

OFFICIAL REPORT OF PROCEEDINGS**Sitting of 12th and 13th March 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 HOME AFFAIRS
MR DAVID RONALD HOLMES, CBE, MC, ED
THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN (JAMES) COWPERTHWAIT, 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-BING, OBE
THE HONOURABLE ELLEN LI SHU-PUL OBE
THE HONOURABLE WILSON WANG TZE-SAM
THE HONOURABLE HERBERT JOHN CHARLES BROWNE
DR THE HONOURABLE CHUNG SZE-YUEN, OBE
THE HONOURABLE MICHAEL ALEXANDER ROBERT HERRIES, OBE, MC
THE HONOURABLE LEE QUO-WEI

IN ATTENDANCE

THE DEPUTY CLERK OF COUNCILS
MR DONALD BARTON

12th March 1969**PAPERS**

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Interpretation and General Clauses Ordinance. Change of Title of Office	22
Interpretation and General Clauses Ordinance. Delegation of Powers	23
Public Health and Urban Services Ordinance. Laundries (New Territories) Regulations 1969	24
Public Services Commission Ordinance. Public Services Commission (Amendment) Regulations 1969	25
Mining (Amendment) Ordinance 1969. Mining (Amendment) Ordinance 1969 (Commencement) Notice 1969	26
Factories and Industrial Undertakings (Amendment) Ordinance 1969. Factories and Industrial Undertakings (Amendment) Ordinance 1969 (Commencement) Notice 1969	27
Public Health and Urban Services Ordinance. Public Health and Urban Services Ordinance (Amendment of Fourth Schedule) Order 1969	38
Sessional Paper 1969: —	
No 6—Annual Report by the Director of Marine for the year 1967-68.	

STATEMENTS**The Hong Kong Additional Instructions 1969**

THE ATTORNEY GENERAL: —Sir, among the items of legislation published in the *Gazette* since the last sitting of this Council were the Hong Kong Additional Instructions, 1969* which amended the principal Hong Kong Royal Instructions in four respects.

The first change effected is the alteration of the title of Secretary for Chinese Affairs to Secretary for Home Affairs. This is purely an alteration of name and will not involve any change of function. It

* (LN 21 of 1969).

is thought that this new title is a more accurate description of his responsibilities than the former one.

The second alteration removes the obligation on the Governor to consult Executive Council in cases relating to the appointment, disciplinary control or removal from office of public officers. Such matters will now be referred by the Governor to the Public Services Commission, where appropriate.

Thirdly, the quorum for the conduct of business in this Council is increased from 5*, including the President, to 10, including the President†, to take into account the growth in the size of this Council since the quorum of five was fixed in 1917*.

Lastly, the requirement that a question for debate must be seconded is removed‡, so that any member may by himself propose a question for debate subject, of course, to such limitations on the subject matter as may be imposed by the standing orders of this Council.

LAUNDRIES (NEW TERRITORIES) REGULATIONS 1969

MR D. R. W. ALEXANDER:—Sir, the Laundries (New Territories) Regulations, 1969, made under the Public Health & Urban Services Ordinance (Chapter 132) and tabled this afternoon§, provide for the licensing of all laundries and laundry depots in the New Territories. These regulations follow closely the provisions of the Laundries By-laws which apply to the urban areas of Hong Kong, Kowloon and New Kowloon but, in order to give the owners or operators of existing laundries in the New Territories time to comply with their requirements, they will not come into effect for six months.

Also, as many laundries in the New Territories are located in premises also used as homes, permission may be granted under these regulations for part of any laundry to be used as living accommodation and for cooking purposes.

EX-GRATIA AWARD TO MRS CHAN LAI-CHUEN UNDER SECTION 95(1) OF THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

THE ATTORNEY GENERAL moved the following resolution:—

Resolved, pursuant to section 95(1) of the Interpretation and General Clauses Ordinance, that the sum of \$36,000 be awarded to Mrs CHAN Lai-chuen of 206 Block 4, Kwai

* Clause XIX of the Royal Instructions: 1917 Hansard, page 31.

† Standing Order No. 10: 1968 Hansard, page 424.

‡ C1. XXIV.

§Page 116.

[THE ATTORNEY GENERAL] **Ex-Gratia award**

Chung Resettlement Estate, as compensation from the general revenue of the Colony on behalf of herself and the other dependants of Mr YEUNG Cheung who died as a result of injuries sustained in the execution of a duty to assist in resistance to crime and that the said sum be paid through the Director of Social Welfare in such amounts as the said CHAN Lai-chuen shall require.

He said: —Sir, section 95 of the Interpretation and General Clauses Ordinance provides for the award of compensation to any person injured in the execution of a moral or legal duty to assist in the prevention of or resistance to crime or any offence, or to the dependants of any person so injured who dies as a result of such an injury.

Although this provision has been present in our law for more than 20 years, it has been very seldom used and certainly not in recent years.

In early June of last year a Miss YEUNG was robbed of a gold finger-ring by an unknown Chinese man on the staircase of the house in which she lived in Kowloon. The thief on this occasion escaped.

A few days later, however, Miss YEUNG saw the thief walking along the street. Nearby was a Mr YEUNG Cheung, a friend of hers, whom she told of the robbery and whose help she sought.

Mr YEUNG at once attempted to arrest the thief, who ran away, pursued by Mr YEUNG, who caught up with his quarry near the Chartered Bank in Un Chau Street. The thief, who was subsequently identified as WONG Chiu-sang, then took out a knife and stabbed Mr YEUNG in the chest, causing wounds from which he died before he could be got to hospital.

The thief was subsequently convicted of manslaughter and of robbery with aggravation, for which he received a total of 9 years imprisonment.

It is proposed by the resolution before Council today to take advantage of section 95 of the Interpretation and General Clauses Ordinance, to make an award to Mr YEUNG's widow of the amount of \$36,000. This is the sum which, it is thought, would have been awarded for her benefit and for that of her six children had her husband been killed in circumstances giving rise to a civil action for damages.

I would like to take the opportunity to pay a tribute to the bravery and public spiritedness of the late Mr YEUNG Cheung, who was carrying out the duty which lies upon all citizens to assist in the prevention of crime and in the arrest of offenders, and to offer sympathy to his widow and children.

The award proposed, and the section under which power to make it is conferred, are a recognition of the obligation of the community to compensate persons who are injured, and the dependants of those who die after being injured, in the performance of this important public duty.

It is intended to make improved administrative arrangements to ensure that, in future, appropriate cases of this kind are brought to the attention of the government, so that consideration can be given to an award by resolution of this Council.

Question put and agreed to.

APPROPRIATION BILL 1969

Resumption of debate on second reading (26th February 1969)

Question again proposed.

MR Y. K. KAN: —Sir, in the past Unofficial Members in budget debates spoke on a wide range of subjects. This year we will endeavour to follow the new procedure and confine ourselves mainly to economic and financial matters arising from the Estimates. Later in the year on the occasion of your annual review we shall be dealing with wider principles of government policy. Further, we intend in the course of the year to initiate debates on specific issues.

To reduce the length of this debate we will strive not to duplicate points made by any one of us so that the points raised by individual Members do represent, in broad principle, the consensus of all Unofficial Members, unless of course the Member makes it clear that the views he expresses are his own.

Although each of the speeches after mine will deal with different issues, all form part of a theme: the theme is that we should not budget for a surplus. Budgeting for a surplus may well at times be a good thing. It can also be the result of high taxation or underspending. We do not suggest that we have high taxation in Hong Kong, although I shall later be proposing two tax concessions which I consider desirable. We do feel, however, that in several areas more should be done than is being done.

For a long time Unofficial Members have been urging Government to abolish Estate Duty. In the 1967 Budget Debate my honourable Friend, the Financial Secretary said, and I quote him: "The third measure relates to Estate Duty, which it has been represented, discourages the inflow and encourages the outflow of capital; and in any case, it is said, can be easily avoided by those who wish to do so." He went on to say: "I do agree, however, that in relation to our 15%

[MR KAN] **Appropriation Bill—second reading**

standard rate of tax on Earnings and Profits the 40% top rate of Estate Duty is excessive and may possibly have some of the effects alleged. Ideally, I think, we would aim for a situation where the top rate for Estate Duty is the same as the standard rate of Salaries and Profits Tax (at least while we have no full income tax system). But this would be too expensive a single step today and I am therefore proposing to reduce the top rate from its present level of 40% (which is reached on estates of over \$15 million) to 25% (which is the level reached on estates of just over \$4 million."*. This interim reduction was subsequently put into effect. If my honourable Friend was prepared to reduce Estate Duty by 15% in a year in which he budgeted for a deficit, I suggest that he should now realize his ideal and reduce it by a further 10% to bring the top rate for Estate Duty down to, the rate of Earnings and Profits Tax. This will have the effect of reducing a portion of his \$64 million surplus.

With regard to Rates my honourable Friend has warned that "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."†.

Sir, in England where both Property Tax and Rates are charged as in Hong Kong, Property Tax goes into the general revenue of the central government and Rates go to local government to defray expenses. This I submit is not so in Hong Kong where both Rates and Property Tax go into the general revenue of central government. Rates collected bear no relationship to actual local government expenditure: For all intents and purposes therefore there is in Hong Kong in most cases a general tax on property amounting to 32%. This is too high in comparison with other taxes where the rate is a straight 15%. Since my honourable Friend anticipates that, at the present level, revenue from rates will increase again from 1970-71 onwards, all the more he should now give an assurance that there is no question of any increase in rates. On the contrary he may well consider reducing the 32% tax on property or at least cut the 2% for water supply included in the Rates with perhaps a corresponding slight increase in the water charges. There is no reason for occupiers to subsidize industries who after all are big water consumers. The reduction in Rates will further cut down the surplus and together with the abolition of the 3% Excess Stamp Duty will, I am sure, act as a strong stimulant to investment in property.

Sir, I have so far suggested where taxes might fairly be reduced. Some of my Colleagues will be dealing with the even more important aspect of where spending may usefully be increased. I should however

* 1967 Hansard, pages 93-4.

† Page 91.

like to make this point: we are convinced that the need for integrated overall planning is becoming more urgent.

We should not continue to deal with our problems piecemeal or subject them to priorities, particularly the priorities set by one Department or one man, which have not been properly or adequately examined. It is time we put the horse before the cart and made our financial decisions subject to the vital needs of the community, rather than make decisions on our needs subject to finance.

Sir, having called for a broader and more liberal outlook on spending, I will end on what my honourable Friend may find a less unattractive note by advocating a social security measure which is urgently needed, but which will cost Government nothing.

I am informed that there is at present considerable hardship suffered by victims of motor car accidents unable to legally claim compensation from any insurer, either because the vehicles involved are not covered by third party insurance, or there is some loophole in the policy which enables the insurance company to evade its liability. In England, in such cases the victim can now claim compensation from the Motor Insurance Bureau which is set up by the insurance companies who contribute the funds. I would urge that Government should secure the agreement of insurance companies engaged in motor vehicle insurance business here to form an organization such as the one that exists in England or alternatively introduce the necessary legislation as, I believe, in Malaya.

Sir, whilst I shall support the bill, when it goes to the Committee stage, I shall be objecting to an item included in the Heads appearing in the Schedule.

MR FUNG HON-CHU: —Sir, listening to the presentation of my honourable Friend, the Financial Secretary, this year, has been a most gratifying experience and I am sure it has given us all a feeling of pride to learn that Hong Kong has triumphed once again over setbacks and difficult circumstances.

At the time of last year's Budget Debate, the community was somewhat apprehensive over the effects of the events of 1967 upon our continued economic growth and prosperity, and some people, myself included, were led to advocate massive confidence-boosting efforts and various special measures to act as incentives to investors and developers here and from overseas. My honourable Friend seemed skeptical of the need of such special innovations and it gives me much pleasure today to compliment him on his sure reading of Hong Kong's capabilities. It is indeed extraordinary, as he has pointed out, how apparent setback can act as a spur to the people of Hong Kong. This

[MR FUNG] **Appropriation Bill—second reading**

demonstration of what we are capable of under pressure may well prove one of the most valuable lessons learned from the events of 1967.

The Budget which has been proposed for the next year is bound to be a popular one. Not only there is no increase in taxes but there are actually some minor reductions in duties and fees. And there is budgeted surplus—the first time since the war—to boot.

It is difficult to argue against success. However, in considering the budget before Council, I should like to make the following observations: —

We are told that the principal element in the increase of recurrent expenditure is personal emoluments. This is inevitable in a society with an increasing population and a consequential demand for expanded governmental services. But are such services being provided as efficiently as possible? I urged at a previous Budget Debate the necessity of increasing the efficiency of the public service and of removing deadwood wherever it may be found*. I make no apology for bringing up the subject again as I feel that in an expanding Public Service the need for vigilance is all the more important. It will be interesting to know, for instance, whether the number of public servants removed for inefficiency has kept pace over the years with the growth of the Public Service.

This takes me to the question of overtime allowances. That this is unavoidable in a number of cases there is no doubt, but can we say with any degree of certainty that in no case could the overtime have been avoided if work in the department were more efficiently organized? Overtime is costing the taxpayer ever increasing sums and the amounts involved have been substantial in the cases of some individual officers. We have all heard of Parkinson's Law which states that work expands to fill the time available for it. Businessmen only know too well from experience in their own firms that any approval for overtime rewards tend to generate very quickly a need for overtime to complete the tasks at hand. If overtime were unavoidable, it would be preferable, generally speaking, to recruit additional staff.

In the field of social services, the proposal for a more sophisticated Government sponsored Public Assistance Scheme and the reduction in primary school fees are to be welcomed. But is there not more that Government can do in this sphere given our relatively healthy financial position? The allocation, for example, of only 1.6% out of the total expenditure for the coming year for the work of the Social Welfare Department appears to be less than adequate.

In advocating improvements in social services I am not merely supporting something which the Chinese have long regarded as a virtue.

* 1967 Hansard, pages 134-5.

Nor am I unmindful that there are dangers in too much welfare in a place like Hong Kong. We are endowed with few natural assets and of these our diligent population is the most important. We should not therefore erode unduly their instincts for hard work and self-reliance. The devaluation of sterling in 1967 has also reminded us that a nation can sometimes get into difficulties through too much welfare. These considerations perhaps played a part in convincing my honourable Friend the Financial Secretary that the rapid growth of the economy, and the pressure that comes with it on demand for labour, is the best means of securing a rapid redistribution of wealth and an improvement in the livelihood of the people.

While I am sure that my honourable Friend is generally right when one thinks of it in terms of restrictions on the hours of work and other labour oriented measures which may harm the competitive position of our goods, I wonder if that is so in the more traditional social services. What is available in Hong Kong is a far cry from what is available in welfare states and I should have thought that we could afford better services without necessarily endangering the economic health of the Colony. Could we not, for example, take a bigger step in the direction of free, compulsory primary education? There is also scope for more clinics, more recreational facilities and an expanded housing programme.

If my honourable Friend's objection to being more adventurous in the area of social services lies in the recurrent nature of those commitments, perhaps he would be better disposed towards devoting any surplus over the next few years to specified capital projects which are self-sustaining and which are currently much debated. He has already indicated the magnitude of investment required for a mass transit system in the form originally proposed but I think that apart from modifying the proposal there are also a number of less expensive projects which should be considered. One such project is airport development and another is a container terminal. Quite apart from the runway extension, the financing of which is under negotiation with the UK Government, the air cargo handling facilities are becoming inadequate to cope with the increasing volume of air cargo. I hope Government can take an early decision on the building of a new air cargo complex.

The need for a container terminal at this time appears to be rather urgent. I understand that full container ships will be plying to the Far East before the end of this year and that terminal facilities for handling such vessels will be available in Japan, Taiwan, Singapore and possibly the Republic of Korea. The demand by buyers overseas for goods to be shipped by containers is on the increase. The inability to ship direct by containers will affect the competitive position of Hong Kong's exports. Ideally, Government should allow those who have faith in the future of containerization to back up their faith by investing in a container terminal. But if no one comes forward, Government should consider investing in such development in the interests of Hong Kong's economy.

[MR FUNG] Appropriation Bill—second reading

The disclosures by the Financial Secretary of the horrifying cases of tax evasion coupled with the subsequent statements by the Commissioner for Inland Revenue in the press, have led me to conclude that top priority should now be the efficient collection of existing taxes rather than an increase in taxes. It is scandalous that highly educated professional people, earning large sums from the community, should be so irresponsible and selfish as to evade taxes which can go towards the betterment of less fortunate members of the community. I hope the Government will spare no efforts to stamp out tax evasion and to prosecute vigorously those who have committed offences so that others may be deterred from such dishonesty. I would give my unqualified support to the provision of more staff for the Inland Revenue Department, if this is required, to combat tax evasion. It may well be that more efficient collection of taxes will in itself produce sufficient increased revenue for improved social services as well as some self-sustaining infrastructure development without resorting to increased taxes.

The suggestion by my honourable Friend, the Financial Secretary, of ploughing back the revenue yielded by Entertainment Tax from sporting events into a Fund devoted to the development of sport, has much to commend itself*.

MR TSE YU-CHUEN: —Your Excellency, I rise to give my unqualified support in principle to your Excellency's speech in this Council on February 26th on the need of financial or other assistance to the poor[†]. The speech pointed out that in the question of what is often and rather loosely described as social security there are two interdependent but quite separate systems of social protection. One is the public assistance or subsidy and the other is social insurance. As regards the system of public assistance, the position of Government towards those people who have genuinely fallen on hard times is to render direct or gratia Government subsidies in cash or kind to augment the income of the family income in meeting minimum needs.

In the system of social insurance, the participants have to pay insurance premia towards the cost of their protection against various contingencies. Because social insurance should proceed with utmost caution as said in your address, its adoption in the immediate future may be ruled out at present. However, according to this view, the hope is expressed that by next year scales of governmental public assistance should be broadened and that there may be further improvement in this project.

* Page 101.

† Page 62.

Your Excellency has shown solicitude and insight into this problem in the same manner as you would have felt for your own kinsmen. This is indicated in this Council by your speech which also expressed misgivings in the implementation of this measure. Of the four million people in Hong Kong, there are those in reduced circumstances and mental distress, not knowing where to appeal for help. While there are social experts in government service and also voluntary welfare or charitable agencies, the inevitable feeling is that, to use a popular Chinese expression, there are too many monks and too little rice gruel. This is due largely to the fact that relief is not sufficiently adequate or widespread. To expedite the amelioration of the living condition of less fortunate people and to expand the measure of relief for the benefit of the impecunious and despairing masses, I wish that Government before introducing the social insurance system should immediately embark on public assistance.

Another matter of no less urgency is that Government should greatly increase subventions to volunteer charitable organizations so as to speed up the expansion of social welfare programmes.

It is axiomatic that prosperity in the community increases in proportion to the smooth implementation of social welfare measures. This is seen in advanced countries in Europe and America, where the administration of social welfare is thorough and comprehensive, leaving nothing to chance. There are special agencies expertly taking care of public health and entertainment, education, medical aid and poverty, so that the people may carry on their daily livelihood and occupation in peace and happiness side by side with the pace of prosperity in the community.

Hong Kong is forging ahead as the best trading seaport in Eastern Asia, being located in a convenient and advantageous place. The population is dense, and the setting up of many factories has contributed to the prosperity of this centre.

On the other side of the coin we may find that objectives in social welfare are still wide of the mark. In the matter of labour insurance, very little has been done except in the case of some factories. Fortunately public spirited and charitable people have made generous contributions towards the establishment of volunteer charitable bodies such as home for the aged, infants, disabled persons and orphans, clinics for the poor, scholarship grants, relief to victims of disasters, emergency relief, free schools, free mess halls, youth recreation centres, kaifong welfare affairs. These charitable and relief measures have to be disseminated wide and deep in order to give maximum benefit to the community.

On its part, Government as encouragement in pushing forward these programmes through the voluntary charitable organizations has for many years made financial contributions. In 1965, the subvention was

[MR TSE] **Appropriation Bill—second reading**

\$5,612,000; in 1966, \$6,982,800; in 1967, \$7,956,600; in 1968, \$9,888,400. Although there had been, as we see, an additional appropriation year by year, the increase amounts to eight per cent or thereabouts. With this tempo of appropriation, there is no way to broaden much needed measures. In view of the rapid increase in population, the demand on social welfare is stepping up from day to day. For the sake of social stabilization and consolidation of peace, it behoves Government to allot many more subventions to the poor and destitute and to the cause of building up talent through the voluntary organizations. Increasing financial assistance in this direction will facilitate and speed up programmes of social welfare. To grant bigger subventions to new, expanded and existing voluntary organizations should be, I submit, the urgent task confronting government today.

MR K. A. WATSON: —Your Excellency, in business, a healthy excess of income over expenditure is welcomed. But when it is made by Government (largely, we suspect, out of our own pockets) and is not spent but is tucked away in our already considerable reserves without any indication if, when, or how they will be spent, it is not unreasonable to wonder whether the best use is being made of our resources.

In spite of these doubts, however, it would be churlish not to welcome the evidence of the strength of our economy, when a budgeted deficit of \$13 million becomes a surplus of, possibly, \$150 million. One gets used to this annual magic and begins to suspect that the Estimates do not give a realistic picture of what is likely to happen. Could it be that the revenue shown is the minimum which could reasonably be expected and the expenditure, the maximum which could be spent. If so, actual revenue received is likely to be more, expenditure less, a deficit is turned into a surplus, and the ugly duckling becomes a swan, a transformation which has occurred in nine out of the last ten years.

To find ourselves faced with a budgeted surplus for the first time since the war comes, therefore, as rather a shock. What has gone wrong, we ask? Has the previous cautious policy of estimating revenue been abandoned? Have heads of departments become sceptical about the amounts their assistants say they can spend? Or is the surplus due, as my honourable Friend the Financial Secretary seems to hint, to the difficulty of keeping up with the vigorous growth of our economy?

If this is the case, if revenue and expenditure have been calculated as in the past, then, barring accidents, we can expect a surplus much larger than the \$50 million now predicted, a surplus which with perhaps \$150 million this year will go to swell our reserves.

We realize, of course, that we must have reserves, but we know very little about them. What, for example, are our "basic reserves",

a term used by my honourable Friend when discussing the 5-year forecast from 1963-64 to 1967-68. It would, I think, be useful if he would expand the information given in the Estimates, pointing out the minimum reserves he thinks should prudently be kept, and how much is available for spending. The actual amount of our reserves is in doubt. In 1967 he said that the Exchange Fund is part of them but I cannot find any mention of it in the Estimates or in the Annual Report of the Accountant General*.

That same year, my honourable Friend said that "Reserves are of little use unless they are in reasonably liquid form so that they may readily drawn on when required"[†]. He also said, "There is nothing whatsoever to prevent us from doing so whenever we do find it necessary."* If he were referring to our investments in Britain, is this strictly true? Would we not have to get Britain's permission first? We hear all too frequently of losses due to the depreciation of investments, with the consoling advice that as all such investments are dated, the depreciation is temporary. But does this not affect the practical liquidity of these reserves?

I notice that some of these investments, admittedly a small portion of them, are in Commonwealth countries such as Mauritius, East Africa, Kenya, Trinidad, Cyprus, Tanganyika and Northern Rhodesia. One wonders why we should be financing other members of the Commonwealth, many of them at interest rates as low as 3% and 3½%, instead of using the money to finance ourselves? We have a small investment in Southern Rhodesia 4% 1972-74, which stands at only 40% of its nominal value, a country against which we maintain a trade embargo and which Britain appears to be trying to ruin financially. Does anybody guarantee these bonds, other than the countries themselves? Can we be certain that when they mature they will in fact be paid?

I have mentioned the forecast for the years from 1963 to 1968. Dreadful things happened during those years, bank failures, a drop in land values, a building recession, floods, riots, confrontation, and a devaluation of Sterling. And Hong Kong reacted typically. Instead of the anticipated deficit of \$565 million mentioned by my honourable Friend, it produced a surplus of \$334 million.

The latest 5 year forecast for 1967 to 1972 shows similar discrepancies. The worrying thing is how quickly it has got out of line. It was published a little over a year ago, but already the results of last year, the anticipated surplus this year, and the budgeted surplus for next year, mean that the forecast for the first three years is already \$621 million underestimated. May I suggest that there is no great

* 1967 Hansard, page 83.

† 1967 Hansard, page 82.

[MR WATSON] **Appropriation Bill—second reading**

harm in underestimating revenue and overestimating expenditure, when applied to a single year, but it makes a mockery of a 5 year forecast.

The total deficit predicted in that forecast is nearly \$800 million* instead of which my honourable Friend has suggested that, with the upsurge in revenue, together with future Exchange Fund surpluses of at least \$120 million a year, we should have available \$300 million a year for Public Works after allowing for all current and other non-recurrent expenditure†.

Last year both my honourable Friends, the Financial Secretary and the Director of Public Works spoke of the possibility of a modified Mass Transport system but apart from a passing remark that it is one of the things under consideration, the former has made no reference to it and I can find nothing in the estimates to suggest that any action is being taken‡. I hope that when he speaks my honourable Friend the Director of Public Works will be able to tell us more about this project.

But even if a decision to go ahead with it is taken, there will still be a need to make great improvements in our road system. I have spoken about this before and as my honourable Friend Mr SZETO will be speaking on this subject at some length, I will merely try to emphasize how badly this has been neglected. During the past five years the revenue received has increased by 117% over the amount received during the previous five years, but the amount voted for one of the Sub-heads "Roads and Bridges" has increased by only 15%.

The results of this I am afraid are obvious. Our transport companies are finding their operations increasingly difficult, with an ever-growing tendency for passengers to use other, more comfortable and more convenient forms of transport. Unfortunately these are less economical of road space and therefore increase congestion, and so produce a vicious circle.

The greatest sufferer has been the Kowloon Motor Bus Co which is unable to purchase the new buses required to meet the demand unless its financial position is improved either by increasing fares or by reducing royalties. My honourable Friend the Financial Secretary has mentioned the latter possibility§. Certainly if royalties are considered a means of siphoning off the excess profits which the company makes because of its monopolistic position, and there are no excess profits, it is difficult to justify continuing to charge a royalty. But even if it is removed entirely and fares increased sufficiently to buy the new buses, with our heavily congested roads, this may not improve travelling conditions sufficiently to prevent passengers trying to find alternative

* 1968 Hansard, page 65.

† Page 96.

‡ 1968 Hansard, page 208 and 1969 Hansard, page 72.

§Page 90.

forms of transport, which will of course get relatively cheaper as bus fares are raised. The most successful competitor seems to be the minibus, about which you, Sir, have spoken. If they are legalized, licence fees or premiums collected from them should go some way to make up for the loss of revenue from bus company royalties.

The minibuses may be the major form of surface transport in the future. In the New Territories they already carry more passengers daily than the KMB. I strongly urge the bus companies to consider entering the field themselves instead of leaving it to others.

Mr R. BUTLER, an economist seconded to us from Britain's Ministry of Transport, has been studying minibuses for the Transport Department, and his conclusions are of considerable interest. He says,

“All I can say is that in the illegal minibus Hong Kong seems to have stumbled on a form of transport which is popular, viable, relatively cheap and relatively safe. It is most unusual to find these characteristics in any modern city's transport media.”

He adds that he has written up his study for the Ministry of Transport and will be very disappointed if he fails to export this invention, which he considers offers an answer to the congestion problem posed by increasing car ownership.

I am very pleased to hear that my honourable Friend the Financial Secretary advocates the replacement of what he calls our present "fairly rudimentary" system of public assistance, and that he has done so for a number of years*. I will not suggest that this was in any way the result of my criticism in the Social Welfare debate in 1965, but if he had those ideas then, I wish he had given me some support†. That year the sum thought sufficient voted for General Relief and Public Assistance was \$1.8 million. My honourable Friend considers that a sum of \$20 million a year might provide the system which he now advocates. It is hardly likely that the need has changed very much since 1965, so that the ten-fold increase in the money required indicates how inadequate was our provision for public assistance four years ago, in spite of the protestations of my honourable Friend the Colonial Secretary at the time‡.

In public housing, the estimates show a drop in expenditure from \$110.7 million this year, to \$88.9 million next year, the lowest figure for 7 years. Though clearances of squatter areas for development has decreased, and people are not as desperate for accommodation as in the past, there still remains a considerable need for public housing, to relieve overcrowding in resettlement estates for example and to improve the housing conditions of those living in urban slums, on rooftops and

* Page 104.

† 1965 Hansard, pages 307-13.

‡ 1965 Hansard, pages 324-5.

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on hillsides. An interesting point is that this year, for the first time, more money will be spent on Government Low Cost Housing than on Resettlement buildings.

If the Housing Board's recommendation to provide accommodation for about 835,000 people in the six years from 1968 to 1974 is approved, this would require an average yearly production of 139,000 individual units, and I would be sorry if next year's reduced expenditure meant that less than this would be provided. The reduction in costs, may, of course, be due to lower tender prices and I look forward to the comments of my honourable Friend the Director of Public Works.

In conclusion, may I say how glad I am that my honourable Friend the Financial Secretary seems to have moved closer to my position with regard to the future of Hong Kong. In 1965 he said: —"I was, I thought, second to none in my confidence in the strength and resilience of the economy, but I find now that I am second, by quite a large margin, to Mr WATSON"*. I have always treasured those words of praise. In 1967, he spoke of estimates of the cost of a possible new public transport system which were so terrifying that he would not even mention them[†]. Last year, when I tried to show that if our economy continued to grow as it had in the past, we could easily afford the \$3,404 million cost of the Underground Railway, spread over 18 years, but I was told that this was "in the realm of fantasy"[‡].

This year, however, there are no grim forebodings, no repetition that the slack has now been taken up. Instead, my honourable Friend speaks of "the vigorous growth of the economy", "the big upsurge in current revenue", "the very substantially improved fiscal position". He mentions, without undue terror, the possibility of capital expenditure of \$3,500 million, not in 18 years, but in the 5 years starting in 1970-71[§].

If, now after the alarms and excursions of the past four years, he has moved closer to my degree of optimism, I hope this will be the start of a new and brighter future for Hong Kong. Our economy is buoyant, our reserves in Britain are almost fully protected, the Exchange Fund is expected to produce large sums for additional capital expenditure, the Plover Cove reservoir is almost paid for, and rents received from resettlement and Low Cost Housing are beginning to play an important part in our revenue.

Perhaps one day he will agree that some of my proposals for improving the living and working conditions of the Hong Kong people are not completely out of reach because of the lack of fund.

* 1965 Hansard, page 321.

† 1967 Hansard, page 91.

‡ 1968 Hansard, pages 108 and 210.

§Pages 96-7.

HIS EXCELLENCY THE PRESIDENT: —I don't know whether Unofficial Members would like a break. Mr KAN, would you care to break or would you prefer to continue?

MR Y. K. KAN: —Sir, I think there are only two speeches and I don't think they are very long. Sir, subject to your wishes, I don't think so.

HIS EXCELLENCY THE PRESIDENT: —No, I am quite prepared to go on.

MR SZETO WAI: —Sir, my comments on the Estimates will be confined to our expenditure on roadworks and other matters connected with the vital subject of public transport.

Many people seem very pleased that this year we are budgeting for a surplus rather than the usual deficit which invariably turns into a surplus. My own reaction is "Why this huge surplus when so much remains to be done for our public services, both social and physical?"

While appreciating that there will be some 9% increase in next year's total expenditure over this year's, compared with an increase of only 6% in revenue, I am dismayed by the lack of a sense of urgency in roadworks allocations in the Estimates which appears to be quite incompatible with the general tenor of my honourable Friend, the Financial Secretary's speech. In spite of his emphasis on road improvements, I cannot help feeling that in the eyes of my honourable Friend, roadworks still remain the poor cousin of our housing and waterworks. For next year the total allocation for roadworks and traffic engineering is only \$48 million, actually less than the \$51 million for 1967-68 and the \$52 million for 1968-69.

I would like to know the reason for this. Surely it cannot be because the PWD has not the engineering capacity to proceed faster, for the Personal Emolument of the Civil Engineering Office this year was over \$21 million against a total expenditure on both recurrent and non-recurrent projects of \$102 million—an equivalent fee of over 20% which would be the envy of any consultant. Next year's estimate for salaries is even higher. Clearly this office has the capacity to handle a greater volume of roadworks than that provided for next year.

I am reluctantly driven to the conclusion that financial considerations are the prime factor behind the slow progress we are making. Why is it necessary to have so many of our road projects split up into multiple contracts, which are a source of delay? I sometimes have the feeling that this is done deliberately as a further means of financial control. Or is such process found necessary because of the low capability of our contractors? In this connexion the PWD list of approved

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roadworks contractors needs to be looked at again so as to remove from it those who have been found unsatisfactory by past experience. I suggested similar action two years ago.

In 1966, my honourable Friend, the Financial Secretary instituted a further check on public works at the tender stage*. He admitted that this had caused some delays. I presume this check is still being applied. Whilst it might have some relevance in certain areas of PWD activity, I would like to suggest now that roadworks join resettlement and low-cost housing projects in being exempted from this check. Indeed, in view of our repeated surpluses and the very careful consideration given to projects before they are upgraded at all, it may be opportune to dispense with the check entirely.

So much for generalities. A few examples of the long time taken for roadworks to be put into effect will illustrate the point I am trying to make. Two years ago a new road to link Deep Water Bay Road with Wong Chuk Hang Road was upgraded by the Public Works Sub-Committee to Category A at a cost of \$2½ million. Now, two years later we find just one-tenth of this cost or \$250,000 has been provided in next year's Estimates to start the project. The widening of Connaught Road Central from Murray Road to Western Market was approved last December. It will cost some \$7 million. Again only one-tenth of the fund necessary has been provided in the Estimates. Expenditure on the Island Water Front Road has still not reached half of its \$25 million cost in spite of years in construction. An even worse example of this procrastination is to be found in the complete lack of provision for pedestrian crossings in the urban area, whether by over-head bridge or subway, although the Transport Advisory Committee made recommendations on the matter and requested a survey over two years ago.

My honourable Friend, the Financial Secretary has assured us that expenditure on roads is clearly going to increase rapidly. But it always seems to be a case of "jam tomorrow". For how long are we going to be fed on the feast to come? My honourable Friend succeeds in achieving a surplus even when he budgeted for deficit. Next year he is forecasting a surplus, and in the event this surplus is likely to be bigger than anticipated now. Why cannot more be done now to improve our road system, especially now when for the next few years our expenditure on waterworks will be much less than it has been in the past? But my honourable Friend seems to have adhered to the view he held last year which precludes any dramatic new programmes of action or any far-reaching switches in direction or priority in the course of expansion of public services, in spite of our healthy financial and economic state.

* 1966 Hansard, pages 66-7.

Sir, in March 1970, we shall all be one year older. Will we also be one year wiser and give our urgent transport problems the finance they must have and the attention they deserve?

At the same time as he forecast increased expenditure on roadworks, my honourable Friend warned us of the likelihood of increased taxation on vehicles. Is this necessary or equitable? For, next year's roadworks expenditure represents only 60% of the \$81 million revenue from royalties from land public transport, vehicle licence fees and vehicle taxes, but exclusive of the tremendous amount of money raised from fuel tax. My honourable Friend has all along maintained that roadworks expenditure has no absolute claim on revenue from transportation and fuel which he considers as a tax on consumption. He has, however, admitted reluctantly that public transport royalties are a tax on public transport users. Last September, both my Colleague Mr KAN and myself spoke on the services provided by the Kowloon Motor Bus Company and the disproportionate sums of royalty which the Company pays yearly to Government. I said on that occasion: —

"Royalty is undeniably an indirect tax on bus users, and further, in the case of KMB, there exists an anomaly since amongst all the public transport royalties it is the only one that is assessed on gross receipts. With rising wages and expenditure, such crippling royalty inhibits expansion of the services, and in the light of the continuing tremendous tempo of development on the Mainland, it renders the company incapable of fulfilling its obligations to provide adequate services."*

My honourable Friend referred to this royalty two weeks ago and said that it was probable that some part of it may have to be given up to avoid a substantial increase in fares if the Company's profitability was to be maintained at a reasonable level[†]. The time has now come for me to stress again the necessity of some substantial adjustment to remove the anomaly of such an inequitably high royalty. This year the KMB has to pay \$21.4 million in royalty amounting to 85% of all the royalties from land public transport. This royalty is almost 9 times that paid by the China Motor Bus Company although the KMB carries only three times the number of passengers and travels a little over twice the mileage. I believe my honourable Friend holds the view that bus royalties are levied as a tax in return for an exclusive franchise as well as a charge against concessions accorded to the operators in facilities and reduced fuel tax and vehicle licence fees. In the case of KMB, these concessions amount to about \$7 million this year, which means there is a surtax of \$14.4 million or 13½% of gross revenue on the Mainland bus users. I urge my honourable Friend to seek an equitable solution when he comes to consider readjusting the Company's

* 1968 Hansard, page 456.

† Page 90.

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royalty to avoid an otherwise inevitable increase in fares. Whilst there may not be a case for subsidy, surtax on public transport seems indefensible under present conditions since the majority of its users belong to the poorer section of the community. After all the electricity supply companies, who also enjoy an effective monopoly, are not required to pay royalties.

MR WILSON T. S. WANG: —Your Excellency, perhaps I should first sound a warning that my speech will not be too short and I hope this is understandable: I have been in Urban Council for 8 years. (*Laughter*).

Sir, I welcome a surplus for the Budget inasmuch as I believe that it is a sign that Government is trying to be more democratic by allowing a good margin for contingencies and that our Financial Secretary has decided to abandon the use of that common phraseology of no funds being available which hitherto has been a very effective weapon in his self-defence. I take it as an open invitation, welcoming all suggestions as to how we can best spend the estimated surplus. It is on this assumption that I now attempt to outline a list of items which I believe should claim top priority.

The most important target we must attempt to achieve at the earliest possible date is the provision of primary school places for all children from the age of 6 to 11 inclusive. No one can deny that this is a matter of utmost urgency. Because of its importance, I shall dwell on it at the end of my speech to-day.

The next urgent problem is the provision of school places for boys and girls aged 12, 13 and 14. In reply to my question last September, my honourable Friend, the Director of Education, estimated that in March 1968 from among 270,000 boys and girls of this age group, only 200,000 were attending a school of any kind*. This means that some 70,000 of them were not accommodated in any school, and this number is of course, growing larger each year. What these boys and girls are doing now and what will they become in future should be a matter of serious concern to us all. Can we afford to remain complacent and to leave this problem unsolved any longer? Are we to allow these children to go astray in their formative years—in this most crucial period of their lives? Are we to let them continue to feel unwanted and inadmissible and unable to take their proper places in our society? Unwanted because they are unemployable by law and inadmissible because there are no school places for them. Who is going to take the responsibility and the blame when the "inadmissible" becomes "untouchable"?

* 1968 Hansard, page 397.

I most whole-heartedly share your Excellency's concern about this problem and I fully support your suggestion that a programme to provide post-primary education for them should be implemented and should be regarded as one of the Government's most immediate aims.

Here I wish to qualify the terminology of *post-primary education* to be applied in its widest sense. There is no single type of school which can claim to cater for the varieties of demand in view of the diversified interest, background, and aptitude of our primary school leavers, although our emphasis should first be laid on training for the vocation in which they shall be able to seek employment. In view of the big number of primary school leavers inadmissible for the formal type of Secondary School, Grammar or technical emphasis should first be placed on the provision of places for those below the age of 15.

For this purpose, school courses should be so designed that their pupils can leave as soon as they reach the employment age so that their places can be taken by others. This is in fact the intention behind the education white paper proposal when it recommends two years extension courses in primary schools, to bridge the average age-gap between primary school leaving age and employment age.

Above all other demands, our immediate step should be to accommodate as many as possible and as early as possible all boys and girls below the age of 15 in their proper places.

In the field of *technical training* my honourable Friend, Dr S. Y. CHUNG is better able than I am to speak with authority, and I do not intend to-day to encroach too far on his territory.

However, I feel I must express my concern about the need to study carefully the fields of training and corresponding curricula which can best meet the demands of industry. This is because technical training is a very expensive undertaking, and also because nothing could be more frustrating to the trainees than to find no opportunities to practise what they have been trained for.

I hope I am not sticking my neck out too far if I suggest that in the development of technical training, priority should be given to the postsecondary technology and polytechnic, as I believe that this would have certain very important advantages. It would provide a good supply of technicians to meet the needs of industry and a future supply of instructors to staff our junior technical schools and to give instruction to apprentices in their training in the factories themselves.

Again, seeking your indulgence for my limited knowledge of industry, I would venture to suggest that a well organized and well thought-out apprenticeship training scheme would be a practical and economical proposition. In this way a large number of skilled labourers and artisans could be trained. And its effectiveness would be increased

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if it were to be supported substantially by Government in the form of advice on technical know-how and expert supervision. This should ensure that employers' investment is justified, while at the same time should give protection to the apprentices, and ensure adequate training.

The provision of *interest-free loans for needy undergraduates* is a scheme very close to my heart. I warmly support your Excellency's suggestions that public funds should be used for this purpose*.

It may be recalled that some six years ago a bill was passed in this Council entrusting the Director of Education with the management of a fund of 100,000 dollars, donated for this purpose by the Rotary Club of Hong Kong. Since then further donations to this fund have been received annually from the Fat Choy Drive, and the fund now stands at a figure close to three quarters of a million dollars. I have had the privilege to serve on the committee ever since its inception, and my past experience serves to strengthen my belief that this scheme is most welcome to our undergraduates. The fact that the recipients of this loan have all paid back the money lent to them both punctually and readily is proof of their worthiness, appreciation and sincerity.

What our undergraduates are really asking for is not charity but handy assistance whenever they are in need. It would hurt their pride if they were not invited to pay back what they have received when they can afford to do so. As a matter of fact, the student body themselves have been raising and managing similar funds for quite a number of years. And they will welcome your Excellency's suggestions that such a fund should be administered by them. It is essential I am sure that the present donors, namely the Fat Choy Drive and the Rotary Club, will also support the suggestion that their donation should be transferred to the students' administration, so that it can be merged into a single fund together with Government's contribution. It is essential in the interests of administrative economy that this fund should be managed by the minimum number of bodies.

Sir, to all promoters of sports it is most comforting that my honourable Friend, the Financial Secretary has taken note of their grievances about the burden imposed upon them in the form of *entertainment tax on sports events*, particularly at this time when it is generally accepted that more emphasis should be placed in the community on outdoor recreation†.

I am wearing the tie today and as the President of the Football Association, the activities of which constitute the source of over 60% of this tax, I cannot let this opportunity go without outlining some of its difficulties before this Council. Ironically, my association, though

* Page 66.

† Page 101.

responsible for the sponsoring of local as well as international football matches which register a total gate receipt of no less than 2 million dollars a year, is fighting all the time a losing battle to keep its head above water in the matter of finance. It is more than just a miracle that it has been able to carry on all these years in the face of a tax out of 20%, a stadium hire charge of 25%, plus a lot of other miscellaneous expenses, including a very substantial fee for the services of the police. It is hard to comprehend why such a heavy burden should be forced on to this Association which is trying hard to provide for its million football fans in this community a healthy form of outdoor recreation. Many more spectators in fact would be attracted to enjoy this game if we had a large stadium in Kowloon.

Sir, as the Honourable Financial Secretary has pointed out, 600,000 dollars is relatively unimportant in budget terms today, but the waiving of this tax would serve, not only materially but psychologically as a valuable incentive and encouragement to all our citizens who are keen on the promotion of sports and on the provision of outdoor recreation, all of which provide opportunities to improve the standard of physical fitness among our people.

I hope our Financial Secretary was not serious when he said that the tendency of Association Football to become more professionalized might weaken the case. In actual fact it is because of the bold attempt to introduce *truly* professional football in Hong Kong that the Football Association is confronted with an increasing financial problem arising from the need to offer sufficient incentive to our outstanding players to take up football as an honourable and truly professional career.

The Association must be able to do so if it is to remain in a position to provide a high standard of football, acceptable to its million football fans, without charging admission fees at a level that the majority of our people cannot afford. In the interest of the great mass of people in our community who look upon attending an exciting football match as their best form of recreation in their leisure hours, it is the duty of everyone of us to help the association to carry on with its noble task successfully.

Her Majesty, the Queen, has indeed very appropriately recognized the valuable contribution of an outstanding professional football player in bestowing a knighthood upon Sir Stanley MATHEWS.

Sir, I now come back to the major item of my pleas to-day.

Although the figure of 39 million dollars represents a sizeable increase in expenditure under the heading of education, I am very much disappointed to see that provision is made in this year's budget for an increase of less than 40,000 primary places. It may be recalled that my honourable Friend, the Director of Education, in reply to my question

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last September, stated that in order to reach our target by 1970-71 an additional 140,000 aided places must be provided. He went on to say that sufficient projects were in the pipeline to make him feel confident that this target could be achieved. Since sufficient projects are in the pipeline, why and how is it considered fit to aim so low this year? Let us remember that time and tide waits for no man and certainly not for a growing child.

Whenever complaints are made about the shortage of school places, the less well informed members of the public quite understandably blame the Director of Education. For this reason alone, his is not a post many would envy. But what can he do if he is not given the sites, building, equipment, staff and funds required? In theory he has a statutory authority on all matters concerning education.

But it is the other departments who allocate the sites, carry out the construction programme, recommend the funds and process all policy matters. Without their co-operation, there is little that the Director of Education can do and my observation is that the much needed co-operation is lacking.

To quote just one example, there is the shortage of staff in the physical education section of the Education Department. Everyone will be shocked when the fact is revealed that the strength of the staff in this section has been forced to remain unchanged not for 2 years, 3 years, but for the last 12 years.

I can express in no stronger terms my protest against the inadequate provision for the increase of primary school places this year and of the staff in that particular section. I am sure my honourable Friends will not let this bill pass without demanding a satisfactory explanation or a reasonable adjustment to this item of expenditure. Perhaps we might achieve more by proposing a cut to \$1 in the item of expenditure Head No 26.

MR Y. K. KAN: —Sir, on a point of order, may I apologize for making a very misleading statement by suggesting that the last two speeches would be short*. With an Urban Councillor in our midst I should have known better than to entertain such pious hopes. (*Laughter*).

ADJOURNMENT

HIS EXCELLENCY THE PRESIDENT: —I will now suspend the sitting of this Council until half past two tomorrow afternoon.

Suspended accordingly at fifteen minutes to Four o'clock.