

**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) 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-BING, OBE  
THE HONOURABLE ELLEN LI SHU-PUI, OBE  
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

**ABSENT**

THE HONOURABLE WILSON WANG TZE-SAM

**IN ATTENDANCE**

THE DEPUTY CLERK OF COUNCILS  
MR DONALD BARTON

**13th March 1969**

**Appropriation Bill—second reading**

HIS EXCELLENCY THE PRESIDENT: —Council will resume.

MR P. C. WOO: —Sir, in accordance with Standing Order 54(2) I will confine myself to make certain observations on the personal emoluments of the public service. Details of this particular expenditure are contained in the Memorandum of the Establishment Sub-Committee of the Finance Committee.

The proposed Authorized Permanent Establishment in the Memorandum for the year 1969-70 is 77,609 plus Supernumerary Posts of 4,941. The increase for the year in the Permanent Establishment is 2,299 persons. This will cost more than \$795,000,000 representing nearly half of the proposed recurrent expenditure of over \$1,667,000,000 as disclosed in the Appendix B of the Draft Estimates at page 326. To be exact, it is 47.73% of the total recurrent expenditure. However, the increase is only 3.05% as compared with 2.91% of last year.

The largest increase is in the Police Force followed by the Inland Revenue Department, the Medical & Health Department, Public Works Department and the Secretariat for Home Affairs. Between these 4 Departments, it accounts for 1,512 of the total increase of 2,299.

The Immigration Department met with difficulties in attempting to cope with an ever increasing workload at the Kai Tak Airport. The simple answer to the problem would be to supply additional staff to cope with the additional work, but there is no end to this type of solution to the problem and, whilst the Establishment Sub-Committee agree that additional posts are required and have supplied them on a supernumerary basis, other aspects of the problem must be taken into consideration.

One point I wish to make is that whilst the estimated increase in personal emolument is over \$66,000,000 and whilst much of this increase is related to new staff, it must be remembered that this is a relatively young public service which is remunerated from an incremental salary system. This means that more public servants, except those in the more senior posts, annually receive an increment of salary and whilst the amount of increment depends on the rank and seniority of the officer concerned, in broad terms it amounts to something between 5 and 8 per cent per annum. In other words, even if there was no increase in numbers, the cost of the public service would increase each year because of the incremental system. In a stable public service, where there is little or no expansion and where the number of retirements roughly equals the number of new appointments, then the effect of the incremental system tends to be less noticeable since officers on the maxima of their salary scales are replaced by new entrants in the minima. But at present many of our public servants are relatively young in service and the point

of balance which will counteract the effect of the incremental system is not likely to be met for some years to come, and I hope that my honourable Friend the Financial Secretary will keep a close look on this annual incremental creep which is sometimes referred to as the incremental gap.

Of the 77,609 public servants, over 33,000 are remunerated from Model Scale 1. These employees are known as "Minor Staff" which term covers the four broad categories of unskilled labourer, semi-skilled labourer, artisan, and senior artisan, and all streetsweepers, gardeners, parkkeepers, beach attendants, and many Government launch crews and workshop staff are remunerated from this scale.

This number represents something over 43% of the total establishment of the public service, and whilst the majority of these employees are hard-working, industrious, and capable, I think there are areas within this group where not all employees are gainfully and fully employed at all times. This is sometimes because of inadequate supervision and it will be advantageous for the Establishment Branch to investigate the use of Minor Staff and to recommend, where necessary, either a reduction in the number of posts or an increase in the number of Supervisors to ensure that all concerned are fully and gainfully employed at all times.

May I refer to the subject-matter of retirement age, Sir.

In the 1966 Budget Debate, Mr GORDON criticized the retiring age for civil servants being set at 55, saying that Hong Kong was living in the past and he could not see how we could afford to have people retiring at the age of 55 when in other countries the normal age for retirement varies from 60 and upwards. He asked for a thorough and positive examination to be made of the subject at an early date to raise the retiring age to 60 or even above\*. Mr Ross supported Mr GORDON and said that the retiring age of 55 is no longer realistic in our present and age day†. The Colonial Secretary in his reply said that the matter was being looked at again but assured Members of this Council that generally speaking, applications by officers to serve beyond the age of 55 were sympathetically received and applications to retire before the age of 50 were not likely to be granted‡. The matter was raised again by my honourable Friend Mr Wilfred WONG in the 1967 Budget Debate§.

It is now 3 years since the 1966 Debate, and I would like to know what positive and concrete steps had been taken with regard to this question. As at present advised, I understand that this matter is still in the discussion stage with the Senior Service Council and the Establishment Officer. How much more time do we need to come to a finality?

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\* 1966 Hansard, page 113.

† 1966 Hansard, page 155.

‡ 1966 Hansard, page 230.

§ 1967 Hansard, page 188.

[Mr Woo] **Appropriation Bill—second reading**

In the meanwhile, of course, the "brain drain" goes on. I see professional officers retiring, set up their private practice in Hong Kong, doing very well for themselves and, at the same time, drawing their pensions from Government. This does not seem to make good sense.

And despite the assurance given by the Colonial Secretary in 1966, very much depends upon the Head of a Department with regard to extensions of service because the Establishment Regulation governing extensions places the applicant entirely at the mercy of his Head of the Department. Let us examine this Regulation, which is Establishment Regulation 340—it reads:

"The retention of an officer in the service after he has attained the normal age of retirement requires the approval of the Governor and is subject to the following conditions—

- (1) The applicant must be physically fit for his work and be fully efficient;
- (2) extensions will be limited to 2 years at any one time;
- (3) the Department must support the application and must take into account, before doing so, the question whether the promotion of promising, less senior officers will be unduly blocked."

Therefore, even if an applicant is physically fit and is fully efficient, unless the Department supports his application he will not be granted an extension. Is this not ludicrous, subordinating the need of a Government department to the promotion prospects of a "promising, less senior, officer" in order to ensure that the latter's promotion is not unduly blocked. Let us take the example of an officer, who is at the top of his field, reaching his 55th year of age; he has an assistant, who may be promising but has not the expertise of his superior. If the more senior officer applies for an extension, what guarantee is there that he will be granted the extension? Again, if this senior officer does not find favour in the eyes of his Head of Department, not because the senior officer is not competent, he may be fully efficient, but because of a conflict of personalities between him and his Head of Department. The Head of Department may well refuse to recommend extension even though the non-retention is to the detriment of the Service. A recent case has just come to my notice where this has actually happened. I came across this case by pure chance. I happen to know this officer well, I know the work he is doing and if it could be said that if there is a man who is indispensable, he is that man. Yet when he asks for an extension of service he did not get what he wants. Why? Because he is "unduly blocking" promotion? The term "unduly blocking promotion" is an elastic term. Is an officer unduly blocking promotion if,

by his retention in the service his subordinate's promotion is held up by 6 months, 1 year or 2 years? Should not the first primary test be, "If an efficient senior officer applies to extend his service, will his successor be competent enough to discharge the duties of the post with that degree of efficiency comparable with that of his predecessor? ". It is also implicit in the application of this primary test that the successor must necessarily possess the knowledge, experience and ability to discharge the duties of the post. In other words, subordinate the promotion of the successor to the needs of the service. This is essential if we are to keep an efficient civil service.

I urge Government to give immediate consideration of raising the pensionable age of civil servants to 60 and to revamp the present Establishment Regulation 340 so that the question of an officer's extension of service is not left to the whim of a Head of Department. Let us stop this "brain drain" in the Government and set up efficient machinery therefor. We hear Government's cry for candidates to fill posts, yet, when they have them, they do not take active steps to prevent them leaving the service or attempt to retain them in the service. Each application for extension, particularly by senior officer, must be more closely examined, in the light of the needs of the service rather than the promotional prospects of the successor.

To attract efficient officers to remain longer in the service, I suggest to Government to raise the pensionable factor to a higher degree than that contained in section 9 of the Pensions Ordinance, Cap 89, even up to 75% instead of the present two-thirds of the pensionable emoluments. This will go a long way to neutralize the criticism of Mr Ross made in the 1966 Budget Debate when he deplored the frequency of civil servants choosing to retire between the ages of 45 and 50 because of the "temptation to start a new career with anything up to half pay in one's pocket for life".

MR WILFRED S. B. WONG: —Your Excellency, among the salient points pertaining to the programmes of development, you have included those of assistance to university students, technical education and primary education\*. This demonstrates the emphasis which you place on investment in people and I am confident that more will be heard in this direction in your annual review in the autumn.

As this particular debate is supposed to be devoted exclusively to the budget I shall therefore confine my speech to the financial and economic state of Hong Kong and refrain from touching on the general aspects of government, administration, public works and medical matters until such time as the general debate on government policy is scheduled.

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\* Pages 66-67.

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

My remarks today will deal with the financial policy as it relates to the Financial Secretary's budget.

During the past few years I have drawn attention to Hong Kong's growing prosperity, the strong reserves of the Hong Kong Government, the low public debt of Hong Kong, and the strong fiscal position of Hong Kong in that all major public works are financed from public revenue.

Although much has been accomplished by financing government expenditure through current revenues, much more remains to be done.

The main theme of my speech today is to emphasize that Hong Kong, through the guidance of a prudent and giant financial hand, has come of age and that the finances of Hong Kong can well afford to incur a long term debt in order to carry out the social services which are incumbent upon the government to implement. That the future generation also benefits from what we do now is the reason d'être for a long term public debt further it is the destiny of the present generation to plan for the future of the next generation.

To elaborate, in the United Kingdom, while the aggregate government expenditure during the 12 years from 1955-67 doubled, the social services expenditure increased by 2.3 times.

Hong Kong is in a favourable position compared with United Kingdom as Hong Kong not only has a much higher rate of growth in Gross National Product but enjoys a favourable balance of payments whereas Britain has had a chronic balance of payment disequilibrium.

On the matter of deficits versus surpluses, it was surprising that we had a surplus in the light of increasing demands for the social services of Hong Kong, and this to the extent of \$150 million for the current fiscal year. It is another surprise to note that we are budgeting for a surplus of \$64 million for the next fiscal year.

My honourable Friend, the Financial Secretary in his speech in Legislative Council of 30th March 1967 drew attention to the differences between "real" deficit financing and "unreal" deficit financing\*. I understood that the Financial Secretary was prepared to reduce our reserves to a certain extent and to entertain loan financing to cover the established government policy on public services. If it is the policy not to touch the reserves, nor to increase taxation, the only course of action compatible with the growing social needs of Hong Kong is to float an issue of government bonds.

At this point it is to be noted that the total reserves of Hong Kong are now \$1,185 million. The total assets in economic terms are in fact

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\* 1967 Hansard, page 249.

much more. Not including physical assets of which no value appears on the books, the Development Loan Fund alone is \$602 million. It is also to be observed that Hong Kong's currency is now being protected against devaluation to the extent of 90% by the Government of the United Kingdom backed by a substantial loan from the International Monetary Fund. The per capita public debt of Hong Kong is as low as HK\$17 per head as of 31st March 1968. This is about the lowest amongst the developed countries of the world.

It is also to be observed that the bank deposits ending 1968 totalled \$10,367 million and the bank advances were only \$6,037 million. That there was \$4,330 million lying idle in the banks is another phenomenon that requires further study.

I have in the past proposed that Hong Kong resort to loan financing for capital public expenditure\*. After further investigation with financial experts I am convinced that loan money is available on reasonable rate of interest, for a comparatively long term. It would be an outlet for money lying idle in the banks. Hong Kong Government is ripe for a bond issue. It would also be a demonstration of people's faith in Hong Kong and an evidence that the people have a financial stake in Hong Kong's future. The government bonds, of course, would have negotiable value and therefore would qualify as liquid assets for the banks.

Consideration could also be given that the bonds would be an interest-tax free because a meaning could be given that the bonds would not be only a financial investment but their purchase would also demonstrate an act of support for the increasing social programmes of Hong Kong. The bonds could also be used to pay for estate duties at par value. A sinking fund could be established for the purpose of redemption. I think the government bonds could well be attractive.

The financing of major public works from a government bond would release funds for such services as education. As an instance, a \$20,000,000 increase in budget per annum would enable government to carry put near-free primary education for the children of Hong Kong.

Now I come to the point I made during my budget speech in March 1968 where I proposed the creation of an economic advisory committee†. It would not have wide powers but it would have a wide scope for the study of economic matters. The primary objective of the study would be to recommend priority and proportion among the programmes and budgets for the major expenditures on education, public health, public work, social welfare, etc.

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\* 1968 Hansard, page 126.

† 1968 Hansard, page 125.

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

A secondary objective would be to study the economic implications of alternative financial policies. I know it has said that when two economist meet there will invariably be two distinct and divergent views. On the other hand it might not do any harm to have three economists which combination would result in a majority vote or concensus. It would still be up to government to accept or to reject the recommendation.

Even without that advisory committee the public might well wish to debate on its own the priority of projects. It would be interesting to know if only 20 million dollars were available whether the Hong Kong public would vote for (1) primary education, or (2) a hospital, or (3) a public park or (4) on equal pay for female government staff.

Another point to be considered is that no matter how brilliant a person is we cannot depend on a inbuilt electronic computer all the time and on issues as vital as economics I really do think that such an advisory council is a necessity for the future of Hong Kong. This council should plan not only 5 years as is done in the 5 years forecast of revenue and expenditure but for the next 25 years, assessing at best the values which are essential to the economy of Hong Kong.

If honourable Members will tolerate it, I will ask for their indulgence in quoting the story which the well-known American Economist Paul SAMUELSON told on an argument on terms. "ROBINSON holds the cause of depression is oversaving". "Underconsumption is really the cause", said JONES. "You are both wrong, the real trouble is under-investment". SAMUELSON holds that there is no real difference in fact and only verbal confusion is involved. With Hong Kong's highly sophisticated fiscal phenomenon even SAMUELSON may change his mind if he were here.

It is noted that during the past fiscal year there were 202,000 cases to be assessed for salaries taxes and yet only 72,000 demand notes were sent out\*. In the light of this 35% effective percentage I wonder whether the Inland Revenue Department, inspite of a large increase in staff, is still understaffed.

It is also to be noted that a number of cases where tax has been charged on profits tax showed practically no increase from that of the previous fiscal year. They stood still at 27,500 cases.

The Inland Revenue is one department concerning which economies in staff may result in a deficiency of revenue to which Hong Kong is entitled under legislation. I wonder if there does not exist tax evasion

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\* Page 86.

or tax avoidance on salaries or earnings or profits on an important scale? Every intelligent person in Hong Kong well knows that social services increase together with increases of public revenue.

Now I come to my last point, a point on which I have not consulted my Colleagues, an aspect of equal pay for ladies. I realize that I will be sailing in rough waters and I might get a whack on my neck from somewhere. But I would not be true to my convictions if I do not speak out. Of course the theory of equal pay is based on the principle of equal pay for equal work and implying equal duties. No one will dispute, for instance, a lady doctor, as a professional, receiving the same pay as a male doctor. No one will dispute equal pay for a lady administrator or a lady technologist. The standard of their remuneration is in a class by themselves and as they share equal duties they receive equal pay. The personal emoluments meant for family in their cases are in small proportion and negligible.

In the cases of the thousands of clerical workers of government, one must bear in mind that there is an inbuilt factor in a male clerk's salary for him to support his wife and children. There were days when certain categories of clerical salaries were fixed when marriage allowances were taken into account. This made the original differences between the clerical grades of male and female staff. Surely the responsibilities of a male clerk supporting a wife and two children and those of a single young lady are different. In accordance with economic theory remuneration can be based on (a) ability and qualification, or (b) on demand and supply of type of people available for the job and/or (c) on the needs of that person. It is paradoxical that proponents of equal pay theory should now forget the last reason. In other words, if a female clerical worker can prove that she has to support her husband and children she should be entitled to equal pay for a male worker in the same category.

As an example a female clerk GCS class two top grade receiving \$842 per month would have the equivalent of a male clerk of \$1,127. The difference of \$287, I maintain, originates from the fact that the male clerk must support his wife and family, whereas the female clerk presumably need not. This is the way our society functions. However, if the female clerk can substantiate the contention that she is supporting her husband and children, I think it would be fair to raise her pay to the male clerk's level. There are merits in matriarchy.

I am a subscriber to the principle of equality among the sexes. But if equal pay is to be made an issue of finance I respectfully suggest that all staff be graded into "supporting staff" and "non-supporting staff", i.e., family supporting. In this way we eliminate the sexes altogether—I mean the sexual designation of staff. It would put the male bachelor in the same category as a non-family supporting female staff. Nature has decreed that the principle of equality cannot be applied generally otherwise men would be entitled to paternal leave.

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

Government is the biggest employer in Hong Kong with over 75,000 people on its pay roll. However, on balance I feel that there are greater priorities in providing better education and medical facilities than to increase the pay of female staff and charge the increase to public funds merely on the principle of equal pay. Surely our present priorities should be directed to the benefit of all the people in Hong Kong. With these remarks I support the budget.

MRS ELLEN LI: —Your Excellency, it is with great restraint that I am going to refrain from commenting on the various points you brought up in your speech which has been regarded by the general public as having a forward-looking and hopeful overtone, though somewhat noncommittal. Suffice to say that we have every confidence that the subjects you mentioned would get accomplished before your retirement.

All of us have tried in our own way to follow the new procedure of confining our comments to the Budget and the financial implications of proposals without going too far into the policy matters.

The two most outstanding features of the Financial Secretary's speech this year are, first, there is no tax increase and second the primary school fees is going to be reduced.

My honourable Friend, Mr Wilson WANG, has already commented on the question of education at length\*. In this context, I would like to suggest that the Board of Education be given a more effective function of reviewing further the education policies and programmes and to formulate clear-cut policies on a comprehensive educational system on the following lines: —(1) a universal free education system taking into consideration the need, the distribution, the allocation and the transportation problems; and (2) a phased programme for post-primary junior technical institutes as a supplement to the formal academic secondary education; (3) a secondary school expansion programme to include Resettlement Estates schools.

By spending an additional 5 million dollars this year to cut the primary school fees to a uniform rate of \$20.00 per annum in the urban<sup>†</sup> areas and a further cut in 1970 or 1971 with an additional 6 or 7 million dollars would make our primary education entirely free. What is a few million dollars when our children's future is concerned? I think this no doubt should be our first priority.

The statistics show that we have an overall figure of 695,428 primary school places in regular day schools and 29,000 in night schools in

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\* Page 134.

† Pages 100-1.

September 1968 which is in excess of the number of children in the right age-group of 6-11. The figure for government and subsidized places in March 1968 was 517,000 and reached 580,000 in September 1968 and will reach 620,000 by September this year and the target of 660,000 by 1970-71 period.

If we accept the principle that it is government's responsibility to provide free primary education for every child, then it is only reasonable to assume that the official figure of 660,000 could be accepted to represent the number of free places required, taking into consideration the 20% over-age children still in school which number will be balanced by the 20% who would prefer to attend private schools of their own choice by paying fee. The success of family planning service has reduced the number of births from 110,000 per year to 82,000 and we have every confidence to believe that this number will be maintained, if not further reduced. So in 6 years' time the official age-group figure will be 580,000 and, in 9 years' time may well be 500,000 and not 660,000. Mathematically we should reach saturation point in about 3 or 4 years, provided that we are not going to be flooded again with immigrants.

My second point on education touches on the post-primary training programme mentioned in your Excellency's speech\*. The proposal to set up a new type of junior technical institute for children in the 11-15 age-group without entrance examination is worthy of attention. However, we must not repeat the mistake we made in the experimental 2 or 3 year modern school scheme which leaves our students in mid-air with no place for them to go further academically and no training for industries. In order to ensure the new scheme's success and popularity, our training programme must be geared to industries and independent trades in order to channel these young people to fill the shortage of our much needed manpower in these fields. We must be careful not to create another group of misfits or another army of young hawkers.

My honourable Friend Mr TSE has already voiced his opinions on the question of government subsidy to welfare agencies and the public assistance scheme†. My comments are on more specific subjects within the purview of social welfare:

1. I still feel that an official registration of all voluntary agencies is desirable as a matter of record and to exercise a certain amount of control to safeguard public interests.
2. There should be a system of subsidy for salaries of qualified social workers in recognized voluntary agencies in order to ensure a uniform standard of service. At present, the agencies

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\* Page 66.

† Page 124.

[Mrs Li] **Appropriation Bill—second reading**

receive government subsidies to cover, in most cases, a portion of the expenditure of the services which covers some salaries as well, the refund of rates and in a few cases the whole of the salaries of all the staff or certain staff. This has created a situation where one agency pays salaries equivalent to government scales while others were left far behind.

3. The basic subsidy for nurseries of \$10.00 per child per month should be raised to \$20.00 so as to make it economically possible for working mothers to leave their very young children in proper care at a low enough fee for them to pay. The normal cost for running a nursery in Resettlement Estates is approximately \$40.00. In a general sense, nurseries and play centres can be considered a form of public assistance to enable mothers to work and older children to go to school.
4. As regards the public assistance scheme, your statement, Sir, that the time has come to move towards an organized and wholly government sponsored system\*, has been considered timely by many who are in the business.

Although it can always be argued that the many schemes on many aspects of social services could have been started years ago, it is still better to be late than never. However, in drawing up this particular scheme, several features should be taken into consideration namely:

- (a) the procedure of application for assistance should be kept so simple that human dignity and self-respect of the people who need help can be preserved;
  - (b) family planning service should be introduced for families receiving public assistance;
  - (c) old age pension and housing should be part of the assistance scheme. The present institutional care for the aged is expensive, undesirable and the number is very limited. A hostel type of accommodation in Resettlement Estates or Low Cost Housing Estates should be considered for normal, integrated living for the old people in society.
5. On the subject of social insurance, your Excellency quoted expert advice on the need of entering into this field with the utmost caution\*. It is true that some aspects of social protection are covered by direct means and some should be included in the programme for improved labour legislation, such as redundancy payments, maternity protection, sickness and injury

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\* Page 61.

benefits. There remain the problems of retirement and unemployment insurance. The Working Party's Report of 1967\* on Social Security recommended the setting up of a full time commission to work out a programme for Hong Kong and a research unit for social needs. To begin with, we would need an expert adviser, in lieu of a commission, to help formulate and draft feasible schemes on retirement and unemployment insurance on a two-party or tri-party contribution basis to indicate their financial and other implications. Until we know how much it would cost, how can we say whether we can or cannot afford it?

Six months ago, when a bill was passed in this Council for the establishment of the Community Chest†, the question of tax exemption for social welfare donations was actively revived by the Chinese press. The Financial Secretary did give me the credit for being the one to suggest tax exemption for donations to education, social welfare and medicine‡. I will again urge for this suggestion to be considered again. Tax exemption for donations to these services will serve as an encouragement and will be in the long run save money for government for such additional services in these fields which the government should be doing in the first place.

Although many of my comments so far may encroach on policy as well as finance, the implementation of them would certainly become additional items of expenditure on the budget. We often were given answers in official replies that such and such a proposal may merit further consideration or may be acceptable in principle but would be costly to implement and we could not afford it. For many years now, we have had huge surpluses, and this year we even budget for a surplus. I hope that our proposals will not, or at least many of them, receive the usual chopping block treatment, on financial grounds.

Being the only woman in this Council, the public and most of my Colleagues may wonder why so far I have not touched on any issue concerning women, such as equal pay, Chinese marriages, maternity protection, hours of work, night duties, etc. I do this on purpose, to allow reasonable time for the details to be ironed out in the processing of those issues already on the pipeline. Your Excellency has said that such processing takes time and thought. Our only hope is that neither you Sir, nor the Attorney General, nor the Secretary for Home Affairs are going to retire on us from the scene before these issues come to a satisfactory conclusion.

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\* 1968 Hansard, page 234.

† 1968 Hansard, pages 557-561.

‡ 1968 Hansard, page 560.

[Mrs Li] **Appropriation Bill—second reading**

I am grateful to my honourable Friend, Mr Wilfred WONG for being the only man to comment on the issue of equal pay at considerable length\*. I do not quite know whether he is trying to throw a monkey wrench in the machinery of progress or just to provoke a lively argument. From his male reasoning back and forth I am rather confused as to his stand, whether he is for or against the issue. If he is suggesting that men should be given paternity leave as well so that they can look after the family while their wives are resting, I am all for it. Anyway, I am a great believer in positive thinking. I come to the conclusion that Mr WONG is on my side, basing my assumption on two statements he made in the speech and I quote "I am a subscriber of the principle of equality among the sexes" and he concluded by saying and I quote "Surely our present priorities should be directed to the benefit of all the people in Hong Kong". I presume that Mr WONG has not forgotten that "all the people" means male and female.

MR H. J. C. BROWNE: —Sir, one reaction to this year's Budget has been that Government should not be budgeting and tucking away a surplus. I myself do not feel unhappy about budgeting for a surplus, for I am quite sure that over the next few years we are going to need every dollar we have for a number of worthwhile developments, particularly in social welfare and education.

Sir, there are five points I would like to make on these estimates and on Hong Kong's general economic situation.

First, the Civil Service. I must say I am worried by the growth and ever increasing cost of the Civil Service. It is a staggering increase on what it was 10 years ago—almost double in size and over three times the cost and as my honourable Friend Mr Woo has said, the cost is rising up between 5 and 8 per cent per annum, even if we make no increase in numbers†.

In business and industry we are perhaps fortunate in having the disciplines of competition to help us with decisions on staffing and productivity. Government inevitably make their decisions by different criteria and I do not under-estimate the practical difficulties involved in doing this in a wide field of diverse and expanding Government activity. Let me say here I am impressed with the care that is taken in the Secretariat when examining requests from Departments for increased staff.

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\* Page 146.

† Page 140.

I do not pretend to understand the mechanics of the existing systems, but to me the Organizational Surveys Unit looks much too small in relation to the number of people now employed in Government, and I wonder if it is playing a really effective part in streamlining procedures, introducing modern systems, and recommending the redeployment and reduction in staff where it can. Has it enough teeth? Also, should not some of our larger departments, for example the PWD Electrical and Mechanical Office have their own small Organization & Method units?

I know there are mixed feelings about the effectiveness of these O & M Units, and of outside consultants, but the Civil Service is getting so large, so complicated and so expensive that Government must use the most efficient management techniques that are available to keep the number of staff and costs down.

My second point is Taxation. I note that Government will soon be considering the recommendations of the Committee that reviewed the Inland Revenue Ordinance. While I am all in favour of eliminating tax evasion by giving the Inland Revenue Department enough staff and reasonable powers of investigation, I feel we must give careful thought to the possible side effects of some of the powers that have been suggested.

And it is also important to keep our tax laws simple.

We hear a good deal these days about the "brain drain", but I have always felt that the most depressing aspect of this international problem is not the exodus overseas of relatively few enterprising men, but rather the waste of talented manpower on unproductive work—in Britain, for example, where most of the best financial brains in the country spend their time on the one hand picking holes, and on the other hand plugging holes in the jungle of tax law.

Our low rate of tax, the simplicity of our tax laws, the ease and speed at which investments can be made and business transacted are the envy of our neighbours and the foundation of our successful overseas trade. Let's keep it that way.

My third point is the Port. The steady expansion in our exports could not have taken place without an efficient port that can handle without delays a wide range of shipping services and Hong Kong's port has always been in the first division, but there seems to be a danger that we may slip into the second division by failing to keep up with the developments in container shipping. The Japanese already have 9 container terminals built and a further 13 planned, and we must not be left behind the other 90 odd ports in the world that are now providing container berths.

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

I understand that the PWD are now conducting a feasibility study for a container terminal at Kwai Chung and I hope Government's other researches into terminal requirements will go ahead at the same time, so that they will be in a position to get started on the necessary land reclamation this summer.

A container terminal is going to be expensive but we really have no alternative, for as my honourable Friend Mr FUNG has said if buyers in the USA and Europe want Hong Kong exports packed in containers, we have got to be in a position to supply them or risk losing our markets to Japan and Taiwan.

My fourth point is on our Export trade. The 26% increase in domestic exports in 1968 was a very remarkable achievement and the Commerce and Industry Department have done a good job over the past few years in the complicated negotiations that have been necessary to help get Hong Kong products into overseas markets.

Now I know it is the policy of Government and the TDC to broaden the geographical spread of our exports and that they are working away steadily at this problem. We are still too dependent on two or three large markets; our exports to the USA, Britain and West Germany increased from 50% in 1960 to about 60% to 67% in 1968. I hope that we shall be able to sell more in Asian markets as living standards rise, and most particularly in Japan where there should be a growing market for certain Hong Kong products in the next decade.

I shall be very interested to hear how the Director of Commerce and Industry sees the future pattern of our export trade and whether he thinks it would be helpful to post a C & I representative in Tokyo to assist our exporters in their efforts to sell to Japan.

Fifth, Tourism. I believe the subvention of \$6.6 m. for the Tourist Association will be adequate for their promotional activities this year.

It is, I think, significant that the UK Government have come to recognize the importance of tourism, and I would like to quote from a recent issue of "The Economist": —

"This Government is at last treating tourism as a major growth industry of foreign exchange earner."

The UK are now introducing legislation to establish regional Tourist Boards that will provide financial aid to develop hotels and other tourist projects. These changes, and recent developments in Singapore, who are now compelling very strongly for tourists with Hong Kong will have to be studied to see what lessons can be learnt for Hong Kong,

so that we can discuss and develop the role to be played by Government in our tourist industry.

I am glad to say that the Tourist Association are having useful discussions with Government on various local projects and problems. This will need to be a continuing process, and, as tourists increase from 600,000 in 1968 to over a million in the early '70s, we are certainly going to need greater involvement in different ways by various Government departments. Also we shall need to encourage interest by overseas investors in our tourist facilities. We cannot afford to take the tourist dollar for granted.

Sir, I support the motion.

DR S. Y. CHUNG: —Your Excellency, during the past five years there has been a rapid rise in the standards of living in Hong Kong as a result of the tremendous expansion of our industrial activities. The number of industrial undertakings has gone up by 50%, the number of industrial workers increased by 60% and the real export value of locally manufactured products doubled. Despite the increasing dependence on and the phenomenal growth of our manufacturing industry, there has been little change in the system of education particularly that of technical education for the middle and lower levels to meet the changing needs of the community. Consequently, the rate of increase in the supply of technological manpower continues lagging greatly behind that in the demand. I shall confine my comments to technical education which, I believe, deserves a critical examination in view of its important role on our economic viability.

There is an anomaly in the classification of Hong Kong's technical education. The ordinary secondary grammar schools with a bias in some technical subjects such as technical drawing and metal work are called Secondary Technical Schools. For this matter I do not think there is any parallel in the world. In fact, many Public Grammar Schools in Great Britain are providing more technical subjects than our so called Secondary Technical Schools.

For example, the Oundle Public School in England has a machine shop which is even more modern and better equipped than that in the Engineering Faculty of University of Hong Kong. In addition, there are pattern shop and metal foundry which the University of Hong Kong does not have. There are also courses for technical drawing, metal work, wood work, metal foundry and even computers. These schools are not regarded as technical schools although they are very much technically biased.

[DR CHUNG] **Appropriation Bill—second reading**

Therefore it is wrong to call these schools Secondary Technical Schools and to include their expenditures in the vote for technical education. If the costs of these Secondary Technical Schools are deducted from the item on technical and further education which amounts to \$19 million for the 1969-70 estimates, the actual expenditure for technical and further education will be only in the very meagre amount of about \$10 million.

Since the total vote for the Education Department in the 1969-70 estimates amounts to \$328 million, the actual expenditure of \$10 million for technical and further education only represents about three per cent of the total vote for the Education Department. In Great Britain, a very much larger portion of the education budget is spent on technical and further education. For example in the year 1962-63, the average expenditure on technical and further education of all county boroughs in England and Wales amounted to 14 per cent of the educational budget.

Every year we have had a sizable surplus despite we budgeted for a deficit. For the year 1969-70 estimates we, for the first time in the post-war years, budget for a surplus of \$64 million. I am therefore echoing the view of my honourable Unofficial Colleagues that more funds should be spent on the basic needs of the community.

It is the consensus of opinion in industry that Hong Kong at this stage should give top priority to the middle level technical education. This does not imply that industry is not in need of higher technical manpower but it is felt that in view of its comparatively small in number, high level technologists can be imported to make up the deficiency in Hong Kong. There is already a large number of foreign-trained Hong Kong engineers working in the developed countries, and the salary of the high level engineers in Hong Kong is at least comparable to, if not better than, that in many industrially developed nations of the west including United Kingdom, Australia and all the European countries.

It is estimated that there are at present more than one thousand Hong Kong students taking various degree courses of engineering in the four advanced countries of UK, USA, Canada and Australia as compared to about 300 in the University of Hong Kong. The recent high-level manpower (HLM) survey in the manufacturing industry conducted by Dr R. E. MITCHELL confirms that the approach of importing foreign-trained high-level local engineers is not only feasible but actually being carried out in industry. Only three per cent of the entire HLM sample of 880 persons in the manufacturing industry and only seven per cent of all the 399 university people in the HLM sample attended one of the two Government-funded Universities.

The situation is, however, different in the middle-level manpower (MLM). Firstly, it is the relatively large size of the MLM problem which is many times that of the HLM. Secondly, it is the diminishing supply from the usual external sources such as from Taiwan and China.

The manpower survey reports by the Industrial Training Advisory Committee on the major industries of electronics, textiles, plastics, machines and metal products reveal that there are about 12,000 middle level technicians in a sample of 200,000 industrial work force. During the year 1968 there was an increase of 62,780 persons employed in the various industrial undertakings, and using the result of the manpower surveys the demand for technicians in 1968 was about 3,800 persons. If we take into account the replacement factor due to retirement at the rate of 3% per annum, the total demand last year would have been as many as 4,600 technicians. Although my honourable Friend, the Director of Education, did not respond to my request during the 1968 Budget Debate for the annual output of properly trained technicians in Hong Kong\*, I am certain that the supply was greatly below the demand and not more than a few hundred persons. As a result, many technicians posts are filled with non-qualified personnel and this unfavourable situation if allowed to continue will adversely affect the productivity and development of our industry.

It is reported that some potential foreign investors in industry had been turned away because of the critical short-supply of technicians in Hong Kong. Unless some effective and adequate rectifying measure is timely taken it will certainly impede the orderly expansion and development of the export-oriented manufacturing industry which is so vital to our economic and social progress.

Sir, it is most gratifying to learn from your Address that broad preliminary agreement has been reached in government for extending facilities of the kind provided by the Hong Kong Technical College for the education and training of technicians†. I very much agree with you, Sir, that whether we call the expanded Technical College or two separate but inter-linked institutions a Polytechnic or a College of Technology or whatever name it may be is largely a question of terminology or presentation. The important aspect is to provide adequate expansion of the facilities to meet the increasing needs and to provide for courses leading to still higher qualifications in those technologies which are not offered by the two Universities.

Whilst I support the broad principles announced by Your Excellency, I do have some serious concern on this important matter. First, it is the date on which the additional facilities will be made available.

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\* 1968 Hansard, page 146.

† Page 67.

[DR CHUNG] **Appropriation Bill—second reading**

We all remember that the establishment of the Morrison Hill Technical Institute was announced in 1961. But we are now in 1969 and the Institute is still in the course of construction. By the time the building is completed next year it will be 9 years from the date of announcement. It is imperative that very much faster progress must be made for these new facilities if our industrial development is not to be hampered in future years.

My second concern is on the staffing of the new College of Technology, if we do call it by this name. The existing Technical College is already suffering from the shortage of teaching staff. The new Wool Section of the College is not fully utilized. Its technology course is running one year behind schedule and the related courses are of reduced content. The textile courses, I believe, are facing increasing difficulty. There are posts at the College which have not been filled for as many as four years after the posts had been created. Many important and popular courses such as the tool and die making have been and are still suspended for many years due to lack of teachers. I am informed that there are certain fundamental weaknesses in the present conditions of employment for the technical teachers.

Whilst we in Hong Kong are suffering from acute shortage of technical teachers, the Parliamentary Secretary of the Ministry of Overseas Development recently indicated in the House of Commons that the United Kingdom Government had met all our requests in the past for staff in the field of technical education and foresaw little difficulty in the future. This contrast of situation leads me to believe that there is plenty of room for improvement.

My main concern on this new College of Technology is its constitution. Firstly, if we do decide to have two separate but inter-linked institutions which I think we should have, it is imperative that these two institutions be put under one administration. Secondly, with due respect to the Education Department I feel very strongly, as many people do, that the new College of Technology should have an autonomous status and be guided by an independent board of governors in a similar manner as the two Universities. A College Grants Committee may be set up to regulate funds from Government.

In view of the specialized and narrow functions of the College of Technology, the present University Grants Committee with its members coming from diversified fields such as medicine, arts, science, engineering, education, law, is not suitable to oversee this new College. Nevertheless, for cost and administrative reasons it may be desirable for both the University Grants Committee and the College Grants Committee to share the same secretarial facilities. It may also be advantageous or

even desirable for the same person to chair both Committees as long as the composition of their membership is different.

At the last Budget Debate I requested Government to look urgently into the most important aspect of our youth problem with the aim of turning those young persons, who were not academically qualified for entry into secondary grammar schools, into potential skilled producers by providing adequate facilities in vocational and pre-vocational training\*. I am sure that we all agree and are glad to learn that Government has now plans for this development.

However, I would like to stress that these schools are primarily for the training of basic skills and should therefore be designed for those children who are less fortunate in their brains and who usually have greater potential in manual skills. The curriculum must be heavily biased towards practical training and as my honourable Friend, Mrs LI, put it† be geared to the needs of industry. The entry qualifications should be based on potential skill rather than academic achievements.

Obviously this type of schools is comparatively expensive to establish and run but I feel that the criterion should not only be expense alone. Other important criteria such as employment prospects for the graduates and the needs of the community should also be considered. Industry fully supports the establishment of these post-primary pre-vocational schools.

MR M. A. R. HERRIES: —Sir, it is indeed pleasing to note that my honourable, Friend the Financial Secretary has once again balanced the Colony's books with a bit in hand this year and he anticipates a similar situation in 1969-70 but more healthily that this will arise from increased revenue rather than from underspending. This is splendid but I fear the uninitiated both here and overseas will inevitably say with envy that we are rich and that money is being tucked away for a rainy day and that it is not being spent for the good of the community. This we know is not the case and the Financial Secretary has explained that the Estimates are really an analysis in simple language of the Colony's Cash Book for the year and the surplus on 31st March will be the "Cash in hand" so to speak at that date—no more and no less—available in addition to the Colony's Reserves regarding which my honourable Friend Mr WATSON has already spoken‡.

I was therefore glad to learn from my honourable Friend's speech that he is considering once again the production once again of a Five

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\* 1968 Hansard, page 145.

† Page 35.

‡ Page 127.

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

Year Forecast of Income and Expenditure\* and I would urge him to do this as soon as possible as I feel that only in the light of this sort of broad guide can the Colony's finances be seen in their true perspective, covering as it no doubt would all contingent items of expenditure whether they have been formally approved or not. I appreciate that the forecast will be necessarily tentative and liable to fluctuation but I am sure Members would welcome this as a guide as to where we are moving and I hope this will be possible on a realistic and not too conservative basis!

In this context you, Sir, in your speech have as a good Chairman, if I may use commercial parlance, outlined certain policy matters and developments which you would like to see achieved as soon as practicable and a number of my Colleagues have already spoken in support of the majority of these. Practically all require money, large sums of money, and most of us feel they are essential in varying degrees of priority, but generally speaking the sooner the better for all of them, particularly as the bigger ones will take a few years to become realities. The trouble lies that in considering projects for the future the assessment of priorities and so on too many of us are apt to be up to our necks in the running of the very essential day to day affairs of our organization be we Heads of Government Departments or businessmen and the future as a consequence is apt to take second place. I wonder if Government has considered the possibility of establishing a small unit in the Secretariat whose job it would be to co-ordinate and corollate all these forward projects with a view to assisting in speedy and correct formulation of decisions by the Executive. To mention only two in my view which require urgent decision and implementation are the need for a modified Rapid Transport system and for the further safeguarding of our water supplies in the mid 1970s be it by another storage dam or by a desalination plant.

My honourable Friend Dr CHUNG has spoken at length<sup>†</sup> on the question of more facilities for Technical Education and I broadly support his views and particularly the need for immediate action. At the same time I would add that I feel that the new technical institutes, the Polytechnic or whatever it is called, should cater for commercial vocational training as well as for purely industrial courses. While on the question of Education I endorse your remarks Sir about an early decision on student grants and particularly loans<sup>‡</sup>. From what I understand, the Universities and the students are in agreement with your view that such finance should be primarily administered by the Universities

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\* Page 96.

† Pages 43-44.

‡ Page 66.

themselves with some student participation and that the students have in fact initiated much of the discussion which has already taken place and the majority are aware of their obligations to the community.

One item of Revenue on which I would like to comment briefly is Land Sales and on Land utilization generally. In the past 20 years this has been a useful source of revenue although the percentage of the total revenue has remained constant at only 2 to 3%. Land is in fact the Colony's main physical asset and with its rapid development this asset has diminished in availability, despite reclamation schemes and so on. To provide for the future prosperity of the Colony it will be very necessary for Government to equate the needs of overseas and local investors, in Hong Kong, and the port facilities which are the life blood of our economy with the obvious desire by Government to obtain the best market price for land; this latter factor I purposely put last, since the advantages of helping the first two may well, in certain cases, far outweigh the extraction of the full value of the land in question from the purchaser and after all a land sale is a once-and-for-all addition to revenue. There are plenty of rivals also to Hong Kong who have in recent years emerged as our competitors in Asia in a real sense for overseas favours. With this in mind and with the maintenance of Hong Kong's reputation for the minimum of "red tape" which I hope will long survive I trust that Land can be made available for potential investors both expeditiously and on reasonable terms.

In this connexion I would also like to mention Land for housing. Government, very correctly in my view, entered the economy cost housing field many years ago but it is vital, with the diminishing availability of land, that it should also make this available on reasonable terms to private developers otherwise we may in the end reach a situation where Government becomes the only provider of this type of much needed accommodation the requirement for which will be continuing. With regard to Rates on Property I would like to support my honourable Friend Mr KAN in his remarks that there should be no increase in the standard rate of 17%\*.

My honourable Friend the Financial Secretary has also mentioned the question of Property Tax and Rates in the New Territories<sup>†</sup>. There may be something in what he says with regard to the more prosperous areas. However from what my Colleagues tell me who have recently paid official visits a relatively small addition to the Local Public Works vote for the New Territories of \$2,800,000 would enable the New Territories administration to satisfy the very modest needs of many more of the smaller and more remote villages and thereby retain their goodwill.

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\* Page 120.

† Page 91.

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

Hong Kong has no real natural resources in the normally accepted context (except possibly land) apart from the tenacity and skills of its people. The economic climate is much improved and you Sir have outlined the main problems we face. Let us press on with tackling them with determination and without delay. I have pleasure in supporting the motion before this Council.

MR Q. W. LEE: —Your Excellency, anyone who has read the speeches delivered by Your Excellency and my honourable Friend the Financial Secretary on 26th February 1969 must have done so with a comfortable feeling of confidence for the continued stability, prosperity and progress of Hong Kong. As the various aspects of the contents of these speeches have already been reviewed and commented by my honourable Colleagues, what I am going to say need only be quite brief.

First: Public Assistance

I wish to echo the admiration of the public as evidenced by the Press and that of some of my honourable Colleagues for Your Excellency's enlightened views on the various subjects as covered in your speech, particularly the question of public assistance. The endorsing remarks thereon made by my honourable Friend the Financial Secretary that we could do it and we should do it have proved of the greatest encouragement to the people of Hong Kong. I venture to suggest that the general satisfaction in the draft estimates is due not only to the excellent results achieved for this year and projection for the coming year, but also to the recognition that needs of the less well-to-do members of the community should be met even further.

Second: Sterling Exchange Guarantee

My honourable Friend the Financial Secretary mentioned about the British Sterling guarantee and its extension to the banks in Hong Kong\*. As this is an achievement so vitally important to our financial and economic well-being I think the public should be apprized of the facts although they are already quite familiar to Members of this Council: that initially this was the arrangement made by the efforts of you Sir, and my honourable Friend the Financial Secretary in London in May last year whereby the Hong Kong dollar value of our Official Sterling Assets was guaranteed through the medium of British Government Hong Kong Dollar Bonds we were to purchase; that this had subsequently led to and was at the end of September last year replaced by the present much better arrangement whereby under the Basle Facility Cover, the US dollar value of our Official Sterling Assets proper is guaranteed;

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\* Page 95.

and, that finally, a scheme is worked out to bring the banks in Hong Kong which participate in it under the official umbrella so that the Hong Kong dollar value of their Sterling Assets is also guaranteed. This is an important achievement which has clearly shown that the Government is ever ready to protect our interests and to take immediate positive action in the discharge of its duty.

### Third: Reserves and Surplus

Turning to the draft estimates, I would like to compliment my honourable Friend the Financial Secretary for the presentation of a Budget which to most people is so appropriate to our prosperous economic situation. Because we are holding a very substantial reserve and still budgeting for a surplus for next year, some of my honourable Colleagues have commented that we should spend more for various social services. Admittedly, "it is essential in our economic interest that the Government reserve should be substantial" as my honourable Friend the Financial Secretary said he "was more than ever so convinced" when he delivered his Budget Speech on 9th February 1966\*. To this I must say I fully subscribe and this principle is particularly valid, being conscious of the fact that our recurrent expenditure as budgeted for the next year of \$1,667 million almost amounts to our capital assets, though this is purely a theoretical equation. Besides there are various development programmes under consideration that would require substantial capital expenditure in the years to come. But, even so, do we have to go on accumulating reserves or can we stop somewhere? Well I am inclined to think probably we do not have to and probably we can stop somewhere, because we will always continue to have reasonable need to expand our public works and improve our social services. In saying so, I am not suggesting that we could stop here now but we should plan where we could stop. It is a matter of planning that may require very careful study and consideration, bearing in mind of the fact that "it is difficult to keep up with the vigorous growth of an economy like ours"; for while a vigorously growing economy would bring in good surplus, it would also entail commensurable expenditure on public works and social services. My honourable Friend the Financial Secretary had said it would be useful to prepare a further 5-year forecast of revenue and expenditure. I concur with my honourable Friend Mr HERRIES†. I propose this should be done, and that the matter of reserves and surplus budget would be looked into, and see if a programme could be worked out to determine financially whether suggestions on the various Social Services and Public Works by the honourable Members would be accepted, deferred or rejected.

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\* 1966 Hansard, page 57.

† Pages 96 and 159.

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

## Fourth: Government Bonds

Much had been said in the past years in this Council of the issue of Government bonds which it did not yet favour. My honourable Colleague, Mr WONG, has now again made the same suggestion to finance our expenditure if our taxation were not increased and reserves not run down\*. I have noticed with great interest the remarks of my honourable Friend the Financial Secretary on the subject of possible programme of public works. He said "it was not of course intended to imply that we would necessarily have to finance the whole programme from revenue and the running down of reserves"†. I am sure he will clarify his view whether he is in favour of the issue of Government bonds. In principle, I am in favour of it although careful consideration must be given to its terms and use. Last year The Hong Kong Building and Loan Agency Ltd had made two issues of \$15 million each and both were successfully taken up.

## Fifth: Taxation

On the matter of taxation we all recognize that it should be kept as low as reasonably possible. In fact one of the main reasons for our enviable economic growth during the post war years is our being able to keep our taxation low. It is most encouraging that my honourable Friend the Financial Secretary has been able to come to the conclusion of proposing that the 3% excess duty be abandoned and also the public primary school fees be reduced. Being so encouraged, I would like to suggest that the incidence of the interest tax be re-examined. As it is, interest tax is payable on the full amount, I repeat—the full amount, of all interests derived in or from the Colony as long as it is at a rate in excess of 3½% p.a. My suggestion is that interest tax should be payable only for that part of the interest in excess of 3½% and exempted for that part at 3½% or below. In making this suggestion I am not unaware that the amount of revenue on interest tax collected under the present system is quite substantial, and there will be calculation complications and that the probability of banks having to raise their savings deposit interest rate which has so far been limited to the interest tax exemption rate. But the present system seems somewhat different from normal exemption procedure. I am not proposing that this should be done immediately but suggest that my honourable Friend the Financial Secretary will give it further consideration, as a matter of principle, to determine what modifications, if any, are justified and what we can afford, as he has done in the case of the 3% excess duty.

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\* Page 144.

† Page 153.

Sir, these are my comments on the Estimates of Revenue and Expenditure for this year.

*Motion made, and question proposed.* That the debate be adjourned—THE ACTING COLONIAL SECRETARY.

*Question put and agreed to.*

4 p.m.

HIS EXCELLENCY THE PRESIDENT: —Would honourable Members like a break at this point?

(Nodded agreement)

Right, I will suspend the sitting of the Council until fifteen minutes past Four o'clock.

4.15 p.m.

Council resumed.

### **PREVENTIVE SERVICE (AMENDMENT) BILL 1969**

#### **Resumption of debate on second reading (26th 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.*

HIS EXCELLENCY THE PRESIDENT: —With the agreement of honourable Members I propose in future to omit these very formal phrases since the intention is quite clear in Standing Orders and that will save a little time.

#### **Committee stage**

### **OFFENCES AGAINST THE PERSON (AMENDMENT) BILL 1969**

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

Clauses 1 and 2 were agreed to.

### **SUMMARY OFFENCES (AMENDMENT) BILL 1969**

Clauses 1 and 2 were agreed to.

**LION ROCK TUNNEL (AMENDMENT) BILL 1969**

Clauses 1 to 3 were agreed to.

**DOLLAR AND SUBSIDIARY CURRENCY NOTES BILL 1969**

Clauses 1 to 9 were agreed to.

Council then resumed.

**Third reading**

THE ATTORNEY GENERAL reported that the Offences against the Person (Amendment) Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

*Question put and agreed to.*

Bill read the third time and passed.

THE ATTORNEY GENERAL reported that the Summary Offences (Amendment) Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

*Question put and agreed to.*

Bill read the third time and passed.

THE ACTING COLONIAL SECRETARY reported that the Lion Rock Tunnel (Amendment) Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

*Question put and agreed to.*

Bill read the third time and passed.

THE FINANCIAL SECRETARY reported that the Dollar and Subsidiary Currency Notes Bill 1969 had passed through committee without amendment and moved the third reading of the bill.

*Question put and agreed to.*

Bill read the third time and passed.

**HONG KONG BAPTIST COLLEGE BOARD OF GOVERNORS  
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 I think we will take the clauses in blocks of not more than five.

Clauses 1 to 12 were agreed to.

Council then resumed.

**Third reading**

MR Y. K. KAN reported that the bill before Council had passed through committee without amendment and moved the third reading of the bill.

*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.

4.20 p.m.

*Question put and agreed to.*

**NEXT SITTING**

HIS EXCELLENCY THE PRESIDENT: —Council will accordingly now adjourn. The next sitting will be held on 26th March.

*Adjourned accordingly at twenty-one minutes past Four o'clock.*