignored. These will

certainly be given the consideration they merit. I am afraid, however, that those with which I shall deal form a rather heterogeneous collection, with few connecting threads to link them together, except, I hope, their general public interest.

In comparison with the two earlier Budget debates with which I have been concerned, there has been very little reference by my honourable Friends to the public service. This I take to be a genuine although unspoken tribute to the loyal, efficient and hard work put in by the overwhelming majority of civil servants, often in trying circumstances. It is a tribute which, as you, Sir, have already indicated, is well deserved; in this past year the public service has indeed proved its service to the public in its contribution to the maintenance of law and order and stability within our community.

One or two matters, however, affecting the public service have been raised. My honourable Friend Mr TSE has asked for a rigid adherence to the statutory age of retirement for civil servants in order to make way for younger people. This is in interesting contrast with the usual request for an extension of the retiring age. The problem is one of many facets; and in its solution the public interest must be paramount. At present we have no plans to alter the existing policy but the possible need for changes will be kept under constant review.

My honourable Friend Mrs LI raised again the questions of equal pay for women civil servants and paid maternity leave. The accepted objective, insofar as pay is concerned, is that where men and women do identical work or similar work of equal value both should be paid the same salary. The necessary detailed examination of each grade in which there are women officers is still proceeding, in order to determine how appropriately they are graded in relation to corresponding male grades. This is a long and exacting task if we are to ensure that there are no anomalies.

It needs, however, to be emphasized that salary scales for female grades will not necessarily in all cases go up to the male level; in certain circumstances there may be a case for the male scale coming down to the female level. The issues are not simple but I can assure my honourable Friend that I am most anxious that they should be resolved with the minimum amount of further delay. The question of paid maternity leave is related to that of equal pay for women. To restore all such leave to all women while reducing the number of confinements attracting it, as Mrs LI proposes, will require careful consideration in the broader context.

My honourable, and absent, Friend Mr Y. K. KAN drew attention to the fire hazards posed by industrial undertakings in domestic multi-storey buildings and charged the Government with providing inadequate

[THE COLONIAL SECRETARY]

inspection staff and complacency about the whole situation. I do not admit that the Government is complacent in this matter; it is, on the contrary, greatly concerned and continually seeking ways and means of ameliorating it.

Every effort is made to ensure that inspections are as regular and as effective as possible. Complaints are investigated with the least delay, and a bill has been drafted to provide for the voluntary management of sub-divided buildings and this, if endorsed, could help to meet what is a real problem, if only by adding teeth to the means by which co-owners of individual properties can improve the condition of common spaces, where so many of these abuses occur.

Bearing in mind the very large number of premises and occupants involved, I agree with my honourable Friend that the total staff engaged on inspection is comparatively small but the problem is difficult and complex and it cannot be solved by inspection alone. The difficulties are aggravated not only by the unscrupulousness of landlords and the negligence of tenants in many instances but also by the astonishing indifference of the public at large, and I welcome Mr KAN'S drawing attention publicly to this matter.

Mr KAN also spoke on the subject of passports and the status of Hong Kong British citizens. It is true that the Commonwealth Immigrants Act 1968, about which there has been so much recent publicity, has placed further restrictions on the entry into Britain of certain categories of British passport holders. I am, however, glad to have this opportunity to emphasize that for all practical purposes the new Act has had no significant effect at all on the holders of British passports issued in Hong Kong.

So far as labour vouchers are concerned, citizens of dependent territories are in future to be treated more favourably than those of independent Commonwealth countries. Hong Kong will have a special quota of 300 a year and these will not, as in other cases, be restricted to work in the manufacturing industries and other work of substantial economic and social value to the United Kingdom. It will still therefore be possible for Hong Kong people to take up work in the United Kingdom in their traditional fields, such as restaurants. There is at present no indication that the new quota will not meet our needs; it allows for 50 per cent more entrants to Britain than were in fact taken up last year.

In addition, it is possible for Hong Kong passport holders to enter Britain for other purposes, particularly for study (for which 950 permits were issued last year) and to join relatives who are already there (for

which nearly 1,300 permits were approved in 1967). Some new restrictions have been placed on the entry of children under 16 years of age for residence, except when both parents are already there, but otherwise no difficulties seem likely to arise. I see no reason, therefore, to contemplate restrictions on the entry of United Kingdom citizens into Hong Kong: to do so might serve only to provoke new restrictions against us by way of retaliation.

My other honourable and absent Friend Dr S. Y. CHUNG has also brought forward two interesting but quite unrelated proposals on which it falls to me, as the receptacle for all unwanted questions, to comment. The first concerns the establishing of a joint standing committee to implement a changeover to the metric system in Hong Kong. A study is already being actively undertaken to determine where the balance of advantage in fact lies for Hong Kong. The problem is a difficult one and covers a vast range of matters, from amending laws to revising text-books, from new specifications in contracts to the recalibration and replacement of machinery, and even from the size of official stationery to the alteration of traffic signs.

In some ways a change over would be simpler here than in the United Kingdom, because we already have a decimal currency and many of our manufacturers already produce to metric specifications for overseas markets. In other respects, however, it would be more difficult in that most of our population employ not only English but also Chinese weights and measures in their daily transactions. If, as a result of the present study, a decision is taken to make a change to the metric system, careful consideration will be given to establishing a committee, such as my honourable Friend suggests, to assist its implementation.

The other proposal put forward by Dr CHUNG concerns the possibility of a common examination for entrance to the two Universities. This is, of course, essentially a matter for the Universities to decide for themselves but I shall put this interesting suggestion to them with a view to their consulting together as to its feasibility.

While still, as it were, in contact with the Universities I will refer to the suggestion of my honourable Friend Mr P. Y. TANG that they should be invited to contribute to an expanded programme of vocational training by an extension of extra-mural studies with a practical emphasis in that field. In fact the Universities have already instituted joint consultations between their Departments of Extra-Mural Studies with this in view and are expanding the range of their facilities as fast as is practicable. There are, however, limits to what can be done: there is a very large number of vocations for which people could be trained below the professional level and the more useful of these tend to call for expensive equipment.

[THE COLONIAL SECRETARY]

Three honourable Members have specifically referred to the desirability of revising our Standing Orders and Mr Ross gave the welcome assurance that all his Unofficial Colleagues endorsed the proposals which I tentatively outlined in this debate last year. I greatly regret that quicker progress has not been made: I am afraid the fault is wholly mine and I will do my best to absolve myself from further blame.

My honourable Friend Mr Ross in another context spoke about the need to be ready to meet demands from shipping interests for a container terminal. In this I agree, although I must point out that as yet we have no firm indication from the shipping companies as to when if at all they propose to introduce container ships to Hong Kong. We are now considering whether planning should proceed on a limited terminal, to meet more immediate needs while we assess the full extent and effects of containerization on Hong Kong and before we take a decision whether or not to embark upon a full-scale terminal at Kwai Chung or elsewhere.

In order not to prejudice the possibility of building such an interim terminal on a practicable site in Tsim Sha Tsui, it has been decided not to convert the former Sea Terminal building for use by the Post Office but to plan immediately for a permanent Mail Centre on the Hung Horn reclamation, for which there is already an item in the Public Works programme. I hope that honourable Members will see in this decision an earnest of the Government's intention to do nothing which might hinder the orderly and timely development of container facilities, if we decide to go ahead.

My honourable Friend Mr FUNG Hon-chu has raised again, although in a simpler form, the question of providing assistance to Unofficial Members to enable them to obtain information and generally to become better briefed on Government policies and official practice. I have sympathy with this request and would like to stress what I said last year, to the effect that Heads of Departments and officers in the Secretariat are only too willing to supply information on request to honourable Members.

At the same time I would add that the Government would be prepared to recommend the provision of funds to supplement the administrative or secretarial staff of the UMELCO office for the purposes the honourable Member has in mind, if suitably qualified staff can be found. The secondment of one or more experienced administrative officers for this purpose is something which I am certainly prepared to consider if no other satisfactory solution presents itself but honourable Members will understand that I have no pool of unemployed officers on which to draw, and that the institution of the City District Officer Scheme has taken especially heavy toll of existing resources.

Both my honourable Friends Mrs LI and Mr WONG have emphasized the influence and impact of radio and television upon the people of Hong Kong; and Mrs LI has urged the Government to make more active and imaginative use of these media in projecting its public image.

This is indeed a matter of the highest importance and the Director of Broadcasting is now considering the formation of a public affairs division of Radio Hong Kong which would enable him to bring under unified direction all the personnel working in this field, including the staff of the recently announced public affairs television unit. With some such reorganization of his staff and with the improved technical facilities which will become available next year when Broadcasting House is opened, the Director hopes that the Government will be able to make a substantially greater use of broadcasting in its future relations with the public.

Mr WONG advocates the setting up of a Broadcasting Advisory Committee to assist in the formulation of programme policy at least as regards the Chinese service. I hope he will be glad to learn that the Director of Broadcasting has already been authorized to establish committees of this kind which would give him access to public advice and opinion on a more formal basis than at present and he is now examining how this can best be achieved.

My honourable Friend Mr Dickson LEACH has asked that consideration be given to the recruitment of primary school leavers as boy entrants to our disciplined services. I foresee difficulties in the introduction here of formal schemes parallel with those in existence for the enlistment of boys into the Armed Services in the United Kingdom but the possibilities will be examined. The Commissioner of Police already has under consideration proposals for a regular Police Cadet organization on somewhat similar lines.

Meanwhile I am sure honourable Members will be interested to learn that, as one means of providing fresh outlets for youth activities, a plan to establish a part-time Civil Aid Services Cadet Corps is well advanced. This, if approved, envisages an initial establishment of 200 boys between the ages of 14 and 17 who would be given training in discipline and civics by volunteer staff, as well as opportunities for social and recreational activities.

The feasibility of extending this idea to other Auxiliary Defence Units will be examined and I understand that private arrangements to set up a Sea Cadet Corps are already well in hand. By means such as this it is hoped to provide opportunities particularly for children in the poorer and more crowded city areas and to attract them into future careers in the disciplined services.

[THE COLONIAL SECRETARY]

This leads me on to some general remarks on the subject of “youth” which has featured so largely in the speeches of honourable Members. Whether they are regarded as an asset or a liability we have in Hong Kong a great many young people. With the steady improvement in standards of living, in health, and in education it is inevitable that they should have more leisure and that they should require more sophisticated outlets for their energies and exuberance.

As the speeches by my honourable Colleagues have shown, a great deal has been done and much more is planned both by the Government and by the voluntary agencies to provide and diversify those outlets for energy and to guide the intellectual as well as the physical development of our young people. I have a very high respect for their general good behaviour and good sense, which must compare very favourably with those of any other urban community in the world. We should beware of coming to regard all young people as potential delinquents or of treating them as some kind of different breed of human beings from ourselves.

Obviously we must do all we can within our resources to give them a balanced and useful education, to safeguard their health, and to provide suitable opportunities for recreation and employment—in short, to give them a good start in life. On the other hand, I believe we must not pander to them or regiment them; for that would be to destroy family discipline and to rob them of the initiative which is so important for our future leaders in all walks of life.

For these reasons I personally agree with my honourable Colleague the Director of Education and see dangers in the present tendency to elevate just one aspect of the Government's general responsibilities to the community into a somewhat abstract concept called the “Problem of Youth” (with a capital P and Y). I believe there is a risk in this and that we shall lose contact with reality and, in the search for some ideal overall solution, we shall cease to make progress. I do not myself think that on present evidence there is a strong case for new departments or councils or commissioners dealing solely with youth.

There may, nevertheless, be good reason for taking some less elaborate (and less expensive) steps to improve the co-ordination of the various policies which impinge upon the lives and development of young people and to assist in implementing those policies more effectively. This is something which we are now examining closely.

I will end this debate, as my honourable Friend Mr RUTTONJEE began it, with a reference to what he called the “structure of the administrative machine”. Sir, the present structure is no more Victorian than the House of Commons is mediaeval. As my honourable

Friend the Financial Secretary has just said it has changed with the times and it has adapted itself to new circumstances as they have arisen. It has proved capable of handling the immense complexities of modern Hong Kong and has survived the new and heavy strains placed on it last year with considerable resilience. I do not claim infallibility: we are continually on the watch for ways and means of improving the efficiency of that machine and for removing the imperfections which we know exist.

Honourable Members will I am sure be interested to know that you, Sir, recently invited Sir Charles HARTWELL, who has a wide experience of these matters, to undertake an examination of the organization and method of operation of the Colonial Secretariat within the framework of the existing Constitution; and to make recommendations. Sir Charles will examine not only the internal organization of the Secretariat but also the relationship between the Secretariat and departments and the procedure by which the approval of the Government is obtained for departmental policies or proposals.

The present form of the Government has developed to meet the special needs and circumstances of Hong Kong. An acceptable balance has always been sought between the more authoritarian approach and the slower methods of consultation at many levels. Where the processes of full consultation are followed, there will always be charges of lack of urgency and delays and of unsatisfactory compromises; where they are not, the charge will be one of dictatorship, however benevolent or efficient.

Sir, we cannot have it both ways and I feel confident that honourable Members would not favour any more authoritarian a system of Government. They have shown this by their willingness to give up so much time and energy to the deliberations in the many Councils and Committees on which they serve and where their advice has proved of the highest value.

Sir, I beg to move the resolution standing in my name.

The question was put and agreed to.

HIS EXCELLENCY THE GOVERNOR:—Honourable Members may welcome a short break at this point, in which case I will suspend the sitting of Council until ten minutes to four o'clock.

* * *

HIS EXCELLENCY THE GOVERNOR:—Council will resume.

**RESOLUTION REGARDING THE ESTIMATES OF REVENUE
AND EXPENDITURE FOR 1968-69**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Estimates of Revenue and Expenditure for 1968-69 as amended by the Report of the Select Committee, be approved.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

APPROPRIATION (1968-69) BILL 1968

THE FINANCIAL SECRETARY moved the First reading of:—“A Bill to apply a sum not exceeding one thousand nine hundred and sixty-five million, three hundred and fifty-three thousand and ten dollars to the Public Service of the financial year ending the 31st day of March 1969.”

He said:—Sir, this Bill is designed to give statutory authority to the expenditure which has been proposed in the estimates which have been the subject of the Debate just concluded today.

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 1st April, it is essential that this Bill should pass through all stages today. If, Sir, you are of that opinion, I would beg leave to move suspension of Standing Orders for this purpose.

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

THE FINANCIAL SECRETARY:—Sir, I rise to move that the Standing Orders be suspended to the extent necessary to allow the Appropriation (1968-69) Bill before Council 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 the 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 (1968-69) Bill 1968 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 the Third time and passed.

REGISTRATION OF UNITED KINGDOM PATENTS (AMENDMENT) BILL 1968

THE ATTORNEY GENERAL moved the First reading of:—"A Bill to amend the Registration of United Kingdom Patents Ordinance."

He said:—Sir, it has been recognized from mediaeval times that the regulation of trade lay within the prerogative of the Crown. One aspect of this prerogative was the granting to private persons and corporations of a monopoly to conduct a trade or to manufacture articles. The Courts, however, regarded monopolies as impinging on the principles of free trade, and this conflict of views was resolved by the Statute of Monopolies in 1624, part of which is still in force and forms the basis of English Patent Law. This Act declared monopolies in general to be illegal, with the exception of those which related to new manufactures and satisfied certain conditions which were specified in the Statute.

Since that date, various Acts have been passed to provide a machinery for the granting and enforcement of patents, but the prerogative of the Crown has been expressly saved, and the grant of a patent for an invention is still reserved to the Crown.

At common law, the grant of a patent by the Crown was never regarded as binding on the Crown, because the Crown itself was the grantor, so that the Crown was free to make use of the invention for its own purposes without paying any compensation to the patentee.

The common law position was changed in the last century by statute in England, to give a patent the same effect against the Crown as against the subject, save that power was reserved to any Government Department

[THE ATTORNEY GENERAL]

to make use of an invention for the services of the Crown in most cases (though with minor exceptions) on the payment of suitable compensation.

The Registration of United Kingdom Patents Ordinance (Chapter 42) provides as its title suggests for the registration in Hong Kong of patents granted in the United Kingdom and for the issue of a certificate on such registration. It does not, however, allow for the grant of new patents in Hong Kong and its effect therefore, is to protect here only those patents which have already been granted in the United Kingdom.

Section 6 of this Ordinance confers on a person to whom a certificate of registration is issued “privileges and rights . . . as though the patent had been issued in the United Kingdom with an extension to Hong Kong.” Section 21 of the English Patents Act 1949, makes a patent effective against the Crown, subject to section 46 of the Act which empowers a Government Department to make use of an invention for the services of the Crown, usually on payment of compensation, even without the patentee's consent. Until 1966, it was thought that the effect of section 6 of the Ordinance, which I have quoted, was to allow departments of the Hong Kong Government to do what departments of the United Kingdom Government can do under section 46 of the 1949 Act. Certainly it appears that this Council took this view in 1957 since the Crown Proceedings Ordinance, passed in that year, referred to “the rights of the Crown under section 46 of the Patents Act 1949 . . . as applied to the Colony by the Registration of United Kingdom Patents Ordinance.”*

In 1966, however, the Full Court ruled that section 46 of the United Kingdom Patents Act did not apply in Hong Kong, that the Hong Kong Government had no right to use a patented invention for the services of the Crown and that any attempt to do so would be an infringement of the patentee's rights which could be restrained by injunction and for which damages would be payable.

The purpose of this Bill is to restore what had been thought to be the legal position before this decision and to place the Crown, in right of Her Majesty's Government in Hong Kong, substantially in the same position in this respect as that enjoyed by the Crown in the right of Her Majesty's Government in the United Kingdom. To achieve this, it is proposed to introduce into the Ordinance the appropriate provisions of the English Patents Act 1949, with such modification as local circumstances require.

* 1957 Hansard, pages 136-42.

I say “substantially in the same position” because under the English Act a United Kingdom Government department can make use of patented inventions for a number of additional purposes, which fall within the definition therein of the phrase “the services of the Crown”, in particular for the supply to other countries of patented inventions needed for defence purposes. No need is seen for similar provision here, so this power has been omitted from the Bill. Conversely, the Bill gives the Crown no power to use patented inventions which does not appear in the English legislation.

The Hong Kong Government would be able, under this Bill, to authorize persons other than the patentee to supply patented articles to the Government for use by a Government Department. Without this power, the Government is sometimes obliged to obtain articles from the registered patentee at whatever price he asks. In the case of those articles which the Government must purchase in order to perform its public functions and obligations, this may place the patentee in a position of power which is inimical to the public interest.

There is, of course, no question of robbing the patentee of a reasonable return on his invention. If the Government obtains patented articles from a source other than the registered patentee, it will, under this Bill, have to pay compensation to him as well as paying the supplier for the articles bought. The amount of compensation will, I hope, normally be agreed between the Government and the patentee, with each side able to refer the matter to the Supreme Court if there is a failure to reach agreement.

I suggest that this Bill, which puts our law on the same footing as English law on the subject and restores what for many years was thought to be the position, strikes a fair balance between private rights and community needs. I should make it clear that the Bill has not retrospective effect, and will not enable the Government to make use of its provisions in relation to any contract for supply entered before the date of commencement of the Ordinance.

The Bill is clearly a matter of importance to patent holders, and requests have been made on behalf of interested parties that they should be given a full opportunity to consider its terms. It is therefore proposed to extend the period which normally elapses between the First and Second readings to enable them to do so.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

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

The main object of this Bill is to make it clear that the Government of Hong Kong may itself or through persons duly authorized in that behalf, and for the services of the Crown, make, use and exercise any invention patented in the United Kingdom in respect of which the Registrar of Patents in Hong Kong has issued a certificate of registration in accordance with the provisions of section 5 of the Registration of United Kingdom Patents Ordinance (Cap. 42), and to provide for the payment of compensation in respect of such use and exercise.

Section 6 of the Registration of United Kingdom Patents Ordinance confers on persons to whom certificates of registration are issued, privileges and rights, subject to all conditions established by the law of Hong Kong as though the patent had been issued in the United Kingdom with an extension to Hong Kong. It has been until recently considered that this section had the effect of applying to the Colony section 46 of the Patents Act 1949 of the United Kingdom so as to enable a department of the Government of Hong Kong, and any person authorized in writing by such a department, to make, use and exercise patented inventions for the services of the Crown in accordance with the provisions of section 46 of the Patents Act 1949.

In a recent case before the Full Court, however, this interpretation was not accepted and it was held that section 46 of the Patents Act 1949 did not apply to this Colony so as to enable Government departments to make, use and exercise patented inventions, notwithstanding the assumption of the legislature that section 46 of the Act was so applied, shown by section 5(2) of the Crown Proceedings Ordinance (Cap. 300). The effect of the decision of the Full Court is to render the Crown liable for damages for the action of the Government in authorizing the supply of goods the subject of a U.K. patent registered in Hong Kong, notwithstanding that such authorization is for the supply of such goods for the services of the Crown. In reaching this decision the Court stated “The legislature clearly assumes” (when enacting section 5(2) of the Crown Proceedings Ordinance, Cap. 300) “that section 46 of the Act was applied to the Colony by the Registration Ordinance”. In the light of the above, this Bill seeks to incorporate into the Registration of United Kingdom Patents Ordinance the terms of section 46, and in consequence of sections 47 and 48, of the Patents Act 1949, with necessary modifications to suit local circumstances.

CREMATION (AMENDMENT) BILL 1968

MR G. M. TINGLE moved the First reading of:—"A Bill to amend further the Cremation Ordinance."

He said:—Sir, section 10 of the Cremation Ordinance at present provides that nothing in the Ordinance shall interfere with any jurisdiction or power of any magistrate to order the cremation of a body.

As a result of the enactment of the Coroners Ordinance 1967,* the power to order the cremation of a body has been transferred from a magistrate to a coroner.

A consequential amendment to the Cremation Ordinance is therefore necessary.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

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

This Bill seeks to amend the Cremation Ordinance in consequence of the Coroners Ordinance 1967.

**PUBLIC HEALTH AND URBAN SERVICES
(AMENDMENT) BILL 1968**

MR G. M. TINGLE moved the First reading of:—"A Bill to amend further the Public Health and Urban Services Ordinance."

He said:—Sir, as honourable Members will probably be aware, two new abattoirs are under construction, one at Kennedy Town on Hong Kong Island, and one at Cheung Sha Wan in Kowloon. These abattoirs, which will be completed in June and December 1968 respectively, will be entirely different in design and method of operation from the existing slaughterhouses. The By-laws which will govern their operation will be somewhat wider in scope than the existing Slaughterhouses By-laws, and to enable them to be made it has been found necessary to amend section 77 of the Public Health and Urban Services Ordinance as in the Bill now before Council. It is intended that the new By-laws, when they are enacted, should apply to the new abattoirs as they come into commission, and the present slaughterhouses will continue to operate under the current Slaughterhouses By-laws as long as they are in use.

* 1967 Hansard, pages 421-4 & 451.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

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

The purpose of this Bill is to widen the provisions of section 77(1) of the principal Ordinance to enable the making of appropriate by-laws for the new abattoirs which are to be brought into operation later this year.

**REGISTERED TRUSTEES INCORPORATION
(AMENDMENT) BILL 1968**

THE ATTORNEY GENERAL moved the Second reading:—“A Bill to amend the Registered Trustees Incorporation Ordinance.”

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read the Second time.

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

Clauses 1 to 11 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Bill before Council 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 the Third time and passed.

CHARITIES (LAND ACQUISITION) (AMENDMENT) BILL 1968

THE ATTORNEY GENERAL moved the Second reading of:—“A Bill to amend the Charities (Land Acquisition) Ordinance.”

THE COLONIAL SECRETARY seconded.

The question was put and agreed to,

The Bill was read the Second time.

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

Clauses 1 and 2 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Bill before Council 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 the Third time and passed.

ADJOURNMENT

THE COLONIAL SECRETARY moved the adjournment.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

HIS EXCELLENCY THE GOVERNOR:—Before I adjourn Council, may I call Members' attention to the fact that this is the last meeting to be attended by Mr TINGLE as he is retiring from the Government service in April. I feel sure honourable Members would wish me to convey our thanks to Mr TINGLE for the very valuable work he has done in Hong Kong for the past 19 odd years that he has been here and I am sure too that we all wish him and Mrs TINGLE many happy and successful years in retirement.

Honourable Members:—Hear, hear.

MR TINGLE:—Thank you, Sir.

NEXT MEETING

HIS EXCELLENCY THE GOVERNOR:—Council will now adjourn and the next meeting will be held on the 10th of April.