

OFFICIAL REPORT OF PROCEEDINGS**Sitting of 26th February 1969**

MR PRESIDENT in the Chair

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID (CLIVE CROSBIE) TRENCH, GCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY (*Acting*)
MR GEOFFREY CADZOW HAMILTON, CBE
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
SIR JOHN (JAMES) COWPERTHWAITTE, KBE, CMG
DR THE HONOURABLE TENG PIN-HUI, CMG, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT, CMG
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE WILLIAM DAVID GREGG, CBE
DIRECTOR OF EDUCATION
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC
COMMISSIONER OF LABOUR
THE HONOURABLE TERENCE DARE SORBY
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE KENNETH STRATHMORE KINGHORN, CBE
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, MBE
DIRECTOR OF URBAN SERVICES
THE HONOURABLE GEORGE TIPPETT ROWE
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE KAN YUET-KEUNG, CBE
THE HONOURABLE FUNG HON-CHU, OBE
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE SZETO WAI, OBE
THE HONOURABLE WILFRED WONG SIEN-TING, OBE
THE HONOURABLE ELLEN LI SHU-PUI, OBE
THE HONOURABLE WILSON WANG TZE-SAM
THE HONOURABLE HERBERT JOHN CHARLES BROWNE
DR THE HONOURABLE CHUNG SZE-YUEN, OBE
THE HONOURABLE LEE QUO-WEI

ABSENT

THE HONOURABLE MICHAEL ALEXANDER ROBERT HERRIES, OBE, MC

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS
MR DONALD BARTON

ADDRESS BY THE PRESIDENT

Honourable Members of the Legislative Council. As you know, this is the first Budget Meeting to be held under our new Standing Orders*; and normally I would not be addressing you on this day, as Governors have done in the past. This is because, under the new procedure⁺, the Governor's annual review will in future be given in October or early November, on the first day of the new session. This address can then be followed by a wide-ranging debate, the main debate at these Budget meetings being left to concern itself mainly with financial and economic affairs.

But this does leave a slight transitional awkwardness, since a gap of some 18 months between the occasions I speak here is rather too long, and perhaps should be bridged. Moreover, I do have a somewhat personal reason for wishing to speak today. As you know, I am due under present arrangements to leave you in something over a year's time: and I would therefore like, with your permission to say something today about some of the things that I, personally, would like to see accomplished before then. I hope perhaps I may be forgiven for this indulgence.

But may I make one or two preliminary points first. First, I do earnestly assure honourable Members that in speaking of my hopes for the immediate future I have no desire to appear to be infringing on the prerogatives of the Executive Council or of this Council. Anything I suggest will still fall to be considered in the normal way by the appropriate Councils.

Next, it will be obvious that I cannot cover everything in one speech. We have vast, orderly programmes of development in such areas of activity as housing; the provision of medical facilities, water supplies and roads; primary and secondary education; and University development, to name just a few, which are already laid out before us with the authority of Councils behind them. These programmes will continue, and I shall therefore touch chiefly on matters where policy is as yet not so well defined.

With these preliminary points in mind, therefore, I would like first to mention a problem which has come into increasing prominence, as some of our earlier difficulties approach amelioration following upon the energetic action taken to subdue them. I refer to the whole question of what is often and rather loosely described as social security.

It would be a help if this question was discussed with more realism and clarity of thought than it usually is. We need to bear in

* 1968 Hansard, pages 423-8.

⁺ 1968 Hansard, pages 468-9.

mind that two interdependent but quite separate systems of social protection are embraced by the general concept of social security; and that these two must not be confused. There is, first, the system perhaps most commonly known as public assistance, under which the family incomes of those who have genuinely fallen on hard times is augmented by direct *ex gratia* subsidies, in cash or kind, to bring the income of the family up to a level sufficient to meet their minimum needs, such subsidies being continued until the family can be helped to get on its feet again financially, if this is possible. Next, there is social insurance. Here, those participating are required to pay contributions in the nature of insurance premia towards the cost of their protection against various contingencies; these contributions often being paid partly directly and partly by employers: the latter, of course, with consequential effects on wage levels. It is common for the public purse, under these arrangements, to assist by meeting or partly meeting administration costs: but the essential difference between public assistance and social insurance is that under the former the families requiring help obtain it without any contribution on their part, while under the latter the benefits obtained come, broadly speaking, from the contributions subscribed by all participants and do not come from public revenues.

I can, I am afraid, hold out little hope of early progress in the field of social insurance. All our studies, and all our imported expert advice, point clearly to the need, in our circumstances, of entering into this field with the utmost caution. Some fields in which social insurance operates elsewhere are, of course, already covered here by direct means. In time, the introduction of some other forms of social insurance may perhaps be possible; but that time is not just yet, even though we do continue to keep the possibilities in mind. The time has simply not yet come when the enforcement by law of contributions from wage-earners, even if it was done through employers, would be sufficiently generally acceptable to be a practicable proposition.

Of course, those in need of public assistance would not in any case be in a position to keep up social insurance payments. If only for this reason, public assistance is a more pressing need than social insurance: and, indeed, the need for improvements in our methods of public assistance has for a long time been recognized. A short look back into history is not out of place here. When the flood of new immigrants was at its height, we asked for no official aid from abroad: but we did point out that the burden of caring for all these newcomers should not be borne by Hong Kong alone, and that other countries should help in what was essentially a problem of international concern. We did, indeed, get generous assistance from overseas, much of it through voluntary agencies, and for this we must always be grateful. But this assistance is diminishing, and it would be unrealistic to expect it to continue on the same scale forever. Fortunately, increasing

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prosperity is having some effect on the size of the problem of those in real want. On the other hand, prosperity and rising standards of living are increasing the disparity between the conditions of those in misfortune and other people. By early 1967, therefore, it was already becoming clear that the then scales of governmental public assistance, and the criteria for eligibility, needed review and improvement and that further steps would be necessary.

In considering what can be done, money of course is a problem: but it is by no means the only problem. On the official side, we have been willing to recommend the allocation of quite a lot more money for some considerable time. The real problems have been, on the one hand, to find answers to certain fundamental questions, such as to what levels should support be given bearing in mind both minimum needs and general wage levels here; subject to what criteria should support be granted, and what would be the cost. But there are also very severe problems to be solved concerning the organization, control and administration of a system which is inevitably wide open to many abuses of a number of kinds.

But, in spite of these very real problems, which I emphasize need most careful study and are not to be waved away by a mere impatient pretence that they are trivial, I am sure that the time has now come when we should move towards an organized and wholly government sponsored system of public assistance: and I sincerely hope that the next year will see us making progress; progress both in easing our criteria for assistance and improving our methods of providing it, and progress also towards a properly based Government system. Improvements of this kind will however not be easy, and much will depend on the soundness of the advice we get from the experts in these matters. We do not need exhortation here: we need thought by those whose field this is.

To turn to another problem. Honourable Members are already aware, since I spoke of this matter in this Council in 1966*, that I have been concerned to see some improvement in our local authority system. Little progress was possible in 1967, but in 1968 tentative fresh proposals were drawn up and have been under consideration by various interested parties, including the Urban Council. As yet no clear consensus of view has emerged: but I think it very desirable at least to make progress on those more minor but still important changes on which some measure of general agreement can be reached. I would, as an example, like to see instituted a separation of the Urban Council's finances from those of Government, by means of a separate budget approved by this Council, with some provision to enable the Urban

* 1966 Hansard, pages 51-2.

Council to raise and dispose of its own revenues. Other desirable changes would also, I would hope, prove possible even if their extent is, at this stage, limited: but whatever we do, we must above all see that the powers of local authorities and their responsibilities are coterminous. We cannot have the exercise of power without acceptance of full responsibility.

Next, there is the difficult question of whether we should have an Ombudsman: or rather an office similar to that of the Parliamentary Commissioner in the United Kingdom or in New Zealand; for Ombudsman is a term which is wholly inappropriate to constitutional forms of the British type. As a result of much careful study, we are now reasonably clear how a Commissioner of this kind, with powers based rather more on those of the New Zealand Commissioner than on those of the more restricted British Commissioner, could be fitted into the Hong Kong scene.

But should we have one? This is by no means as certain as some advocates suggest. The image of these Commissioners as all-powerful rectifiers of all grievances is of course very far from the truth. They have no executive powers whatever, and can only report their findings. The essential point about such Commissioners is that they have legal powers of investigation: but where a legal power is granted, that power naturally has to be legally circumscribed. If, as a result, the Commissioner finds he has no power to investigate in any particular case, the complainant is told so and that is the end of the matter. I am told that in New Zealand, for example, some 40% of all matters referred to the Parliamentary Commissioner are thus rejected; nor does this mean, of course, that the remaining complaints were found to have substance—only that it was found permissible to investigate them and make a report. There the Commissioner's powers end. It seems to me we need systems of dealing with complaints more flexible and effective than this: and that indeed, as I have said before, in essence I think we have them.

A Commissioner would to some extent be helped by legal powers of investigation perhaps, although I am not sure the public would welcome his power to compel them as witnesses. The grant of legal powers might also help to inspire confidence in him. Moreover Commissioners of this kind have been shewn elsewhere to provide a very useful protection for the public service by refuting allegations made against them: and of course they do certainly turn up mistakes, misjudgements and so on.

These points are in favour of the idea; but the limitations I have mentioned on what the Commissioner can do, arising from the very legal powers he has, risks public disappointment and disillusion with him developing. On the other hand, honourable Members here, for

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example, hearing complaints in the UMELCO office, may not be empowered by law to investigate; but in practice I am assured they are not hampered by this, and receive all the official co-operation they require. This can be, and is, assured to them administratively, as a matter of courtesy, without recourse to a legal power. Moreover, they do not have to refuse to hear any complaint: and they can seek solutions to a complainant's problems in ways quite other than those which have actually been sought, which is something a Commissioner could not do. Much the same is true of other channels of complaint that we have, for example through the District Officers and the CDO organization, or, indeed, merely by writing to Heads of Department or to me. Moreover many complaints received in this way can be taken notice of although merely verbal or even anonymous, whereas a Commissioner could not countenance either.

The first conclusion one must come to therefore is that the existence of a Commissioner would not in any way reduce the need to retain all our existing channels of complaint. But that leaves open the question whether we need a Commissioner as well. Personally, I think it is a question which must stay open until we have improved the existing channels to the maximum extent. In this connexion I would like to repeat my previous offer to honourable Members: which was, that I would be glad to recommend any further funds that may be needed, or to help in any other way, to further the work of the UMELCO office. I believe that honourable Members already have under consideration ways in which their work might be assisted and I shall await their recommendations with much interest. By next year I would like to feel that this and similar mechanisms have everything needed to make them work as effectively as possible, and that we are, by that much at least, clearer on the need for a Commissioner.

Another essential task facing us in 1969 is to make progress over the long-standing question of Chinese marriages. As honourable Members know, the recommendations made in the White Paper of 1967* have as their object the provision of new legislation enabling Chinese people in Hong Kong to marry according to the form of their choice and to have their marriage recognized in law by formal registration. At the same time the recommendations seek to provide statutory safeguards against possible practices which it is thought would not generally be acceptable in Hong Kong's society today. Detailed drafting is at present in progress on the preparation of the new legislation, during the course of which careful consideration has been given to the views of the public and the Bar Association of Hong Kong as well as to the principles set out in the White Paper. It has also been

* 1967 Hansard, pages 301-2.

necessary to seek the advice of the Foreign and Commonwealth Office on certain aspects of the problem. After this advice has been received, I do hope it will not be long before new legislation can be presented to honourable Members.

Another important aspect of Government's efforts to improve living conditions in Hong Kong is the work being done on urban renewal, or slum clearance. A feasibility study on the first pilot scheme area suggested by the 1965 Working Party* has been prepared, and work on the legislation required has also gone ahead. Next year will I hope see substantial progress on all aspects of the urban renewal scheme, despite the fact that the revival of development in the West Central area may involve some revision of the Public Works Department's feasibility study. But I am sure that these are plans we must press on with.

I am glad to say that it has also been possible to make substantial progress towards the enactment this year of the several important pieces of new legislation needed to deal with another matter which has long vexed us: and on which I would hope soon to see substantial progress. I refer to the problems arising from the divided ownership of multi-storey buildings. A draft bill concerning the apportionment of Crown rent and premium will shortly be submitted to the Executive Council, along with a draft bill enabling Government to vest individual flats in divided multi-storey buildings in Government ownership where there have been breaches of the lease conditions, instead of having recourse to the much more stringent power of re-entry on the whole property.

The third measure, which is designed to give legal backing to the voluntary management by owners of multi-storey buildings, is not making quite such rapid progress. Inevitably this is a complicated piece of legislation, but the bill is now at an advanced stage of drafting and should shortly be ready for circulation to various interested bodies. I hope that it will be possible to seek Executive Council's advice on the bill prior to its introduction here before the end of the year.

The situation of less well-off university students is another subject which concerns me. As honourable Members are aware, roughly 90% of the average cost of tuition is met directly by Government: I am using a very rough figure since there are variations between university and university and faculty and faculty and it is a figure which depends to some extent on how you calculate it. But the student has other expenses besides tuition to meet also, and for some even this last 10% or whatever is not easy to find, especially now that a university education is, encouragingly enough, becoming available to increasing numbers from poorer families. To help these students Government aims to spend about \$1.3 million yearly on various grants, but something more is needed as the Universities grow.

* 1966 Hansard, page 330.

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Now some subsidization of students is clearly justified by Hong Kong's need for graduates, and no one begrudges the subsidy. The question is, should further assistance be in the form of grants or loans.

The whole subject of student loans can be contentious, but it is one on which I have quite strong but, I stress, wholly personal, views. It seems to me that, in subsidizing the cost of student studies to the extent we do, the community has fairly adequately recognized its responsibility for ensuring a supply of graduates, and that it ought also to be recognized clearly that a university education enables the student to increase his earning power for the rest of his life. It follows that the student, too, has an obligation to the community to accept this fact, and to try to pay back such part of the remaining fraction as he has had to have to enable him to complete his studies. In high-taxation countries, of course, it can be argued that he will be paying everything back in very high rates of taxation: but this is scarcely a very valid argument here.

In my view therefore, while grants will always be necessary in special cases, we should think more in terms of assisting students to meet the unsubsidized part of their tuition and other expenses with loans on reasonably easy terms. And I would like to see more money, and I may add not necessarily all public money, available for this purpose.

Moreover any revised scheme for student financing should surely be administered primarily by the universities, who are in the best position to judge the needs of individual students: and it seems to me that this is one area perhaps in which a degree of student participation would not be inappropriate.

These then are some of the considerations which I personally feel we ought to take into account in our present review of the arrangements for assisting less well-off university students. It will, I hope, not be long before proposals can be placed before honourable Members.

The need to expand our facilities for technical education is a subject which has been exercising us all, and here too I would like to see material progress during 1969. It is a large and amorphous problem, and in consequence one that can only be tackled in a number of different ways simultaneously.

One of our most pressing needs is to introduce some kind of post-primary education for those children who for one reason or another do not enter the secondary schools with courses leading to School Certificates. These are the children, moreover, who are most likely to need practical skills when they grow up. To meet the dual need, we now

have proposals for a new type of post-primary school which will offer a three year pre-vocational course for children in the 11-15 age group. It is intended that the curriculum should be half academic and half practical, and that children wishing to enter these schools would not have to sit the Secondary School Entrance Examination. These proposals will I expect come before honourable Members shortly.

Later this year the new Morrison Hill Technical Institute will start up its first classes in borrowed premises. The manpower survey reports produced so far by the Industrial Training Advisory Committee make it clear that there is a growing requirement for skilled operatives and craftsmen in industry, and it is not too soon I feel for us to consider taking a decision in principle to proceed with one or more further Technical Institutes. This I hope we can do before too long.

Finally, at the higher levels, we are reaching broad preliminary agreement on how to re-inforce and extend facilities of the kind provided by the Technical College. A Polytechnic-type institution has of course been talked about, but opinions differ on what this means. Personally, I am now convinced that there is not really room to insert another type of institution at a level between the Technical College and Universities, and that to do so would be detrimental to the Technical College. But we do need to relieve the Technical College of some of its lower-level courses, which might be transferred to the Technical Institutes; to provide for courses leading to still higher qualifications in some appropriate technologies at the top of the scale; and to provide room for additional students in one way or another—perhaps in two separate but inter-linked institutions. Whether we then call the combination a Polytechnic or not seems to me largely a question of terminology, or perhaps presentation, without too much practical importance. I sincerely hope to be able to put the fundamental policy questions involved forward for consideration quite soon.

On education generally, I cannot say much about the ferment going on here and all over the world about what should be the proper structure of educational systems and the content of courses. On these questions, it is up to the experts to make up their minds and reach agreement, if they can. But I do believe that primary education to a good standard should be as readily available and as cheap to all as possible, although I personally have residual doubts about the wisdom of making it free anywhere, and the gravest doubts about the practicability of making it effectively compulsory in our present circumstances. I am sure we shall be able, however, quite soon, to see an aided primary education readily available to all who desire it. I hope also that, by reducing costs to the parent still further, and in other ways removing as far as possible the reasons why children fail to attend school, we shall be able to reduce the problem of non-attendance at school to a point where legislation can cope with the inevitable residue of those

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who wilfully keep their children from school. When I do leave here, the memory of Hong Kong's delightful children and intelligent, lively young people will be one of the things which stay with me longest. What we do, in all spheres, we do essentially for the future and for them, even though they may sometimes find this hard to believe.

I do not have time to say very much about our programme of labour legislation here, except of course to assure honourable Members that I am as anxious as they are to see it go forward at the best possible pace. We shall certainly see a number of important legislative proposals put before this Council in the course of the next year: but we must also be aware of the time and the care needed to prepare this kind of legislation. Hurried proposals lead to faulty proposals, and criticism of the speed of our progress is unavoidable. We shall always be in a pinch between the Scylla of those who complain that legislative programmes are not proceeding fast enough, and the Charybdis of those who criticize the legislation presented as not having been given sufficiently lengthy consideration. But legislation to widen the scope of Workmen's Compensation and increase its benefits; to cover severance pay on redundancy; to protect against dismissal during maternity; to extend to women and young persons in non-industrial sectors, including offices and shops, the provision for one rest day in seven which already applies to industrial workers; and to permit male employees to take the equivalent of one rest day in seven if they so wish; will all I hope be presented within the next year.

Of the matters affecting the public service at present the questions of equal pay for women and teachers' pay are among the most urgent. In recent months, these two subjects have become to some extent interrelated, and thus even more complicated than they were before.

Equal pay for work of identical value means, I must stress, exactly what it says: and it emphatically does *not* mean that in all cases female scales must necessarily be raised to the level of the existing male scale. It only means that the two scales must be equated. In grades in which both men and women are employed doing identical work, and in female grades in which women only are employed, but for which there is, nevertheless, a comparable male grade in which officers do identical work, the problem is not quite so difficult: and a scheme to achieve parity by the recommended target date of April 1975 is at present under discussion in the Senior Civil Service Council. Certain grades, however, present great difficulty in the application of the equal pay principle, and it has been necessary to examine separately all teaching and nursing grades, and certain grades related to nursing. I stress again that this does not mean that these grades are to be excluded from the equal pay scheme, and that the intention is that the principle of equal pay will

be applied as soon as possible to women officers in these grades so as to reach parity by 1st April 1975.

The difficulty of applying these principles to teachers lies basically in the fact that we have been trying to produce a satisfactory answer to the problem of revising teachers' salaries for some time past, and that it would be preferable if possible to solve the two problems together. Several different solutions to the problem of finding satisfactory scales for teachers, which would keep educational costs within practicable limits, have been produced over the years and have been discussed and debated without meeting with any great enthusiasm. Towards the end of 1967, however, we found a solution which appeared hopeful, subject to further examination of the details. During this examination of the 1967 scheme, it became apparent that it might be possible to introduce, as part of the revised salary scheme, a different and possibly more immediately advantageous equal pay scheme for teachers as well. This possibility is now being studied, and I certainly hope that we will be able to present detailed and comprehensive proposals before long. This whole difficult matter was before us when I arrived here, and I shall be very disappointed indeed if it cannot be cleared up for my successor.

As a final word on equal pay, I would like to repeat what the Colonial Secretary said in this Council in June 1965. I have said that equal pay means equal pay, and not necessarily that grades must be equated at the male level, but, of course, no serving officer will suffer a reduction in salary as a result of grades being equated. His personal position will be protected*.

Much has been said over the years about corruption in Hong Kong. That it exists here, as everywhere else, I do not doubt; but its extent is a matter for conjecture. However, that it exists at all is intolerable, and everything possible must be done to stamp it out.

The difficulties of so doing are well known: the fundamental dilemma being that convictions are extremely difficult to obtain when both the briber and the person bribed are usually satisfied with the transaction, and there is in consequence no complainant to give evidence. Justice is thereby frustrated, which is unacceptable in a matter of this importance, and powers must be taken to see that it is not. Additional powers, however, inevitably mean some infringement upon what are usually considered the rights of the individual; and we are instantly in another difficulty—that of limiting these infringements to no more than is necessary to see that justice is indeed served.

The balance between justice for the community and individual rights is always difficult to maintain, but a new and fairly stringent draft

* 1965 Hansard, page 412.

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anti-bribery bill is now being studied. Some of its provisions may arouse criticism, and if this criticism is well-founded, we shall, as always, take notice of it: but additional powers we must have if, as I am sure is the case, the public want better protection from corrupt practices.

There is another aspect to this. Too often, at present, officers who have mis-conducted themselves are able to shelter behind technicalities. A new disciplinary code is therefore being prepared to simplify enquiries into an officer's conduct, but again we must also ensure that all public servants continue to be fairly treated. This code will not of course be put into effect without prior consultation with the Senior Civil Service Council, but it is something on which I am much concerned to see progress. I may add that no one is more anxious to see corruption stamped out than the vast majority of public servants, whose good name is jeopardized by the misconduct of the few.

I have already gone on too long without referring to many things I would like to see done during this last year, but there are a few additional points I would like still to touch on briefly.

The CDO scheme has made an excellent start, as I think honourable Members will agree, and reflects great credit on the officers concerned. This, I hope, will be a year of consolidation, and a year in which the CDOs will gradually find their full role.

I trust that a decision on the tunnel will not be too long delayed. Nothing is required of this Government to enable progress to be made other than final reference to Councils when the details of what has been arranged are made known to us.

Similarly, I hope we shall soon hear whether HM Government in the United Kingdom can provide us with a loan to lengthen the runway at Kai Tak, in recognition of its value to British interests. Contrary to general belief, however, a decision on whether or not to do so can safely be delayed for another 4-5 months, and perhaps a little longer. After that we must decide, and it is going to be by no means an easy decision, since the benefits of an extension to Hong Kong are not as obvious as sometimes made out.

The mini-van problem is one which I would much like to see settled if possible. These vans have earned a place in our transport system by demonstrating that the public wants a means of transport a little more convenient than buses and less expensive than taxis. We should therefore in my personal opinion try to make controlled and legitimized room for them in our public transport system; in spite of the difficulties of so doing.

Another urgent problem is that of the hawkers: and of course it is one which we have been wrestling with for decades. I would be foolishly optimistic to hope that it could be settled once and for all in my time; but I sincerely hope the Urban Council will find itself able to suggest a policy which will not only provide the hawkers with the opportunities they reasonably need, and the housewives with the services which they value, but which will ensure order and the legitimate use of the streets for the passage of the traffic for which they were designed.

I do not suppose that even my successor will see a completion to the proposed mass-transit system. It will, indeed, be some time yet before all the necessary detailed investigations which have to be made before a final decision on whether to go ahead or not becomes possible, are completed. Until then we cannot know whether it is really possible to build a mass-transit system at all at a price we can afford: and we cannot safely do any guessing on a project of this magnitude just because it is clearly a desirable one.

And now, we turn in this meeting to a consideration of the estimates for 1969-1970. The annual estimates are the framework which supports all our activities, and in this lies the importance of these meetings. May I wish honourable Members every success in their deliberations so that we may provide that essential support we need for stability, prosperity and solid progress in 1969.

PAPERS

The following papers were laid pursuant to Standing Order No 14(2): —

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Emergency Regulations Ordinance.	
Emergency (Principal) (Amendment) Regulations 1969	16
Emergency Regulations Ordinance.	
Emergency Regulations (Repeal) Order 1969	17
Lion Rock Tunnel Ordinance.	
Lion Rock Tunnel (Amendment) Regulations 1969	18
Exemption of MV "East Breeze" Official No 332483	
Port of Registry—Hong Kong.	
Fixed Fire Smothering Arrangements in Cargo Spaces	20

Papers*Subject*

Sessional Paper 1969: —

No 5—Annual Report by the Commissioner of Labour for the year 1967-68.

Reports: —

Report of the Li Po Chun Charitable Trust Fund for the period 1st September 1967 to 31st August 1968.

Report of the Housing Board for the period 1st April 1967 to 31st March 1968.

Draft Estimates of Revenue and Expenditure with Explanatory Memoranda for the year ending 31st March 1970.

A Memorandum on the Personal Emoluments Sub-Heads in the Draft Estimates for 1969-70.

Report of the Public Works Sub-Committee of Finance Committee for the year 1969-70.

Report on the Public Service 1968.

Hong Kong Annual Report 1968.

Estimates of expenditure stand referred to a committee of the whole Council pursuant to Standing Order No 54(3). Referred by the President to the Finance Committee pursuant to Standing Order No 60(8).

QUESTIONS**Tung Wah Hospital Working Party**

1. MR FUNG HON-CHU asked the following question: —

As some considerable time has elapsed since Government appointed the Tung Wah Hospital Working Party, will Government give us a progress report indicating when its recommendations are likely to be made public?

THE ACTING COLONIAL SECRETARY: —Sir, I understand that the Working Party has prepared the draft of a report which has been circulated to its members and will be considered at an early meeting. I am informed that the report may be presented before the end of next month if no unforeseen difficulties arise.

Hong Kong Electric tariffs

2. MR SZETO WAI asked the following question: —

In view of the recent public dissatisfaction over the Hong Kong Electric Company's change of tariffs, will Government inform this Council: —

- (a) Under what authority the Company, being a public utility undertaking, can alter its tariffs, and whether Government approval is required for the change?
- (b) Has Government been informed in ample time by the Company of its intended change, and if so, has Government studied in details its implications, and is it satisfied that the change will have no adverse effect on the general consumers?
- (c) Would Government consider there is a need to secure a measure of control over this vital public utility similar to that over our public transport and telephone services?

THE FINANCIAL SECRETARY: —Sir, I trust that my honourable Friend will not object if, before answering his question, I suggest a qualification to the opening phrase on which he has hung them. He refers to “public dissatisfaction”. I must presume that he means publicly expressed or publicized dissatisfaction rather than dissatisfaction of the public in general. It is human nature that some of the 76,000 electricity consumers who will pay more under the new tariff should publicly complain, while the 90,000 who will pay less accept it with silent satisfaction.

The answers to my honourable Friend's specific questions are as follows: —

- (a) There is no statutory obligation on the company to seek Government approval for variations in its tariff; but agreement was reached with the company early in 1965 for the control of its profits and by virtue of this agreement the company advises Government in advance of any proposal relevant to the agreement, including any proposed changes in tariffs, in order to ascertain whether Government has any objection.
- (b) Government was given adequate advance notice of the proposed change and indicated to the company that it had no objection. Government was aware that the company had been working for some time on a revision of its tariff. The company, indeed, had said so publicly in April last year. The revision has its origin in the Report of the 1959 Electricity

[THE FINANCIAL SECRETARY] **Questions**

Supply Companies Commission* which criticized the tariff then in force as inefficient and inequitable and recommended that consideration be given to introducing a more modern and more equitable tariff, which would in particular put an end to the existing situation in which certain consumers and classes of consumers were being, in effect, subsidized by others. I refer my honourable Friend to paragraphs 40-51 of the Commissioner's Report. These criticisms were recognized by the company and by Government as valid, and it has been the intention since then that the Commission's recommendation should be carried out. A further public statement was issued by the company yesterday giving a clear account of the origin of, and the present defects of the old tariff and the reasons which make a new tariff desirable.

Before indicating that it had no objection to the new tariff proposed, Government considered its general effect on consumers and classes of consumers, the order of magnitude of the changes proposed and their implications, both immediate and future, for the economy and for equity between consumers. The new tariff was also considered from the point of view of the company's level of profits. In this last connexion it must be recognized that the new tariff is designed to produce in 1969, a net reduction, may I repeat, a not reduction, of over \$3 million compared with the old tariff. The company proposed this reduction in order to ease the transition, although it was not necessary to do so in terms of the agreed limits on profit.

Government is not only satisfied that the change will have no adverse effect on the general consumer, to use the phrase in my honourable Friend's question, but also that the change is necessary in the interests of fairness and is generally beneficial. The need for tariff reform has been recognized since 1959 and is, if anything, overdue.

(c) There is already an effective measure of control.

MR WOO: —Sir, may I ask a supplementary question? Is it true that Government has not yet agreed to apply the new tariff to its own premises?

THE FINANCIAL SECRETARY: —No, Government has agreed to apply the new tariff to its premises.

* 1960 Hansard, pages 10, 111-2 and 146-7.

STATEMENTS

Report of the Housing Board for the period 1.4.1967 to 31.3.1968

THE ACTING COLONIAL SECRETARY: —Sir, amongst the papers tabled today is the Report of the Housing Board for the period 1st April 1967 to 31st March 1968*.

The Board's recommendations are summarized at the end of its Report. The Board has recommended the continuance of a very substantial Government programme, both in the way of Resettlement and of Government Low Cost Housing, and has in addition examined the quality of the earlier types of Resettlement Blocks. This examination has led to a recommendation for a pilot scheme for the conversion of the original Mark I and II Resettlement Blocks—which has already been approved—and to a recommendation for the introduction of a new official adult space standard of 27 square feet for Resettlement Mark I—V Blocks as a step towards the adoption of an adult space standard of 35 square feet for all types of Resettlement Blocks including the new Mark VI design.

Considerable problems still remain to be overcome as shown by the Board's comments on the growing shortage of suitable large scale sites for low cost housing in the present urban areas. But the overall impression is one of a steadily growing improvement in the housing field of which Hong Kong can be proud.

The Urban Council, the Housing Authority and the Housing Society are being consulted on those proposals in the Report which are of particular concern to them. As soon as all these views have been received, it is proposed to seek the advice of the Executive Council and subsequently the Finance Committee of this Council on the Board's proposals.

I should like also to take this opportunity, on behalf of the Government, of thanking the Chairman and members of the Housing Board for this most useful and well illustrated Report which made a fitting conclusion to the first term of the Board's life.

Emergency (Principal) (Amendment) Regulations 1969

Emergency Regulations (Repeal) Order 1969

THE ATTORNEY GENERAL: —Sir, among the items of subsidiary legislation which have been laid on the table today are two which are concerned with emergency regulations*.

* Pages 71-2.

[THE ATTORNEY GENERAL] **Emergency (Principal) (Amendment) Regulations 1969**
Emergency Regulations (Repeal) Order 1969

The first of these, entitled the Emergency (Principal) (Amendment) Regulations 1969 inserts into the principal regulations provisions dealing with inflammatory speeches and posters. These were previously contained in two separate sets of emergency regulations, the Emergency (Prevention of Inflammatory Speeches) Regulations and the Emergency (Prevention of Inflammatory Posters) Regulations both of which were brought into force during the summer of 1967*.

It is considered that it is no longer necessary to keep these regulations in force and that they are not of such a nature that they should be made part of the permanent law of the Colony.

The Emergency (Principal) (Amendment) Regulations 1969, therefore, insert this legislation into the main Emergency (Principal) Regulations. It will not be brought into force, however, unless the need should arise in the future, in which event this can be done by an order made by the Governor under regulation 137 of the principal emergency regulations.

The Emergency Regulations (Repeal) Order 1969 revokes the two 1967 sets of regulations, dealing with inflammatory speeches and posters, to which I have already referred. This order also repeals the Closed Area Regulations 1967⁺, which empower the Governor to declare any building or area to be a closed area. Similar provision is now to be found in the Public Order Ordinance and therefore these regulations are no longer required. With their repeal, a number of closed area orders made in 1967 have automatically lapsed.

These repeals reflect the policy of the Government to get rid of emergency legislation as soon as it reasonably can.

Annual Report of the Labour Department for the year 1967-68

MR R. M. HETHERINGTON: —Sir, I would like to hope that the annual departmental report of the Labour Department for 1967-68, which has just been laid on the table of this Council[‡], is more widely read by those interested in labour matters than previous annual reports. The total number of copies purchased by the public has risen progressively each year since 1963 from the very modest figure of 114 to the equally modest figure of 200 in 1968. I do not suggest that these reports can be classified as light reading. However, if I am to be assisted in my

* 1967 Hansard, pages 318 & 332.

+ 1967 Hansard, page 340.

‡ Page 72.

responsibilities, it would be more helpful to me if comment and advice took in to account the information available in these reports.

I would merely like, for the present, to draw attention to the contents of the latest report which consists of 49 pages of text and 90 pages of statistics. Among these statistics, a reader will discover that, in 1967-68, officers of the Labour Department assisted 1,234 persons to find new jobs in Hong Kong, attested 2,407 contracts for persons who went overseas for employment, initiated 2,777 prosecutions, dealt with 3,093 disputes, processed 8,300 claims for workmen's compensation amounting to nearly \$5 millions, and carried out 75,656 visits to factories and industrial undertakings.

FACTORIES AND INDUSTRIAL UNDERTAKINGS (AMENDMENT) REGULATIONS 1969

MR R. M. HETHERINGTON moved the following resolution: —

Resolved, pursuant to section 7 of the Factories and Industrial Undertakings Ordinance, that the Factories and Industrial Undertakings (Amendment) Regulations 1969, made by the Commissioner of Labour on the 10th day of February under section 7 of that Ordinance, be approved.

He said: —Sir, the purpose of this resolution is to seek the approval of the Legislative Council for regulations made by me on 10th February 1969 and submitted to the Governor in accordance with subsection 3 of section 7 of the Factories and Industrial Undertakings Ordinance. These regulations are called the Factories and Industrial Undertakings (Amendment) Regulations 1969.

When I spoke in this Council at the beginning of January*, I gave warning of my intention to make several regulations if the Mining (Amendment) Bill and the Factories and Industrial Undertakings (Amendment) Bill, which I then introduced, became law. These two bills were enacted earlier this month⁺. Consequently, it became possible for me to make the regulations which I then had in mind.

I shall this afternoon move resolutions in respect of three other sets of regulations. It would be appropriate for me to mention, at this stage, that all the regulations, which are inter-related and which were made by me on 10th February 1969, were previously considered and unanimously approved by the Labour Advisory Board.

Regulation 17 of the Factories and Industrial Undertakings Regulations prescribes for the reporting of accidents resulting in death and

* Pages 15-19.

⁺ Pages 13-19, 31-40 & 51-2.

[MR HETHERINGTON] **Factories and Industrial Undertakings (Amendment) Regulations 1969**

disablement in an industrial undertaking to an inspector of the Labour Department and, in the case of fatalities, to the nearest police station. Clause 4 of the amending regulations substitutes a requirement that, in respect of quarries, such accidents are to be reported to the Superintendent of Mines who is a more appropriate officer to deal with these matters. Fatalities must also be reported to the police as before. Regulation 18 similarly prescribes for the reporting of dangerous occurrences in an industrial undertaking. Clause 5 of the amending regulations now requires that such reports in respect of quarries are to be made to the Superintendent of Mines. It is not necessary to provide specially in the regulations, as in Part VIII of the Mining Ordinance, for powers to hold examinations and enquiries into accidents and dangerous occurrences in quarries. Such powers already exist under section 4(1)(d) of the Factories and Industrial Undertakings Ordinance.

The Schedule to the principal regulations lists six types of dangerous occurrences. Clause 6 adds two other types which have special reference to quarries. These can be generally described as the collapse of overburden and the overturning of or collision with a bulldozer and similar types of mobile machinery. It is consequentially necessary to define overburden in the principal regulations. This is done by clause 2(b).

The opportunity is taken, by clause 2(a), to amend the definition of "building or engineering construction site" to expand the meaning of maintenance to include redecoration and external cleaning. This amendment is identical with that recently incorporated in to the principal Ordinance by the Factories and Industrial Undertakings (Amendment) Ordinance, number 4 of 1969, and is necessary because of my intention, later this afternoon, to seek the approval of this Council for the Factories and Industrial Undertakings (Blasting by Abrasives) Special Regulations which may apply to those engaged in the redecoration or external cleaning of a building.

Because of the separate definition of a quarry in the principal Ordinance a minor consequential amendment is made, by clause 3, to regulation 5.

If approved, these regulations will come in to effect on 28th February 1969. This is the day which you, Sir, intend to appoint, by notice in the *Government Gazette*, for the Factories and Industrial Undertakings (Amendment) Ordinance, number 4 of 1969, to come into operation. It is, by virtue of this amending Ordinance, that these regulations have been made by me.

Question put and agreed to.

QUARRIES (SAFETY) REGULATIONS 1969

MR R. M. HETHERINGTON moved the following resolution: —

Resolved, pursuant to section 7 of the Factories and Industrial Undertakings Ordinance, that the Quarries (Safety) Regulations 1969, made by the Commissioner of Labour on the 10th day of February under section 7 of that Ordinance, be approved.

He said: —Sir, the Quarries (Safety) Regulations, to which this resolution refers, are new and introduce comprehensive statutory requirements for the purpose of ensuring greater safety in quarrying operations. The nature of the work in this industry is such that there are serious hazards to persons employed in it. The accident and fatality rates have been disproportionately high in recent years. I hope that, as a result of the introduction of statutory measures covering safety equipment and safe practices, there will be a significant reduction in these rates in the future. I am encouraged in this hope by the experience of the Mines Department in enforcing the Mines (Safety) Regulations*. Over the past 14 years there have been both absolute and relative reductions in mining accident rates. I rate safety precautions, safe practices, and the enforcement of safety regulations by mines officers as significant factors among several of the reasons for the positive and definite decline in the number of accidents in mines.

Regulation 25 prohibits work being carried on in a quarry unless it is solely supervised by an approved supervisor in person. To relieve the supervisor for part of the time it is permissible for an approved deputy supervisor to take over the responsibilities of a supervisor for not more than 500 hours in a year. The proprietor of the quarry is responsible for ensuring that no work is carried on in the absence of a supervisor or deputy supervisor.

Part II of the regulations deals with the qualifications required of an approved supervisor or deputy supervisor, the method of applying for approval, the powers of the Commissioner of Labour to refuse or to withdraw approval, the procedure for appealing against decisions of the Commissioner of Labour, and certain responsibilities imposed on a proprietor. Regulation 4(1) requires that a supervisor seeking to be approved must be a competent person of not less than 30 years of age and having not less than five years' practical experience in work in quarries. Regulation 6(1) requires that a deputy supervisor seeking to be approved must be a competent person of not less than 25 years of age and having not less than three years' practical experience. Regulations 3 and 5 set out the procedure for applying for approval as supervisor

* 1954 Hansard, pages 265 & 322.

[MR HETHERINGTON] **Quarries (Safety) Regulations 1969**

or deputy supervisor respectively. Regulations 4 and 6 empower the Commissioner of Labour to approve an application and regulations 7, 8, and 10 prescribe the action which he must take if he approves or refuses an application or withdraws his approval. Regulations 7(3) and 10(4) describe the procedure whereby an appeal against a decision of the Commissioner of Labour to refuse an application or to withdraw approval may be made. Regulation 11 sets a time limit of 21 days within which an appeal must be made. Regulation 12 empowers the Governor to confirm, vary, or reverse the decision of the Commissioner of Labour. Regulation 13 provides for arrangements during the interim period pending an appeal or while a decision on an appeal is impending. Regulation 4(1) and 6(1) require a proprietor to consent to an application and regulation 9 requires him to notify the Commissioner of Labour when he ceases to employ an approved supervisor or deputy supervisor.

Part VI prescribes the duties and responsibilities of an approved supervisor or deputy supervisor. He must regularly inspect every place or road and every face or any overburden under regulation 28 and all mechanical and safety equipment under regulation 38. He must inspect immediately any working place reported unsafe under regulation 33(1) and any mechanical or safety equipment reported defective under regulation 48(1). All these inspections must be reported in various registers in accordance with regulations 30, 34, 40, and 49. In addition he must record in a register the periods when work is carried on in a quarry under his personal supervision in accordance with regulation 26.

The supervisor on duty must not permit a person to work if insufficiently instructed or trained for a particular job under regulation 27 or inexperienced in operating mechanical equipment under regulation 43, to enter or to remain in a dangerous place or road under regulations 29 and 33(2), to be without a safety helmet or other safety equipment in prescribed places under regulations 36(2), 37(2), and 39(1), to operate unsafe or defective equipment under regulations 39 and 48(2), to drive a vehicle without a valid licence under regulation 44, or to operate mechanical equipment in certain places unless a banks-man is in attendance under regulation 45.

The supervisor on duty is responsible for ensuring that there is no overhanging rock or burden or any danger from falls under regulation 52 or that persons working on lower faces are not endangered from works in operation on higher faces under regulation 56. Regulations 53, 54, and 55 make specific provisions regarding the clearance of overburden and the height of faces. Regulation 57 limits work in places where an accident or dangerous occurrence has occurred.

The supervisor on duty is specifically authorized throughout various regulations in Part VI to deal with dangerous situations in the quarry or arising from equipment for the purpose of removing or rectifying the dangers.

A person working in a quarry must inspect the safety of the place at which he is working and report any unsatisfactory conditions under regulations 32, must wear a safety helmet or safety ropes or safety harness under regulations 36 and 37, and must report defects in mechanical equipment under regulation 47. He must not enter or remain in a place or road prohibited by a supervisor under regulations 31 and 35, operate defective machinery or use defective safety equipment prohibited by a supervisor under regulations 41, 47, and 50, operate mechanical equipment without permission under regulation 42 or without a banksman in attendance or contrary to a banksman's instructions in certain places under regulation 46, go or remain under any suspended mechanical equipment under regulation 51, work on the face of a quarry if prohibited under regulations 54 and 56, or disturb any place or remove equipment where an accident or dangerous occurrence has taken place except to save life or give first aid under regulation 57(1).

It is an offence for any person to enter any parts of a quarry prohibited by a supervisor under regulations 31 and 35 or to do some of the other things for which it is also an offence for a person working in a quarry to do.

Part IV requires the provision of minimum safety measures. A quarry must be properly fenced under regulation 15, properly posted with warning notices under regulation 16, and equipped for every person working on the top, face, or floor of a quarry with approved safety helmets, ropes, and harness under regulations 17 and 18.

Part V makes provision for first aid in quarries. In general, it follows the requirements in the Factories and Industrial Undertakings (First Aid in Registrable Workplaces) Regulations 1968* but includes some additional requirements. Three persons trained in first aid will normally be required for a work force of less than 300 and five persons for 300 or more under regulation 19 but the Commissioner of Labour may authorize less than three persons trained in first aid where fewer than 50 persons are employed in a quarry. The proprietor must report the names and qualifications of all trained first aiders employed by him or ceasing to be employed by him to the Commissioner of Labour under regulation 20. A trained first aider must be appointed to be in charge of first aid equipment under regulation 23. A stretcher maintained in good condition must be always available under regulation 24.

* 1968 Hansard, pages 361-3.

[MR HETHERINGTON] **Quarries (Safety) Regulations 1969**

Part III deals with registers and their maintenance. Regulation 14(1) prescribes three registers and regulation 14(2) permits entries in either Chinese or English.

Part VII provides under regulation 59 for a fine of \$5,000 for any conviction of an offence against the regulations. Regulation 59 makes it clear that an offence is committed only when an offence is expressly provided for in a regulation.

The first schedule prescribes the form of application for approval as supervisor or deputy supervisor and the three registers required under regulation 14. The second schedule lays down the minimum contents of first aid boxes or cupboards along similar lines to those laid down in the Factories and Industrial Undertakings (First Aid in Registrable Workplaces) Regulations 1968.

If approved, the regulations will come in to effect on 28th February 1969. However, paragraph 2 of regulation 1 defers the operation of Parts III, IV, V, and VI until 1st October 1969. The reason for this deferment is mainly to give quarry operators time to study the regulations and to obtain the necessary safety equipment if it is not already available. Nonetheless, I hope that no operator will defer compliance with any of the regulations where they can be observed merely because of the seven months' period of grace before they become a statutory requirement. The deferment of Part V which deals with first aid in quarries is made in order that sufficient first aiders may be trained in time and that the provision of an adequate number of trained first aiders in quarries, formerly required by the Factories and Industrial Undertakings (First Aid in Registrable Workplaces) Regulations 1968, to take effect on the same day, 1st October 1969, as originally provided by those regulations.

Question put and agreed to.

**FACTORIES AND INDUSTRIAL UNDERTAKINGS (FIRST AID
IN REGISTRABLE WORKPLACES) (AMENDMENT)
REGULATIONS 1969**

MR R. M. HETHERINGTON moved the following resolution: —

Resolved, pursuant to section 7 of the Factories and Industrial Undertakings Ordinance, that the Factories and Industrial Undertakings (First Aid in Registrable Workplaces) (Amendment) Regulations 1969, made by the Commissioner of Labour on the 10th day of February under section 7 of that Ordinance, be approved.

He said: —Sir, as I have just explained, Part V of the Quarries (Safety) Regulations provides comprehensively for all first aid facilities required in quarries*. These regulations follow the provisions of the Factories and Industrial Undertakings (First Aid in Registrable Workplaces) Regulations 1968 but there are some minor modifications to accommodate the special conditions which arise in quarries. To avoid any risk of confusion it is considered desirable to exclude quarries from the 1968 regulations. This is the simple purpose of the amending regulations.

If approved, the regulations will come in to effect on 28th February 1969.

Question put and agreed to.

FACTORIES AND INDUSTRIAL UNDERTAKINGS (BLASTING BY ABRASIVES) SPECIAL REGULATIONS 1969

MR R. M. HETHERINGTON moved the following resolution: —

Resolved, pursuant to section 7 of the Factories and Industrial Undertakings Ordinance, that the Factories and Industrial Undertakings (Blasting by Abrasives) Special Regulations 1969, made by the Commissioner of Labour on the 10th day of February under subsections (2) and (5) of section 7 of that Ordinance, be approved.

He said: —Sir, the purpose of these special regulations, called the Factories and Industrial Undertakings (Blasting by Abrasives) Special Regulations, is to enable the Commissioner of Labour to specify conditions to protect the health of workers engaged in blasting processes. Some processes can be extremely dangerous because of the high risk of silicosis, an occupational disease which is incurable and eventually fatal.

Clause 2 defines a blasting process. Clause 3 prohibits the use of a sand or any other material containing free silica as an abrasive in any blasting process except by written permission of the Commissioner of Labour or any officer authorized by him in writing. If permission is given, it is subject to two specific requirements, the provision and maintenance of a protective helmet and a supply of clean fresh air, and to any other condition which may be considered necessary. Contravention of these regulations is an offence with a liability of a fine of \$5,000 on conviction.

The regulations are adapted in a simplified form from the Blasting (Castings and Other Articles) Regulations made under the United Kingdom Factories Act.

* Pages 81-2.

[MR HETHERINGTON] **Factories and Industrial Undertakings (Blasting by Abrasives) Special Regulations 1969**

If approved, the regulations will come in to effect on 28th February 1969.

Question put and agreed to.

CONSERVANCY (AMENDMENT) BY-LAWS 1969

MR D. R. W. ALEXANDER moved the following resolution: —

Resolved, pursuant to section 144 of the Public Health and Urban Services Ordinance, that the Conservancy (Amendment) By-laws 1969, made by the Urban Council on the 4th day of February 1969 under sections 15 and 19 of that Ordinance, be approved.

He said: —Sir, the "note" at the end of the short Conservancy (Amendment) By-laws 1969, which were made by the Urban Council on 4th February, adequately explains their purpose and I have nothing to add to that note.

Question put and agreed to.

APPROPRIATION BILL 1969

PREVENTIVE SERVICE (AMENDMENT) BILL 1969

OFFENCES AGAINST THE PERSON (AMENDMENT) BILL 1969

SUMMARY OFFENCES (AMENDMENT) BILL 1969

LION ROCK TUNNEL (AMENDMENT) BILL 1969

Bills read the first time and ordered to be set down for second reading pursuant to Standing Order No 41(3).

HIS EXCELLENCY THE PRESIDENT: —Before we go on to the second reading of the Appropriation Bill Members might like a short suspension and we will have another one probably after the second reading of bills. Accordingly I suspend the sitting of Council until five minutes to four.

Suspended accordingly at 3.43 p.m.

3.57 p.m.

Council resumed.

APPROPRIATION BILL 1969

The Governor's recommendation called for, and signified by Financial Secretary pursuant to Standing Order No 42(1).

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to apply a sum not exceeding two thousand one hundred and eighteen million, one hundred and ninety-five thousand, eight hundred and thirty dollars to the Public Service of the financial year ending the 31st day of March 1970."

He said:—Sir, Your Excellency has already mentioned some of the changes in budget procedure introduced by Council's new Standing Orders* and I would begin by explaining some of the other changes.

Under our previous budget procedure, I would be moving today that the Estimates of Revenue and Expenditure be referred to a Select Committee, the budget debate would then be held on the report of the Select Committee and the Appropriation Bill would be rapidly passed through all its stages on the last day of the session. Our new Standing Orders introduce a rather more parliamentary procedure. We begin today with the Appropriation Bill, my motion today relates to its second reading and the main debate will be on this motion and, by virtue of Standing Order 54(2), should strictly speaking be "confined to the financial and economic state of the Colony and the general principles of Government policy and administration as indicated by the bill and Estimates". At the same time the Estimates having been already referred by Your Excellency to Finance Committee, Finance Committee's report will be tabled prior to the committee stage of the bill, and at the committee stage the various heads of expenditure will be taken separately, as for clauses of a bill, and there will be opportunity for further debate in detail on these separate heads as they are taken. One of the incidental effects of the new procedure is that it is necessary to publish the Appropriation Bill, with its details of proposed expenditure under each head, the week before. This is normal procedure elsewhere and does not infringe the secrecy of the Budget which relates to tax proposals, and not to the expenditure estimates.

To take up now the business of the day. Sir, I was somewhat criticized last year for taking an over-optimistic view of our financial prospects and even taken to task by some for not proposing an increase in taxation⁺. But, in the event, even my relative optimism about the future, and my scepticism about the adverse effect of the events of 1967 on profits made that year but taxable this year, have been overshadowed

* 1968 Hansard, page 423.

+ 1968 Hansard, page 119.

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

by the results. It is extraordinary how an apparent set-back acts as a spur to the people of Hong Kong.

I budgeted for a deficit this year of \$13 million, to which should be added \$70 million arising from a civil service salary award which was pending but was not taken into account in the Estimates. In the revised estimates, this deficit has turned into a surplus of \$120 million; but, as usual, I feel fairly confident that this is an under-statement and that the actual surplus will be of the order of \$150 million. Last year's switch from estimated deficit to actual surplus was very largely due to under-spending; this year's is due preponderantly to an upsurge of revenue—although there has been a substantial degree also of under-spending if one ignores the effect of the salary award.

I shall speak of the revenue results first. We had estimated Earnings and Profits Tax, which is, of course, assessed on the previous year's results, at \$485 million or roughly the same as the final yield in the previous year, which contained an element of backlog from the past. It was particularly difficult to estimate this head last year and perhaps I may quote what I said about it then: —

"While there are quite clearly a number of business sectors, mostly internal, which have done worse than usual, I am always suspicious of general complaints that business is very bad. Businessmen so often shyly confess a few months later that things were not really so bad after all."*

This has indeed happened. The revised estimates for this year shown in the Estimates is \$523 million or \$38 million more than the original but the Commissioner tells me that he may in fact collect about another \$10 million if all goes well. This is very gratifying in the circumstances.

The Commissioner has also caught up very substantially with the backlog of Salaries Tax cases and my honourable Friend Mr WONG will be gratified to know that the number of cases dealt with in the year should reach well over 200,000 cases, a little more than the total of the five years from 1962-63 to 1966-67. These cases have resulted in the issue of 72,000 demand notes. With our economic growth, direct taxes are affecting a rapidly increasing proportion of our population, a phenomenon to be welcomed on social as well as on economic grounds. Furthermore, the investigation section of the Department has continued to be successful in uncovering substantial evasions.

* 1968 Hansard, page 57.

It has been necessary to revise upwards the estimates for hydrocarbon oil and liquor duties. Revenue from the former has been increased by the resumption of a rapid rate of growth both in road traffic and in power generation, which had lagged a little in the previous year. But tobacco duty still disappoints and we are likely to collect rather less than expected unless forestalling in anticipation of the budget has restored the position. Our system of charging duty on all raw tobacco and refunding duty on tobacco used in the manufacture of cigarettes for export makes it difficult to assess short-term trends. One reason for the disappointing result is a reduction in exports which has meant less duty-paid tobacco in the pipeline awaiting drawback.

Post Office revenues have increased remarkably, although only minor changes in postal rates have been introduced. Estimated revenue was \$102 million but the revised estimate is \$113½ million and the actual figure looks like going fairly close to \$120 million. This must be compared with actual revenue in 1967-68 to \$103 million. This probably reflects for the most part the very active business conditions of this year. It is not, of course, *net* revenue as there are substantial extra costs on the expenditure side, but there is a surplus from this additional activity; for one thing, it brings with it a more productive use of the Post Office's existing resources in men and equipment; and, quite apart from that, the Post Office, unlike many of its less efficient counterparts abroad, *does* operate at a profit.

The estimate of revenue from Kai Tak Airport and air services has also been revised upwards. Part of this is due to the increase in the Passenger Service Charge from 1st October last year, but part also from a greater than expected increase in traffic. It reflects great credit on the Director of Civil Aviation and his staff as well as that of other departments involved that the airport has been able to cope so well with this increase.

There has been a very substantial increase in the yield from Stamp Duties. The actual revenue in 1967-68 was \$50½ million, and this was also the original estimate for this year. The revised estimate for this year is \$60 million but we have reached that total already and a more realistic figure would be \$65 million. This increase has several causes. One is the improvement in the land market, and another the very welcome increase in activity on the Stock Exchange and the higher value of the stocks exchanged. The yield of duty from the latter source is likely to have increased by at least \$4 million. A third reason is that the systematization of stamp duty on bills of exchange introduced earlier this year to bring within the net transactions which were escaping it before has worked very well; we under-estimated the volume of business which was escaping before.

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

Although the land market has picked up considerably and a number of new sites have been auctioned, we will just about reach the original, fairly modest, estimate of \$40½ million. There is a revised estimate of \$51½ million, largely in anticipation of an increase in modifications and exchanges in parts of the New Territories but this can now be seen to have been a little premature.

I have only picked out the highlights of the revenue results this year. Much of the increased activity which has brought these more spectacular increases influences, less spectacularly, a wide range of revenue heads, which do not look particularly significant in themselves but are important in total.

The original total estimate of revenue was \$1,952 million; the revised estimate is \$2,051 million, so that, although expenditure has not yet reached the magic figure of \$2,000 million, a fact I commented on last year, at least our revenue now has.

As to expenditure this year, the total estimate was \$1,965 million and the revised figure is \$1,931 million. Although this appears to be close to the original estimate, I doubt if we shall in fact reach it, and we must also take into account the \$70 million total extra cost arising from last year's salary award to the civil service which is included in the revised estimate. As a consequence of this award (which cost \$55 million directly in civil service emoluments), the Personal Emoluments sector has been revised upwards from \$743 million to \$783 million. The increase is less than the cost of the award because of recruitment difficulties in some sectors; and to some extent also because of over-optimism in the Estimates about the rate at which it is possible to recruit even when there are no special difficulties; we try to adjust for this factor in the Estimates but it is not easy to do so accurately.

The revised estimate for other current expenditure is \$751 million against an original estimate of \$733 million. This is virtually the original estimate because \$15 million of supplementary expenditure arose from the application of the civil service salary award to certain deficiency grant organizations, principally schools. But again I think that Heads of Departments have over-estimated their capacity to spend in the second half of the year.

Public Works Non-recurrent have again disappointed and under-spending on the original budget is estimated at \$69 million, the revised estimate of \$296½ million being the lowest since the year 1961-62 when it was \$286 million. Some of this, perhaps \$7 or \$8 million, is due to lower tender prices (and, of course, the relatively low original estimate reflected last year's general fall in tender prices), but part is also due to

contractors' difficulties, particularly on site contracts; difficulties on a few big sites can have very substantial effects. Of the estimated under-spending of \$69 million, Waterworks is responsible for \$26 million. This is due partly to delay in the finalizing of contractors' claims for extra payments in connexion with the Plover Cove scheme. These claims are substantial and we shall, without doubt, have to meet a part of them. It is still possible that we may make substantial advance payments against them before the end of this financial year.

I should add one more point about Public Works. It has been our practice to refer to the Public Works Sub-Committee proposals to upgrade projects to Category A (i.e. for proceeding to working drawings and tender) only at one of the Sub-Committee's three general reviews during the course of the year, unless there was some special urgency. This has often caused a degree of delay and the temporary redeployment of staff away from a project awaiting upgrading. In order to speed up work, the Sub-Committee has now agreed to consider upgrading as soon as projects are ripe for it, unless there are special reasons for awaiting one of the general reviews. This arrangement is now in force.

Last year's final surplus of \$133½ million was reduced in terms of the Colony's balance sheet by the need to deduct \$43 million for devaluation losses on the General Revenue Balance and \$13 million for depreciation on investments, giving a net increase last year of \$77½ million. I have estimated this year's final surplus as at least \$150 million. This year there will be no loss of the kind inflicted by sterling's devaluation, but there will be substantial depreciation to take into account. This arises because we revalue investments each year but, as all investments are dated, this is only a temporary loss unless we have to realize them before maturity. On the other hand, if the bill for demonetizing subsidiary currency notes passes through its final stages later this month, there will be \$14 million in additional revenue to offset depreciation.

I now turn to next year's estimates. Final copies of the full estimates reached the hands of honourable Members on the 14th February, but we arranged this year to let Members have advance copies of the expenditure estimates, in batches, as they neared finality. The first batch went out on 4th February. I hope that this experiment, designed to afford Members more time to examine proposed expenditure before consideration in Finance Committee, has proved of value.

To take the estimates of Revenue first, these total \$2,182 million compared with a revised figure of \$2,051 million for this year, an estimated increase of \$131 million or 6½%.

I have already quoted the remark I made last year about the dangers of placing too much reliance on the pessimistic views expressed

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by businessmen about the progress of their profits*. What are we then to make of this year, for I have never heard them speaking quite so openly, and even enthusiastically, of current prosperity and satisfactory profit levels? We have possibly erred on the pessimistic side by putting next year's estimate of Earnings and Profits Tax, assessed on this year's income, at \$578 million compared with this year's revised figure of \$523 million, the more particularly as higher salaries in the civil service and elsewhere, and higher bonuses in business, should substantially increase the yield of salaries tax, too; while interest rates show no sign of a fall and bank deposits continue to grow fast. The Commissioner of Inland Revenue has requested a substantial increase in staff to help him to cope with the increasing work; his departmental estimates reflect some of this and he is likely to be back for a further increase during the year when he has absorbed the increase at present proposed.

With the exception of Rates, which I shall discuss later, the rest of the revenue estimates are based roughly on the assumption of a continued increase in economic activity such as we have seen this year (but not quite as vigorous a growth) and, of course, the creation of further revenue-producing public assets such as derive from our housing programme and similar projects. The figure for interest in Head 11, subhead 1, is possibly on the low side in view of continued high interest rates and our large surplus this year. One estimate which may be over-stated is the royalty paid by the Kowloon Motor Bus Company as it is probable that some part of this may have to be given up to avoid, at least in part, the substantial increase in fares otherwise inevitable if the Company's profitability is to be reasonably maintained.

I exempted Rates from this general increase in estimated revenues. Next year's estimate of \$300 million is almost exactly the same as this year's original estimate, now reduced to \$297 million. The reason for this is that a general revaluation of property was carried out during the course of the year; and, because of the general fall in rental values, the total rateable value of existing premises has been reduced by about 5% (although some individual assessments have been increased). New property rated for the first time during the year is estimated to reach a total value just about adequate to compensate for this reduction.

We have come, in recent years, to rely on rates for a steady and substantial growth in yield year after year and it is something of a shock to find this source of additional revenue dried up, temporarily I hope, although it is fortunate that it has come at a time when other buoyant revenue cushions the effect. The yield of rates should increase again from 1970-71 onwards, as rents are firming up again, the number

* Page 85.

of vacant premises having declined very sharply in the course of this year. On the other hand, the volume of new buildings becoming available in the next year or two, other than public housing, is uncomfortably low, both from the point of view of increase in rates and upward pressure on rents. (I may add, parenthetically, that the Commissioner of Rating and Valuation's annual survey of vacant premises should be issued next week).

The break in the upward movement of revenue from rates has one other incidental effect. In our notional water accounts, which are published with the Estimates, we take credit for that part of rates levied specifically for the water supply (that is 2% out of the total 17 %) and, if rates do not keep up with the size of our water undertaking, there are adverse effects on its profitability. Even without this, largely owing to the coming into operation of Plover Cove at less than full consumption, the notional accounts show a substantial loss of \$28 million in 1967-68. I believe that there will be a loss again in 1968-69 but a smaller one. I am not threatening an increase in water charges at the present time, for we have in any case undertaken to maintain the price of fresh water at its present level at least until the end of 1971; but it is probable that we can no longer rely on rates to the same extent as before to cushion the impact on water costs of the extensive waterworks schemes which we are now faced with.

I might make one other point about rates in general, as well as the water rate. The total rate of 17 % (11 % in the rated areas of the New Territories) has been in force so long (since 1931 in fact) that property owners have come to regard it as fixed and immutable and to put themselves in a position of some potential difficulty by offering premises at a rent inclusive of rates, although these are strictly occupiers' rates. I am not proposing any change in the rate this year but it is important, I think, that people should not assume that the rate will remain fixed at its present level for ever.

The expenditure estimates are in their usual form. Before I describe them in rough detail, I should like to repeat some of the things I said last year about the nature and purpose of the annual budget.

"I must apologize if I have disappointed listeners in that, while I have made it clear that we do not mean to be deflected from the steady course of expansion we have already embarked on in many fields of public service, I have not also announced today any dramatic new programmes of action or any sudden and far-reaching switches in direction or priority in the spending of the public money The truth is that there is little scope for influencing significantly the shape or form of any one year's expenditure in the context of that year's Budget. The expenditure estimates flow

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from a multiplicity of decisions, already taken, some during the previous year, some years ago. There is some small scope for minor new proposals . . . and for variations in timing and priorities; and there is some scope for argument with Heads of Departments and outside agencies about what funds or staff they need to carry out their agreed policies; but all this is really very little relative to total spending.

The object of the annual estimates"—I am still quoting—"is to take stock year by year of the budgetary effects of agreed policies and programmes of action in the public sphere, to look at our probable revenues and to make proposals about how the year's spending should be financed . . . and generally to ensure that we are not in danger of living beyond our means or overstressing the public demand on our resources, and that our priorities continue to be about right on a dynamic rather than a static basis."*

These words are as true today as when I said them last year, even if our financial prospects are clearly rather brighter now than then. But I have one apology to make in this context. If I may quote myself last year once again, I said that there was still inadequate understanding and recognition of what we are in fact going to do in the year to which the estimates apply and of the full scope (and financial implications) of our future programmes⁺. And I said that I intended in future years to try to give a fuller account in the published Memorandum on the Estimates, which is attached to the estimates, of the new developments reflected in the budget figures⁺. I am afraid that this promise has been very inadequately kept. The Memorandum is largely as routine and uninformative as ever. Heads of Departments were asked to expand their account of their departmental estimates but few have done anything, and no-one very much, in this direction. If I may quote, as I have done more than once before, from the budget speech of my distinguished friend, the Finance Minister of Malaysia; "One of the main defects of the traditional budget estimates is that emphasis is placed on 'things we buy' rather than on 'things we do'." In this connexion I should like to draw particular attention to the Report of the Establishment Sub-Committee of Finance Committee, which has been laid on the table today[‡]. It gives rather more information than the Memorandum on certain aspects of the development of the public service, for staffing is one of the keys to its expansion.

* 1968 Hansard, page 68.

+ 1968 Hansard, page 214.

‡ Page 72.

The recurrent part of the Expenditure Estimates for next year shows an increase from this year's revised figure of \$1,535 million to \$1,667 million, an increase of \$132 million or 8.6% compared with an estimated increase in recurrent revenue of \$124 million or 6%. This makes recurrent expenditure equal to 80% of recurrent revenue, compared with 78% on this year's revised basis, 72½% in 1967-68 and 67% in 1966-67. I have frequently stressed the importance of this ratio in judging the strength of our fiscal position and the need not to let it rise too high. I am not too unhappy, at present, with this proportion at 80% in the Estimates.

The principal element in the increase of expenditure of \$132 million in recurrent expenditure is personal emoluments. This partly reflects increased staff, in controlling which the Establishment Sub-Committee has done its usual excellent job, and partly inbuilt increases due to incremental salary scales and similar causes.

Another important element is the increase in recurrent subventions. Educational subventions are up by \$25 million, Medical by \$7½ million and Social Welfare by \$2 million. As usual, the estimates for the last of these reflect in full the advice of the Social Welfare Advisory Committee. The Trade Development Council's grant is \$2½ million higher at \$15.7 million; this is, of course, the counterpart of increased revenue this year from the levy on imports and exports.

Special expenditure, excluding Public Works Non-recurrent, is up from \$99 million to \$142 million. A substantial part of this increase is accounted for by revotes for equipment authorized for purchase this year but not yet delivered and paid for, and \$7.3 million is for Hong Kong's participation in Expo 70. Capital subventions are up by nearly \$18 million, nearly all for education. For schools the figure is \$9½ million higher than last year at \$27 million (but this does not include school loans from the Development Loan Fund estimated at \$16.7 million); while the figure for capital expenditure by the Universities goes up from \$19.8 million last year to \$26 million this year.

This leaves Public Works Non-recurrent; they are estimated at \$309 million compared with this year's revised estimate of \$296½ million. This figure includes an increase of \$19½ million for Buildings and a fall for Waterworks to a new low figure, for recent years, at \$38 million. Engineering expenditure at \$79 million is estimated at close to this year's revised estimate. It seems likely that this year represents the low point of expenditure on Public Works and that the level should rise from now on, perhaps sharply. I will leave my honourable Friend the Director to speak in more detail on this subject but I should like to mention two particular matters.

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Firstly, I would like to draw attention to a new item in Head 60, Public Works Non-recurrent, Headquarters, which refers to a subject already mentioned by Your Excellency in general terms*. Subhead 2(3) makes provision for the first time for expenditure on slum clearance or, a term which I prefer although it may sound a little mealy-mouthed, Urban Renewal. \$2 million has been provided for the acquisition of sites in the Urban Renewal District already designated in Western Central, should plans for their redevelopment appear likely to frustrate the renewal plans at present being prepared. The plans will, of course, come to the Finance Committee of this Council before we proceed to implement them, other than by the anticipatory acquisition of sites.

Secondly, I should like to draw attention to the voluminous report of the Public Works Sub-Committee⁺. A reading of this report will show that increasing emphasis is being put on the improvement of existing roads and on new roads. We now have the Long Term Road Study[‡], as a guide, not a master, and the question of priorities between various road schemes can be dealt with more systematically—even if I still suspect some of the calculations of the experts. Expenditure on roads is clearly going to increase rapidly, but, I think I am now near enough to the important part of to-day's business, i.e. tax proposals, to say that I am not proposing any change in road vehicle taxation this year—although I believe that it will have to come one day soon.

Total estimated expenditure is thus \$2,118 million against estimated revenue of \$2,182 million, giving a budgeted surplus of \$64 million. I do not think that we have ever budgeted for a surplus before, not at least in post-war years. It is difficult to keep up with the vigorous growth of an economy like ours.

I have not yet mentioned the Development Loan Fund's results and prospects. These are shown in Appendices II and III to the Estimates. The original estimate for this year forecast a deficit of \$35½ million before taking into account a proposal to transfer of \$20 million from the Exchange Fund surplus; but spending has been slower than expected and the estimated deficit is now reduced to \$3½ million, and no transfer from the Exchange Fund has so far been necessary. The estimate for next year is an income of \$42 million and expenditure of \$45 million giving a deficit of \$3 million. Once again the estimates show a transfer of \$20 million from the Exchange Fund, which would turn the deficit into a surplus of \$17 million, but it is unlikely that this will be necessary.

* Page 65.

+ Page 72.

‡ 1968 Hansard, page 461.

The Fund has an income at present of \$41 million a year, gradually increasing, liquid assets estimated to amount to \$5 million at the end of this financial year and total outstanding commitments to expenditure of only \$119 million. It is, therefore, in a very healthy condition and we can afford to look for other projects to finance from it. One suggestion has been that any students' loan scheme which might come out of the present consideration of University student assistant could be financed from a revolving fund within the Development Loan itself (as with Fisheries loans). Expenditure on this could be said to be truly developmental.

The other important fund of which I should speak is the Exchange Fund. I said last year, that by the end of the 1968-69 financial year, after clearing away the aftermath of sterling's devaluation, the Fund's disposable surplus at 31st March 1968 (i.e. the surplus over 105% cover for the banknote issue) should stand at about \$150 million*. The actual amount of the surplus at the end of December 1968 stood at only \$107 million, due largely to heavy depreciation of investments during 1968. Investments are all dated so that the capital loss is only temporary.

I went on last year to say that the question facing us in respect of the Exchange Fund was whether, in the unsettled international monetary situation, we could afford from then on to regard this surplus, and future accruals to it, as available for any other purpose than its basic one of protecting the security of, and the value of, our currency; and that I was unable to venture a guess whether we could economize on exchange reserves and spend future Exchange Fund surpluses; or would have to build up and maintain substantial additional reserves in the Exchange Fund. I concluded last year that we would in the meantime regard only the existing surplus and half future accruals as available for fiscal purposes*.

Much has happened in the monetary field since then. We now have a 90% guarantee from Britain of the US dollar value of our official sterling reserves proper; while at the end of last month we offered banks a scheme for bringing their reserves under the official umbrella where they will also receive a 90% guarantee from Britain. The Fund continues to take a risk on 10% of its own assets and, as the banks have been offered a 100% guarantee of the Hong Kong dollar value of their sterling against the Fund's own 90% U.S. dollar guarantee from Britain, the Fund will be taking a risk on 10% of bank assets too, although the banks will be paying something for their cover over the 4½ years of the scheme. The Fund will also have to accept a degree of risk for any forward exchange cover scheme we are able to devise. But these risks are quantitatively very small in comparison with those we were previously running and little more than the existing 105% note issue cover, plus banks' payments for their cover, should be adequate

* 1968 Hansard, page 65.

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to meet the risk, freeing the present disposable surplus and the whole of net future accruals for fiscal purposes. As net future accruals should be of the order of \$120 million a year at least, this is a very valuable addition to our public revenues, equivalent at present to about 3% on Earnings and Profits tax. It seems unlikely, however, that we shall dip into them for some time, not, that is, until we have run down our General Revenue Balance and Revenue Equalization Fund to some extent from their probable level at the end of this financial year of about \$1,075 million.

To take a brief look at our slightly longer-term prospects, we have not this year produced a Five Year Forecast of Revenue and Expenditure, partly because of the unusual number of uncertainties earlier this year, such as the full assessment of the effects on the economy of the events of 1967, including the effect of sterling devaluation on the availability for fiscal purposes of the Exchange Fund's surpluses; and also because of the pending decision on capital schemes of unusual magnitude such as the Underground and the High Island Reservoir schemes.

There is also the question of a loan from Britain for the Kai Tak runway extension. As Your Excellency has said*, the delay in reaching a decision on this in London is not at present affecting the timing of the scheme as the Consulting Engineers require in any case some months yet to complete the preliminary work necessary before tenders would be called.

Some of the uncertainties I have referred to have now been resolved and some have not. But I may sketch our future prospects in very general terms. Our capital assets have not yet recovered to the pre-devaluation level of \$1,300 million but they should have reached a level of about \$1,185 million by the end of this financial year. On the other hand, with this year's big upsurge in current revenue, which should carry over into next year, and our ability to release Exchange Fund surpluses, our current position in the near future is substantially better than we could have reasonably expected and the difference between recurrent revenue and recurrent expenditure should continue to produce something of the order of \$300 million a year for Public Works, after allowing for other non-recurrent expenditure and for capital revenue.

Against this, the possible programme of public works, if we were to go ahead with everything at present under consideration, including a modified Underground and a High Island Reservoir, might cost \$3,500 million over the five years from 1970-71. This is \$700 million in excess of our total capital resources plus a \$300 million a year recurrent surplus; or \$1,300 million more than our expenditure on Public Works in the last five years. This gives some idea of the order of magnitude

* Page 70.

involved. It is not, of course, intended to imply that we will necessarily have to finance the whole programme from revenue and the running down of reserves.

I believe it would now be useful to prepare a further five-year forecast in the light of our rather changed circumstances, although I am as conscious as anyone, and more conscious than most, of the deficiencies of such forecasts.

The time has now come for me to make such tax proposals as are suggested by the very substantially improved fiscal situation I have described; although it should be clearly understood that the estimated surpluses this year and next year reflect in large part an exceptionally low level of Public Works expenditure, which we expect to pick up again in the following year.

My first proposal involves Stamp Duty. When, at the 1967 Budget session, I was proposing a reduction in stamp duty on conveyances of small properties, I spoke as follows about the excess stamp duty of 3% levied by section 6 of the Stamp Ordinance on first post-war conveyances of property: —

"I have been considering the future of 3% excess duty itself. It has some unsatisfactory features, particularly when real estate values are not rising; although it does bring in about \$10 million a year. But the problem this presents is not a simple one and I intend to give it more study to determine what modifications, if any, are justified and we can afford."*

This I have done, but before speaking of my proposals I should like to say something of the origin of, and the present defects of, this tax. It was originally introduced in 1946⁺, when extra revenue was being urgently sought, in the form of a duty on a first post-war conveyance of property, at a rate of 10% of any increase in value since the last previous conveyance. The justification for this was the substantial post-war increase in property values evident even at that early date. The duty was clearly a fair one then but it ran into difficulties of assessment because records of pre-war transactions and values were scarce and unreliable. Consequently in 1948 the duty was changed to 3% on the *total* value, or, more accurately I understand, on the *total* consideration, of the first post-war conveyance of property[‡]. I should add that property, as defined for the purposes of the duty, included developments on land as well as the land itself. In moving the amendment, the Attorney General emphasized that the change of basis was not intended to raise additional revenue in excess of that deriving from the previous basis.

* 1967 Hansard, page 93.

+ 1946 Hansard, page 154.

‡ 1948 Hansard, page 244 et seq.

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This was clearly much more rough and ready justice and, even in these early days, had odd effects as between taxpayers which could be criticized as inequitable; but as, in any individual case looked at by itself, the tax was very small in relation to the increase in the value of property, it caused no general hardship.

I have the impression that the legislators in 1946 and 1948 were thinking at that time exclusively of the incidence of the duty on first post-war conveyances of pre-war property and did not have consciously in mind a continuing application to new post-war property. But, again, the increase in the value of land, up to 1964, was so rapid and so great that no hardship was caused by its automatic application, as the law stood, to post-war property. One consequence of this has been, of course, that the yield of the duty, which one would have expected to dwindle as the supply of unconveyed pre-war property dried up, was maintained and even grew. It has been running since 1962-63 at between \$9 million and \$12 million a year, with an exceptional decline to just under \$8 million in 1967-68.

But the decline in land values since 1964 put a different complexion on the matter and cases now arise where duty is charged on sites which have actually fallen in value since first acquired. This can be particularly hard where a purchaser purchased at or near the peak of land values; or where there has been recent and extensive development on the site, particularly for sale piecemeal; for duty is charged on buildings as well as on land. Furthermore, in such cases the 3% excess duty has a greater incidence than the original 10% duty on incremental value and so conflicts with the Attorney General's 1948 assurance.

A further circumstance has arisen recently. It was earlier assumed by the Stamp Office that, as a general rule, a particular physical piece of land, having once borne excess duty, was free of it forever after. But it has now been held that, as a matter of law, the renewal of a renewable lease or regrant of a non-renewable lease, equally with a wholly new grant of land, creates a new property, as defined in the Ordinance; and, even if the land has been previously charged with excess duty, a first conveyance of a renewed or regranted lease of that land is itself chargeable. This is, in my view, a wholly logical position in itself, particularly as renewal rents and regrant premia reflect, at least indirectly, chargeability to excess duty; but it does, in present circumstances, increase the area of potential inequity.

All this is not to say that all charges of excess duty since the decline in land values have been, or now are, unfairly onerous, for there are a great number of properties still liable to excess duty which are presently valued at many times their original cost of acquisition, including cost of development. But the incidence of this duty does

remain very erratic as between different owners and this erraticness must, in present circumstances, be held to be more generally inequitable than previously.

I have considered, therefore, how we could modify the duty to make its incidence less unfair. One way would be to return to the earlier concept of a duty on the actual increment of value, if any, on conveyances. At least to-day we have much more complete records of values and prices so far as post-war properties are concerned. But it would still be an intricate and difficult duty to levy and I abandoned that line of approach.

I then considered whether the application of the duty should be limited to property acquired before a particular date, a date since which, one could safely say, a substantial increment of value had axiomatically accrued. This could have been some date such as 1958 or possibly 1941. I was particularly attracted to maintaining its applicability to pre-war properties only, for I believe that that was in fact its originally intended scope in the minds of the legislators. But this also raises acute problems. How to deal with extensions, modifications or exchange of leases? How to deal with recent building development on old sites? I was also at some loss to quantify the effects of maintaining the duty on pre-war properties, for we have no readily available records of the number or the value of pre-war properties that have not yet borne the duty.

In the end, I came to the conclusion that the only reasonable course was to make a clean break and abandon the tax altogether and that this year, with our strong flow of revenue from other sources, was likely to be the best opportunity for doing so. This I now propose. If my proposal is approved I would hope to present a bill to this effect before the end of the financial year.

I have also, however, considered the possibility of making up some of the lost revenue from an increase in the 2 % standard duty on conveyance. Although there is no constant relationship between standard and excess duty, it would probably require at present, an increase in the standard rate from 2% to 3% to yield the same total revenue, although, as there is a long-term wasting element in the excess duty, this might be too much in future years. I have, however, decided not to propose this; although I would suggest, in the light of the abolition of the 3% excess duty, if approved, that an increase in standard duty might be a priority object of taxation should we need to find extra revenue at some future date.

In the revenue estimate of \$62 million for all stamp duties next year, the element represented by 3% excess duty is \$9 million and, if my proposal is accepted, the estimate will be reduced by that amount.

I have a few other matters involving Stamp Duty to mention.

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I have already said that the new provisions for stamp duty on bills of exchange are producing rather more revenue than we have expected. When I was introducing the amending bill which put these new provisions into effect, I said that it was my own view that it was desirable, when we could, to get away from the ad valorem basis, which can be a nuisance to operate, and put duty on a flat rate basis*. I therefore considered whether to propose at least a first step in this direction today. I came to a decision not to do so, not because I have changed my view, which I re-affirm, but partly because I am already proposing a change in stamp duty, costing about \$9 million, which I consider of greater priority; and also because the present provisions have only been in force for some seven months.

It has been suggested, however, that the duty on travellers cheques should be reduced to a flat 25 cents and I would propose that this should be done. I do not pretend that this is a great concession; the cost will be negligible.

It has also been suggested that we should extend the exemption enjoyed by banks from receipt duty on payments made by depositors into their own accounts to cover payments made by a third party into depositors' accounts. The suggestion has been made because of the trouble this undoubtedly causes banks. I sympathize with banks in this but am reluctant to propose this extension because of the increasing use being made of bank deposits as evidence of payment to a bank's customer in respect of transactions unconnected with the bank. Section 15(d) of the Stamp Ordinance which was introduced last year⁺ gave some help in meeting banks' difficulties in this matter of receipts by providing for compounding and I shall consider whether we can do anything to streamline it further.

I have one final stamp duty matter to mention. There is a bill in draft to meet the point raised by my honourable Friend Mr Woo last year about a minor anomaly affecting the concessionary rate of duty on small conveyances[‡]. I must apologize for its having taken so long.

The second proposal I have to put before honourable Members does not involve a tax, but a charge. The time seems opportune for a further reduction in primary school fees. The proposal is, in general terms, that standard school fees should be reduced from their present level of \$40 a year in ordinary urban schools and \$30 in Resettlement schools (other than in the New Territories) to \$20 in both cases. New Territories Resettlement schools, which are all in urban areas of the New Territories, are already \$20, while village schools are \$10. It is

* 1968 Hansard, page 345.

+ 1968 Hansard, page 301.

‡ 1968 Hansard, page 112.

not proposed to change these, although some reclassification of schools between rural and urban may be desirable.

There is a further category of schools charging high extra contributions or "tong fai", standard fees at which remained at \$50 when fees were generally reduced to \$40 in 1967. The application of the present proposal to these schools is still under consideration.

I have spoken of standard fees because there are quite a wide variety of non-standard fees in the aided section at levels higher than standard. These higher fees are charged for a variety of reasons and go to reduce subsidies, not, like high "tong fai", to provide extra facilities. It is proposed to offer these schools an optional reduction of \$20, subject to the reduction not bringing the new fee below the level of the appropriate new standard fee.

Because of the position of the last category of school, and because of the 20% provision for free or reduced fee places in all aided schools, it is not possible to say exactly how many children will benefit from the reduced fees proposed, but the number at the schools affected is approximately 400,000.

The new fees, if approved, would come into effect for the new school year starting in September this year. The cost of the proposal is estimated at a maximum of \$5 million a year, but this cost will, of course, rise as the aided primary school population rises. The reduction will reduce the revenue estimates in the case of Government schools and involve increased subventions for aided schools.

I should like finally to-day to put forward, very tentatively, what is a suggestion rather than a proposal, for I have not attempted to work out the idea in any detail. There have been complaints from time to time about the incidence of Entertainments Tax on sporting events. These complaints have perhaps lost some of their force as the source of 60% of the tax, association football, has become more profession-alized. But my suggestion is that the revenue yielded by Entertainment Tax from sporting events, excluding horse racing, should go to a Fund, to be devoted, under the control of an appropriate body, to the development and encouragement of sport, including Hong Kong's participation in international competition. While there are generally objections to tying revenue to particular purposes, they are rather less valid when there is some connexion between the activity taxed and the activity the tax is spent on; and such a Fund would seem particularly appropriate at a time when such emphasis is being placed in the community on outdoor recreation. I will not pretend that this is a very generous suggestion as the amount involved, about \$600,000 a year, is relatively unimportant in budget terms to-day. I should be very interested to hear the views of honourable Members on this suggestion.

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That completes my proposals today. If they find acceptance, they will have the effect of reducing the budgeted surplus in the printed estimates from \$64 million to \$50 million.

There are, however, one or two other tax matters I would like to mention before I conclude.

I spoke earlier of the continued success of the Investigation Section of the Inland Revenue Department in combatting tax evasion. Their success in this field, with their present limited powers, is evidence, not so much that evasion is under control, as that there is a very great deal yet to be done, and which probably cannot be done effectively without wider powers. There have been some rather horrifying cases. A bill to amend the law so as to give further power on the lines proposed in the first part of the Report of the Inland Revenue Ordinance Review* Committee, published early last year, is now in draft. The draft bill also covers the other minor recommendations in the first part of the Report. I would hope to be able to publish the text of the bill, if it commends itself to Executive Council, before the end of this financial year.

As to the proposals in the second part of the Report, some of which are rather more far-reaching, a Chinese version is now available in addition to the already published English version, and we will shortly be inviting the comments of various interested professional and business bodies.

There is one further tax matter I should like to touch on although it is not a proposal for immediate implementation. I have explained why, for the first time for very many years, the yield from rates is not expected to rise next year. The matter I want to mention is rating in the New Territories. Up to 1954, there was a special, and rather rudimentary, system of rating in the townships of Tai Po, Yuen Long and Tsuen Wan, but not elsewhere. This system was abolished in 1955 and the standard urban system introduced, but at a lower rate of 11% compared with the general rate of 17%⁺. The standard system was to be introduced piecemeal and was brought into effect in 1956 only for the eastern coastal strip from the boundary of New Kowloon to the Castle Peak Police Station, including Tsuen Wan but not for Tai Po or Yuen Long[‡].

We have not yet extended rating to any other areas, in spite of the rapid development made by a number of substantial and prosperous towns in the New Territories. We have not done so for a number of reasons. One has been the practical one that the staff of the Rating and Valuation Department have been much more profitably employed,

* 1968 Hansard, page 319.

+ 1934 Hansard, pages 38-9 & 48-9.

‡ 1954 Hansard, pages 248-54 & 274-6.

in revenue terms, in keeping up with the rapid development of the older urban areas. Another has been that it was not easy to show that these newer urban areas in the New Territories were enjoying services financed by public funds comparable with those in the older areas, even taking into account the lower rate. In recent years, however, in pursuance of the policy Your Excellency has publicly stated of providing the New Territories with the same public services as elsewhere, we have vastly increased and extended our spending on development and services in the New Territories, not only in the fields of education and medical services, but also in the shape of water supplies, roads, drainage, public amenities and health services. It is only necessary to glance at the New Territories sections of the Public Works estimates or of the Public Works Programme, or at the estimates of the separate Urban Services Department's New Territories Division, compared with what they were a few years ago, to see the progress that has been made in this direction. If I may mention only one item of expenditure in recent years in one of the fast-growing New Territories towns, Yuen Long, we have spent \$22 million on a flood control scheme alone and are now embarked on a sewerage scheme costing \$9½ million.

I think, therefore, that it is now inevitable that we must look to these newly developed urban areas in the New Territories for a contribution to the revenue from rates at some time in the not distant future. It would be our intention to exempt the so-called village-type house, representing the traditional dwelling places of the local people, of the farmers and others in similar occupations. There is some difficulty in defining these and it may be necessary to work within a fairly wide discretionary framework. Legislation will be required for this, although the power to extend rating areas already rests with the Governor in Council.

It may not be generally known that the New Territories (other than New Kowloon but including, in this case Tsuen Wan) are also exempt from property tax, which is charged on non-owner-occupied premises in Hong Kong and Kowloon. We must, I am afraid, sooner or later consider its extension at least to those areas which are, or become, subject to rates. But I am making no proposal to this effect today.

I have spoken about future taxation and would now like to speak of one matter involving expenditure. Your Excellency has already spoken today about the extension of Public Assistance and I wonder if I might conclude my presentation of the Estimates today with some remarks of my own on this subject as an appendix to Your Excellency's.

It is a paradox that the recognition of the need for organized public assistance and the means and opportunity to provide it tend to appear at about the same time in the development of a community, but I will not attempt today to analyse the background to this paradox.

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

I myself have no doubt in the past tended to appear to many to be more concerned with the creation of wealth than with its distribution. I must confess that there is a degree of truth in this, but to the extent that it is true, it has been because of my conviction that the rapid growth of the economy, and the pressure that comes with it on demand for labour, both produces a rapid and substantial redistribution of income directly of itself and also makes it possible to assist more generously those who are not, from misfortune temporary or permanent, sharing in the general advance. The history of our last fifteen years or so demonstrates this conclusively.

We have already well-developed, and still expanding, housing, medical and educational services, provided free or at low cost, and more or less heavily subsidized from tax funds even for those who can afford to pay the full cost or something nearer it. But we have only a fairly rudimentary system of public assistance deriving from relief arrangements to deal with the immediate aftermath of war. An extension of the system this year has brought the present cost of it up to the still low level of between \$4½ and \$5 million a year. Although extensive public comment on this aspect of our social services is a fairly recent phenomenon, I have myself for a number of years, as Your Excellency is aware, advocated replacement of the present system with a properly integrated, rather more sophisticated, system of wider scope. I believe that we can afford to do this and that we should do it; and, indeed, that it should take priority, if necessary, over the extension, or introduction, of the other more politically glamorous social services.

But I say this with two general qualifications, qualifications I am sure are recognized by those closely concerned. The first is that we must be very careful, in considering benefits, to ensure that they are set at such levels, and applicable in such circumstances that they do not have any adverse effect on employment and wages, that is, there must be a reasonable gap between the level of assistance and the level of wages—although I would accept that that gap may have to rather remain narrower here, for the present at least, than is normal in richer countries.

Secondly, I think that, if we are to contemplate, as we must, the expenditure of much larger sums on assistance than at present, and also a move from assistance in kind to assistance in cash, the system of assessment and distribution which has grown up with our present scheme, and is appropriate to its limited scope, will be wholly inadequate to safeguard against the very real danger of abuse and malpractice. These dangers exist, and cannot be fully guarded against, even in longer established and more regulated, and regimented, communities than ours today. We will require, in my belief, a closely

integrated and meticulously worked out system, operating under detailed rules, tightly controlled and administered. It may be desirable, although possibly not until we have had some experience of a new and more sophisticated scheme, to enshrine the rules and benefits in statutory form. The purpose of this would be not only to provide adequate sanctions against malpractice but also to dilute the flavour of public charity and give public assistance more of the character of a legal entitlement; although there will always remain a field for private charity even in the fullest public system.

It is not possible to estimate with any accuracy the cost of such a system as I have described; one suggestion has been \$20 million a year which is clearly well within our means. The estimates we are considering today make no provision for any extension of assistance we may be able to undertake during the next financial year.

Question proposed.

Debate adjourned pursuant to Standing Order No 54(2).

HIS EXCELLENCY THE PRESIDENT: —I will suspend the sitting of Council until 5 p.m.

Suspended accordingly at 4.56 p.m.

5.02 p.m.

Council resumed.

PREVENTIVE SERVICE (AMENDMENT) BILL 1969

MR T. D. SORBY moved the second reading of: —"A Bill to amend the Preventive Service Ordinance."

He said: —Sir, the main point of this bill is to empower Your Excellency to amend the First Schedule of the Preventive Service Ordinance which prescribes the offices to be held by members of the Service in which they can exercise the rights, powers, and duties conferred by this and other enactments. The existing law does not permit a change in the schedule of offices without on each occasion an amending bill. This procedure is scarcely appropriate to the relative unimportance of such changes and clause 4 of the bill proposes an additional section to the principal Ordinance which would confer upon Your Excellency the power to amend the schedule by simple order in the *Gazette*.

[MR SORBY] **Preventive Service (Amendment) Bill—second reading**

The reasons for the amendments to sections 8(3) and 17(10) of the principal Ordinance are formal and, I think, sufficiently covered by the explanatory memorandum attached to the bill.

Question proposed.

Motion made (pursuant to Standing Order No 30). That the debate on the second reading of the bill be adjourned—THE ACTING COLONIAL SECRETARY.

Question put and agreed to.

Explanatory Memorandum

The bill seeks to make minor amendments to the principal Ordinance. The amendment of section 8 is one of form only. Clause 3 amends subsection (10) of section 17 of the principal Ordinance by deleting the proviso thereto, which no longer has practical application as officers of or below the rank of revenue sub-inspector are not appointed by the Secretary of State.

Clause 4 adds a new section to the principal Ordinance to empower the Governor to amend the First Schedule by order.

OFFENCES AGAINST THE PERSON (AMENDMENT) BILL 1969

THE ATTORNEY GENERAL moved the second reading of: —"A bill to amend further the Offences against the Person Ordinance."

He said: —Sir, during the disturbances of 1967, emergency legislation, making it an offence for a person to have in his possession, custody or control any corrosive substance, without lawful authority or reasonable excuse, was passed*. Such a measure became essential when it was found that corrosive substances were being stored for use, and on some occasions were used, against police parties.

It is considered that some additional form of control over the possession of corrosive substances is desirable as part of our permanent law, not only to meet such situations but also in the hope that such a measure may help to reduce the number of cases of acid throwing, a particularly vicious type of attack which has caused considerable concern for some years.

* 1967 Hansard, page 370.

It is therefore proposed to insert a new section 29A in the principal Ordinance making it an offence to possess corrosive fluid capable of inflicting grievous harm, without lawful authority or reasonable excuse, in a public place.

The proposed new section is in much narrower terms than in the emergency regulation which made it an offence to possess any corrosive substance, not merely fluid, and did not limit the offence to possession in a public place, as does the present bill.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

This bill seeks to amend the Offences against the Person Ordinance so as to make it an offence to be in possession in a public place, without lawful authority or reasonable excuse, of a corrosive fluid capable of causing severe injury. A similar offence was contained in regulation 119C of the Emergency (Principal) Regulations, and it is considered that there is a need for a provision in permanent legislation to curb the growth of the number of cases of acid throwing.

SUMMARY OFFENCES (AMENDMENT) BILL 1969

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend further the Summary Offences Ordinance."

He said:—Sir, honourable Members will recall that, during 1967, grave inconvenience to security forces and serious disruption of traffic were caused by the leaving of simulated bombs in prominent places in various parts of the Colony.

As a result of this, it was necessary to introduce emergency legislation making it an offence to be found in possession of a simulated bomb without lawful authority or reasonable excuse*.

There have fortunately been few examples of this offence in recent months, but it is nevertheless thought desirable that the permanent law should contain provision making the possession of simulated bombs into an offence.

* 1967 Hansard, page 392.

[THE ATTORNEY GENERAL] **Summary Offences (Amendment) Bill—
second reading**

Accordingly, it is proposed to insert a new section into the Summary Offences Ordinance, which is an appropriate place for miscellaneous offences of a public mischief character.

I would like to draw honourable Members' attention to the fact that the penalty proposed in the new section 19 is a fine of \$5,000 or imprisonment for one year whereas the maximum penalty under the emergency regulations was \$10,000 or imprisonment for five years.

If this bill is passed it is the intention to revoke the emergency regulations which deal with simulated bombs.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

The purpose of this bill is to add a new section namely, section 19 to the principal Ordinance.

2. The proposed new section, 19 re-enacts with modifications the provisions contained in regulation 119D of the Emergency (Principal) Regulations. Under regulation 119D the maximum penalty on summary conviction is a fine of five thousand dollars or two years imprisonment and on conviction on indictment the maximum penalty is a fine of ten thousand dollars or imprisonment for five years, but under the proposed section the maximum penalty would be a fine of five thousand dollars or imprisonment for one year.

LION ROCK TUNNEL (AMENDMENT) BILL 1969

THE ACTING COLONIAL SECRETARY moved the second reading of:—"A bill to amend the Lion Rock Tunnel Ordinance."

He said:—Sir, the purpose of this bill is to give to the Commissioner of Transport, and to the Police, additional powers which are considered to be necessary in the interests of public safety in the tunnel.

At present the Commissioner of Transport, or an officer authorized by him, may prohibit a vehicle from being driven into the tunnel if the vehicle does not comply with the Road Traffic Ordinance (if for example it is defective or unsafe). The proposed amendment to section 8 would give the Commissioner similar powers if the driver of the vehicle does not comply with the Road Traffic Ordinance (if for example he has no valid driving licence).

The proposed new clause 9A, which is similar to section 29 of the Road Traffic Ordinance, would place upon the owner of a vehicle involved in an alleged offence the obligation to disclose the identity of the person driving the vehicle at the time of the offence, and would also require the driver to supply his name and address if called upon to do so.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

Clause 2 amends section 8 of the principal Ordinance to empower an authorized officer to prohibit a vehicle being driven into or through the Lion Rock Tunnel if the driver of the vehicle does not comply with the Road Traffic Ordinance.

Clause 3 adds a new section, based on section 29 of the Road Traffic Ordinance, which places an obligation on the registered owner of a vehicle involved, in the tunnel or the tunnel area, in an alleged offence against the principal Ordinance or the Road Traffic Ordinance to disclose the identity of the person driving the vehicle at the time of the offence. The driver of the vehicle is also required to supply his correct name and address if required to do so by a police officer or authorized officer.

DOLLAR AND SUBSIDIARY CURRENCY NOTES BILL 1969

Resumption of debate on second reading (5th February 1969)

Question again proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43.

**HONG KONG BAPTIST COLLEGE BOARD OF GOVERNORS
INCORPORATION BILL 1969**

Bill read the first time and ordered to be set down for second reading pursuant to Standing Order No 41(2).

**HONG KONG BAPTIST COLLEGE BOARD OF GOVERNORS
INCORPORATION BILL 1969**

MR Y. K. KAN moved the second reading of:—"A bill to provide for the incorporation of the Hong Kong Baptist College Board of Governors."

He said:—Sir, the Hong Kong Baptist College was founded in 1956 by the United Hongkong Christian Baptist Churches Association. The College aims to offer to students post-secondary and higher education conducted upon Christian principles. The present College Board of Governors, not being a corporate body, cannot of course hold any property in its own name. Accordingly it is thought desirable that it should become a corporate body, in order to enable it to own property in its name.

The bill follows the usual form of a bill of incorporation of this type of bodies and there is nothing I can usefully add.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

The object of this bill is to incorporate the Hong Kong Baptist College Board of Governors.

2. The Hong Kong Baptist College has been in existence since the year 1956. The object of the College is primarily to offer to students post-secondary and higher education conducted upon Christian principles.

3. Since the College Board is not a corporate body and cannot, therefore, hold any property in its own name, it is thought desirable that it should become a corporate body, in order to enable it to own property in its own name and otherwise to carry

out the objects of the College more effectively. Not being a corporate body means that the Board is at present handicapped in other ways in the carrying out of its functions.

4. It is, of course, intended to seek registration of the College as a Post Secondary College under the Post Secondary Colleges Ordinance (Cap. 320).

THE DIOCESAN BOYS' SCHOOL COMMITTEE INCORPORATION BILL 1969

Committee stage

Council went into committee to consider the bill clause by clause.

HIS EXCELLENCY THE PRESIDENT: —With the concurrence of honourable Members we will take the clauses in blocks of not more than five.

Clauses 1 to 11 were agreed to.

THE COUNCIL OF THE DIOCESAN GIRLS' SCHOOL INCORPORATION BILL 1969

Committee stage

HIS EXCELLENCY THE PRESIDENT: —Once again with the concurrence of honourable Members we will take the clauses in blocks of not more than five.

Clauses 1 to 11 were agreed to.

THE DIOCESAN PREPARATORY SCHOOL COUNCIL INCORPORATION BILL 1969

Committee stage

HIS EXCELLENCY THE PRESIDENT: —With the concurrence of honourable Members we will take the clauses in blocks of not more than five.

Clauses 1 to 11 were agreed to.

Council then resumed.

**The Diocesan Preparatory School Council Incorporation Bill—
committee stage**

MR Y. K. KAN reported that the bills before Council had passed through committee without amendment.

HIS EXCELLENCY THE PRESIDENT: —The bills have now been reported from committee and the Council is deemed to have ordered them to be set down for third reading.

Third readings

MR Y. K. KAN moved the third reading of the Diocesan Boy's School Committee Incorporation Bill 1969.

Question put and agreed to.

Bill read the third time and passed.

MR Y. K. KAN moved the third reading of the Council of the Diocesan Girls' School Incorporation Bill 1969.

Question put and agreed to.

Bill read the third time and passed.

MR Y. K. KAN moved the third reading of the Diocesan Preparatory School Council Incorporation Bill 1969.

Question put and agreed to.

Bill read the third time and passed.

ADJOURNMENT

Motion made, and question proposed. That this Council do now adjourn—
THE ACTING COLONIAL SECRETARY.

5.14 p.m.

Question put and agreed to.

NEXT SITTING

HIS EXCELLENCY THE PRESIDENT: —Council will according now adjourn. The next sitting will be held on 12th March.

Adjourned accordingly at fifteen minutes past Five o'clock.