

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 24th March 1971

The Council met at half past Two o'clock

[MR PRESIDENT in the Chair]

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSSBIE TRENCH, GCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY
SIR HUGH SELBY NORMAN-WALKER, KCMG, OBE, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DAVID RONALD HOLMES, CMG, CBE, MC, ED, JP
THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN JAMES COWPERTHWAITTE, KBE, CMG, JP
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC, JP
COMMISSIONER OF LABOUR
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, MBE, JP
DIRECTOR OF URBAN SERVICES
THE HONOURABLE JAMES JEAVONS ROBSON, JP
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE DONALD COLLIN CUMYN LUDDINGTON, JP
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
DR THE HONOURABLE GERALD HUGH CHOA, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE PAUL TSUI KA-CHEUNG, OBE, JP
COMMISSIONER FOR RESETTLEMENT
THE HONOURABLE JACK CATER, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE WOO PAK-CHUEN, OBE, JP
THE HONOURABLE SZETO WAI, OBE, JP
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP
THE HONOURABLE ELLEN LI SHU-PUI, OBE, JP
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, QC, JP
THE HONOURABLE GERALD MORDAUNT BROOME SALMON, JP
THE HONOURABLE ANN TSE-KAI, OBE, JP
THE HONOURABLE LO KWEE-SEONG, JP

ABSENT

THE HONOURABLE KAN YUET-KEUNG, CBE, JP
THE HONOURABLE HERBERT JOHN CHARLES BROWNE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RODERICK JOHN FRAMPTON

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:—	
Dangerous Goods Ordinance.	
Dangerous Goods (General) (Amendment) Regulations 1971	21
Dangerous Goods Ordinance.	
Dangerous Goods (Government Explosives Depots) Regulations.....	22
Merchant Shipping Ordinance.	
Merchant Shipping (Explosives) (Amendment) Regulations 1971	23
Merchant Shipping Ordinance.	
Merchant Shipping (Fees) (Amendment) Regulations 1971	24
Public Health and Urban Services Ordinance.	
Public Conveniences (New Territories) Regulations 1971.....	25
Sessional Papers 1970-71:—	
No 50—Annual Report by the Director of Agriculture and Fisheries for the year 1969-70 (published on 24.3.71).	
No 51—Annual Report by the Director of Social Welfare for the year 1969-70 (published on 24.3.71).	
No 52—Report of the Finance Committee on the Draft Estimates of Revenue and Expenditure for 1971-72 (published on 24.3.71).	

Statements

Report of the Finance Committee on the Draft Estimates of Revenue and Expenditure for 1971-72

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, on the 24th February the draft Estimates of Expenditure for 1971-72 were referred under Standing Order No 60(8) to the Finance Committee for examination. That Committee has completed its examination and its Report has been laid on the table today.

Dangerous Goods (General) (Amendment) Regulations 1971
Dangerous Goods (Government Explosives Depots) Regulations 1971
Merchant Shipping (Explosives) (Amendment) Regulations 1971
Merchant Shipping (Fees) (Amendment) Regulations 1971

MR R. M. HETHERINGTON:—Sir, four separate sets of regulations all dealing with various matters relating to explosives were laid on the table of this Council this afternoon.

When I introduced the Dangerous Goods (Amendment) Bill, which was enacted two weeks ago, I said that it was the intention to make regulations under the amended Ordinance for the control and management of Government explosives depots by the Commissioner of Mines in place of the Director of Marine. Such regulations, the Dangerous Goods (Government Explosives Depots) Regulations 1971, have now been made by the Governor in Council. They substantially re-enact regulations previously made under the Merchant Shipping Ordinance and now revoked by the Merchant Shipping (Explosives) (Amendment) Regulations 1971 and the Merchant Shipping (Fees) (Amendment) Regulations 1971. Additionally, they empower the Commissioner of Mines to control the reception and delivery of explosives in to and from Government depots, to destroy unsafe explosives, and to dispose of explosives for which storage fees remain unpaid. They also provide for administratively simpler fees for storage and introduce a new fee of \$130 for each delivery of explosives to any commercial site. This new fee is intended to cover the cost of the delivery services by the Mines Department which have, in the past, been provided to commercial users at public expense.

The Dangerous Goods (General) (Amendment) Regulations 1971 make several technical changes with regard to the storage of explosives and the use of fuses which are described in the Explanatory Note. They increase the annual licence fees for the commercial storage of explosives from \$50 to \$500 and from \$5 to \$50 depending on the type of storage permitted. They also revise the annual permit fee to discharge blasting explosives from nil to \$2,000. The higher rates are calculated to cover the cost of the supervisory services of the Mines Department. At present, 106 licences to use blasting explosives are valid. These cover 14 quarries and 92 general users, chiefly construction firms.

The Dangerous Goods (Amendment) Ordinance, number 9 of 1971, the Merchant Shipping (Amendment) Ordinance, number 10 of 1971, and all the four separate sets of regulations, to which I have just referred, may be brought in to operation on a date to be appointed by the Governor by notice in the *Government Gazette*. The present intention

[MR HETHERINGTON] **Statements**

is that the appointed day will be 1st May 1971 except for sections 3 and 4 of the Merchant Shipping (Amendment) Ordinance which concern the adoption in Hong Kong of the revised International Code of Signals. The Director of Marine is considering separately when it would be timely to bring certain new signals in to use.

Government business

First reading

CORPORAL PUNISHMENT (AMENDMENT) BILL 1971

INTERPRETATION AND GENERAL CLAUSES (AMENDMENT) BILL 1971

INLAND REVENUE (AMENDMENT) (NO 2) BILL 1971

PUBLIC HEALTH AND URBAN SERVICES (AMENDMENT) BILL 1971

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

Second reading

CORPORAL PUNISHMENT (AMENDMENT) BILL 1971

THE ATTORNEY GENERAL (MR D. T. E. ROBERTS) moved the second reading of:—
"A bill to amend the Corporal Punishment Ordinance."

He said:—Sir, honourable Members will recall that the Chief Justice, in his address at the Opening of the Assizes this year, referred to the increase in the number of crimes which had been committed by young persons in Hong Kong in which knives and other offensive weapons are used, and he urged that consideration should be given to the amendment of the Corporal Punishment Ordinance so as to empower a court to order a person of 16 years or more, who is convicted of the offence of being in possession of an offensive weapon in a public place, to be caned. The courts already have power to cane persons under 16 for this offence. The honourable Mr P. C. Woo in January this year asked in this Council if the Government intended to make such an amendment and I replied that it was the Government's intention to do so.

Police statistics show that, whereas only 73 offences of possession of offensive weapons were reported in 1967, the figure had grown to 496 in 1970. It is clear therefore that the offence has become very

much more widespread in recent years. It is therefore proposed to add to the list of those cases for which corporal punishment may be awarded to persons aged 16 or more, in the hope that this will act as a deterrent, the offence of possession in a public place of an offensive weapon, contrary to section 33 of the Public Order Ordinance. The expression "offensive weapon" is defined by that Ordinance as any article which is made, or adapted for use, or suitable, for causing injury to the person, or intended by the person having it in his possession or under his control for such use by him or by any other person.

The bill also adds other offences to the list of those for which corporal punishment may be awarded to persons aged 16 or more. Under the present law, a court can impose such a sentence for the offence of robbery. Under the substituted item 2, which is contained in clause 3 of the bill, it will also be able to impose corporal punishment on a person convicted of assault with intent to rob or aggravated burglary. The new item 10, which is in paragraph (b) of clause 3 of the bill, adds the offence of affray, which is a fight by two or more persons in public of such a nature as to frighten members of the public.

Clause 2 of the bill empowers the Governor in Council to amend the Schedule to the Ordinance by order published in the *Gazette* and the object of this clause will be to enable the Schedule to be altered more quickly to deal with changing trends in crime.

MR P. C. WOO:—Sir, I support the Motion.

The extension of the power to award corporal punishment for the additional categories of crime recited in the present bill is indeed a most welcome step for deterring crime.

It is quite true that under the present law the courts have the discretion to order caning as an addition to or in lieu of any other punishment for a Scheduled offence, but the existing Scheduled offences do not include the offence of possession of offensive weapons.

I fervently hope that this new power under the present bill will be used by our courts in appropriate cases.

Question proposed.

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

Question put and agreed to.

Corporal Punishment (Amendment) Bill—second reading*Explanatory Memorandum*

Clause 2 empowers the Governor in Council to amend the Schedule to the principal Ordinance.

Clause 3 amends the Schedule to the principal Ordinance so as to enable a court to order both adults and juveniles convicted of an offence under section 10 or 12 of the Theft Ordinance 1970, or under section 33 of the Public Order Ordinance (i.e. having an offensive weapon with him in a public place) or an affray to be caned in addition to or in lieu of any other punishment.

**INTERPRETATION AND GENERAL CLAUSES
(AMENDMENT) BILL 1971**

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to amend further the Interpretation and General Clauses Ordinance."

He said:—Sir, this bill seeks to make two amendments of a minor character to the principal Ordinance.

Clause 2 is intended to make it clear that an officer who delegates any of his statutory powers, under section 44 of the Ordinance, may, at any time, vary the terms of his delegation, for example by narrowing it or widening it or by substituting another person for the previous delegate.

The second amendment empowers the Attorney General, by order in the *Gazette*, to rectify clerical or printing errors appearing in a published Ordinance. He already enjoys this power of correction in booklets which are issued under the Revised Edition of the Laws Ordinance. The proposed new power will enable him to make similar corrections to an Ordinance during the period between its first publication and its being brought into the revised edition early in the following year. Any orders made under this section would have to be laid on the table of this Council and would be subject to annulment by it.

Question put and agreed to.

Bill read the second time.

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

Explanatory Memorandum

Clause 2 of the Bill amends section 44 of the principal Ordinance by providing that where any public officer has delegated powers he may vary amend or revoke such delegation.

Clause 3 is in similar terms to section 16 of the Revised Edition of the Laws Ordinance 1965. At present no power exists to rectify clerical or printing errors appearing in an Ordinance before it is brought into the revised edition in the annual revision. This clause provides such a power.

INLAND REVENUE (AMENDMENT) (NO 2) BILL 1971

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to amend the Inland Revenue Ordinance."

He said:—Sir, honourable Members will recall that the Inland Revenue (Amendment) Ordinance 1970 contained a new section 89, the object of which was to enable tax-payers to claim relief for donations made to charitable institutions or trusts of a public character. It was stated at the second reading of that Ordinance that it was intended to allow deductions for donations made to institutions or trusts specified by the Governor in Council if such donations were made at any time after 1st April 1970.

The honourable Mr Q. W. LEE, in his speech on the second reading of the Appropriation Bill, referred to the fact that many donors were anxiously awaiting the Government's announcement as to which institutions would be approved for this tax concession.

Section 88 of the Inland Revenue Ordinance already provides that the income of institutions or trusts of a public character shall be exempt from any tax under the Inland Revenue Ordinance. On reconsideration, it appears to the Government to be more logical to allow tax relief on donations made to institutions which themselves enjoy tax exemption on their income under section 88, rather than to prepare two separate lists with the consequent risk of unfair distinction between them.

The object of this bill, therefore, is to provide that a tax-payer can claim exemption for any donation made by him to any charitable institution or trust of a public character which is itself exempt from taxation under section 88 of the Ordinance.

It might perhaps be argued that whether or not any particular trust or institution is exempt under section 88 is confidential information which the Commissioner ought not, by virtue of the provisions of the Ordinance dealing with official secrecy, to disclose publicly.

[THE ATTORNEY GENERAL] **Inland Revenue (Amendment) Bill—second reading**

In this case, of course, publication of the list of exempt charities could only benefit the institutions concerned. The Commissioner, therefore, proposes to inform all the organizations which he has recognized as exempt under section 88 that he intends to publish their names in a list, unless they advise him that they wish to be excluded. Publication of this list will then be a guide to members of the public as to what donations can be claimed for tax relief purposes. I should make it clear, however, that this published list will not necessarily include all charitable institutions or trusts of a public character operating in Hong Kong, since some of them may not have found it necessary to ask for exemption under section 88. Of course, they will be able to do so in future if they so wish.

Honourable Members will observe that this bill is specifically backdated to 1st April 1970. The effect of this will be to qualify for exemption any donations made since that date to those charitable institutions or trusts of a public character which are exempt under section 88.

Question put and agreed to.

Bill read the second time.

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

Explanatory Memorandum

The Inland Revenue Ordinance was amended by the Inland Revenue (Amendment) Ordinance 1970 (No. 65 of 1970) to enable the granting of relief from tax in respect of approved charitable donations made on and after 1st April 1970 to charitable institutions or trusts of a public character. Such charitable institutions and trusts were to be specified by notice in the *Gazette* published under section 89 of the principal Ordinance.

2. Some difficulty has, however, been experienced in drawing up a list under section 89. Further, it is more logical to provide that if a charity's income is exempt from tax, so should donations to it be, than to have one list for charities exempt under section 88 and another for the purposes of section 89.

3. The effect of clauses 1 and 2, therefore, will be that donations made on or after 1st April 1970 to any charitable institution or trust which is exempt from tax under section 88 of the principal Ordinance shall earn tax relief. The repeal of section 89 by clause 3 will make it not necessary to specify any charitable institutions or trusts.

**PUBLIC HEALTH AND URBAN SERVICES
(AMENDMENT) BILL 1971**

MR D. R. W. ALEXANDER moved the second reading of:—"A bill to amend the Public Health and Urban Services Ordinance."

He said:—Sir, section 77 of the Public Health and Urban Services Ordinance provides, *inter alia*, in subsection 1(k) for regulations to be made, in the case of public slaughterhouses, to confer on public officers or any public body power to detain animals or carcasses, to direct the slaughter of animals, and to dispose of animals and the carcasses and others parts of animals.

No similar provision exists in respect of private slaughterhouses.

The bill now before honourable Members seeks to correct this omission, since such provision is necessary to cover private slaughterhouses in the New Territories.

Question put and agreed to.

Bill read the second time.

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

Explanatory Memorandum

This Bill amends section 77 of the principal Ordinance to enable regulations to be made for the detention and disposal of animals and the carcasses and other parts of slaughtered animals in private slaughter-houses in the New Territories.

**TRADE UNION REGISTRATION (AMENDMENT)
BILL 1971**

Resumption of debate on second reading (10th March 1971)

Question again proposed.

DR S. Y. CHUNG:—Your Excellency, although industry is the mainstay of our economy, our history of industrialization is, strictly speaking, less than twenty years. It is therefore understandable that in Hong Kong the development of industrial relations and, in particular, the trade unions is less advanced than that in the industrially developed countries.

[DR CHUNG] **Trade Union Registration (Amendment) Bill—resumption of debate on second reading (10.3.71)**

The work of industrial relations involves two parties, namely employers and employees or, in modern terminology, management and labour. Industry cannot succeed unless there is good industrial relations which, in turn, cannot be achieved unless both labour and management are working together, understanding each other and co-operating closely. Yet invariably, labour and management are confronting each other. Such a phenomenon is happening all over the world in developed as well as developing countries.

I believe a pair of scissors is a good analogy for labour and management. Labour is one blade and management is the other. Although each blade has the same objective and is inseparable from another yet each blade is working against the other. With this analogy one can readily appreciate the difficult task of achieving good industrial relations.

There will never be good industrial relations unless there are responsible employers and trade unions. Irresponsible unions can do a lot of harm to the economic development of a nation. Honourable Members may be interested to hear a few lines extracted from an article on "Union Power and the New Inflation" in a recent issue of Fortune Magazine:—

"Of all the industrial nations, Britain has been suffering from the most severe case of economic malaise caused by excessive union power. Organized labor is fragmented. Their realms are dispersed and overlapping; many factories must deal not only with several unions, but with several factions in each union. Each is trying to outdo the others and each is ready to disrupt the economy to attain its own goal."

It is therefore no surprise for the United Kingdom Government to introduce the Industrial Relations Bill despite strong objections by the Trade Union Congress. The Bill is aimed to overhaul the antiquated negotiating system, to stop wildcat and irresponsible strikes and to bring trade unions within the framework of law.

In the interests of management, Government, public at large and labour itself in particular, our trade unions in Hong Kong must be made to have responsible attitudes if Hong Kong continues to prosper. I therefore welcome the introduction of this Trade Union Registration (Amendment) Bill, which provides a frame work for proper management of trade unions and ensures the integrity of union officials.

When the draft bill was published for comments last year, certain representations were made to UMELCO. The majority of my honourable unofficial Colleagues were sympathetic with most of the objections,

and I am therefore pleased to see that Government has acceded to all but one of the requested changes.

The lack of labour leadership in Hong Kong, in my opinion, is the greatest obstacle for the rapid progress of industrial relations in our industrial society. Furthermore, it does not suffice to just have labour leadership but, very essentially, good labour leadership. The remarkable economic success of West Germany in the post-war years is, I believe, due very much to her good labour leadership. Unless good labour leadership emerges there will be no significant and real progress in industrial relations, and for that matter Hong Kong is no exception. I therefore appeal to Government that it must take a lead in exerting greater efforts to educate and train trade union leaders and officials.

Since there are substantial changes including the name of the principal Ordinance, I suggest that a new edition of the Ordinance incorporating all the amendments should be made. I also believe, Sir, that it is most desirable to have this Ordinance translated into Chinese and make it available for sale as a Government publication.

With these remarks, Sir, I support the motion.

Question put and agreed to.

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

APPROPRIATION BILL 1971

Resumption of debate on second reading (10th March 1971)

Question again proposed.

MR J. CANNING:—Sir, I should like to begin by dealing with certain points made by honourable Members on primary education.

As indicated by the Financial Secretary, a formal decision has been taken to provide free primary education for the generality of pupils in our schools. Certain details remain to be resolved and these were discussed at a recent meeting of the Board of Education. The members of the board unanimously agreed that while free primary education should be introduced into the generality of government and aided schools, there was no objection to a minority of aided schools, numbering about thirty, being required to continue to charge tuition fees at higher levels than at present if they opt to retain their present high level of tong fai or subscription. The schools may of course, if they

[MR CANNING] **Appropriation Bill—resumption of debate on second reading (10.3.71)**

wish, cease charging fees and become free primary schools. The board however considered that a necessary proviso was that Government should continue to provide sufficient free primary places in other schools so that children unable to meet the new fees could be accommodated in other schools. This situation exists at present. There are some 30,000 children in these particular schools and there are enough vacancies in existing schools to accommodate all of these children. In addition the present arrangements regarding free places in these schools will continue. I propose to hold discussions with these schools in order to determine what their wishes are.

I agree with my honourable Friend, Mr Q. W. LEE, that even in the context of free primary education some parents would still prefer to send their children to private schools. The reasons are that many private primary schools offer special facilities, such as whole-day schooling, direct entry into their secondary section, proximity to the children's homes, *etc.* Mention must also be made of the fact that some private schools enjoy a reputation which rivals that of schools in the aided sector.

Now that we have achieved the target of providing an aided primary school place for every child of the appropriate age, Government's policy is to build more aided primary schools in conjunction with the development of resettlement estates and government Low-Cost Housing estates. It will continue to be necessary to provide new primary schools in the new towns Government is building. In addition, there are a few areas in the Colony where primary schools are needed as it is the practice in planning to site schools in such a way that children do not have to walk more than half a mile or so to get to school.

In referring to the subject of compulsory primary education, Your Excellency made the following observations in your speech to this Council on 1st October last year:—

"To introduce a general law enforcing compulsory primary education is a great temptation and could easily be done; but we all know that such a law could not be sufficiently effectively enforced."

I am pleased to report that following your suggestions, Sir, detailed proposals are being considered whereby the Director of Education might be given compulsory powers to secure, in specific cases, the attendance at primary school of children whose parents appear to be unnecessarily withholding them from school. A paper outlining present proposals is being prepared for consideration by the Board of Education at its next

meeting which will be held very soon and I hope following the advice of the board to submit my recommendations. In this connection, my honourable Friend, Mr SALMON, has advocated "adequate penalties on parents who are found not sending their children to school". Penalties will be attached to any failure on the part of the parent to comply with an order requiring him or her to secure the attendance of the child at a primary school and Members will of course be able to comment on this aspect of the legislation when the bill is presented to Council.

I turn now to technical education, a subject which fully deserves the widespread interest that has been evinced in this debate. In particular, my honourable Friend, Mr BROWNE, has raised a question of great importance; whether we are planning for the right mix of the various levels of skill.

The Finance Committee of this Council has agreed to 10,000 places in prevocational and secondary modern schools. In addition to this, consideration is currently being given in the context of our general expansion of our post-primary facilities for a dramatic expansion in the secondary technical field. It is my intention to seek the advice of the Board of Education at its next meeting on the proportion of secondary technical schools which is desirable. It is important, and this needs to be stressed again and again, that our plans should reflect realistically our capacity particularly in respect of our human resources in this specialized field. Both these sectors of post-primary education will be watched with close interest, and doubtless our targets will be adjusted from time to time in the light of experience. In the rapidly changing circumstances of Hong Kong I consider that it would not be wise to adopt rigid, doctrinaire attitudes towards either the nature or the proportions of the various types of secondary school, whether on educational or economic grounds. We must be prepared to experiment, to learn by trial and error, and constantly to re-assess both what is desirable and what is possible. The necessary art is to devise plans for secondary education, both technical and general, appropriate to our needs and abilities as this decade progresses.

At the technical institute level consideration is being given to the early provision of a second institute pending consideration of the full report of the Industrial Training Advisory Committee. I understand that the full report of the Committee has now been finalized and that it confirms the recommendation of the interim report that there should be four more technical institutes. I am afraid I must again strike a note of warning on the length of time needed for such a major programme if it were approved.

As far as the highest level of vocational education is concerned, the Polytechnic Planning Committee is working very hard and is making

[MR CANNING] **Appropriation Bill—resumption of debate on second reading (10.3.71)**

progress. The selection of a Director for the Polytechnic is proving to be a difficult task indeed but it is hoped that progress will be made in this direction in the near future.

If I have spoken at some length on technical education it is precisely because I share my honourable Friend's appreciation of the importance of the subject as a whole and the importance of the correct mix within this sphere of education. It is this kind of consideration which led to the recent creation in my department of a new post of Deputy Director (Technical). This post has recently been advertised here and in Britain and the intention is to appoint a person having both a high level of expertise and long experience in this field.

My honourable Friend, Mr LO, said in his speech that while my department had worked out the primary and secondary school places required in terms of population ratio he did not think that we had worked out in detail what types of schools were needed and in what districts and when these schools would be built to meet these needs. I would like to assure him that an immense amount of detailed planning goes on in my department and has been going on since the early fifties when the general expansion of education facilities began. In 1950 there were 36,800 government and aided primary school places and 9,700 government and aided secondary school places compared with the present 633,000 primary places and 61,000 secondary places.

Expansion of this magnitude could not possibly take place without detailed planning and in this respect I would like to pay tribute to the help given to my department by the Planning Division of the Public Works Department. The closest liaison exists with those planning officers and my department is always consulted with regard to the number, type and size of sites required for educational purposes.

The declared policy of Government is to provide 3 years post-primary education for all with an interim target of providing for 50% of the relevant age-group by 1976. If this target is to be achieved it will be necessary to construct 85 new secondary schools in the next five years. The normal procedure is for me to submit annually a detailed list of projects in the pipeline with an indication of the type of school the district in which it is to be located and the estimated date of completion. It is on this basis that the capital sums shown in the estimates for building grants for new primary and secondary schools is built up. If my honourable Friend would like further information on this I should be happy to supply it.

Sir, I support the motion before Council.

MR D. C. C. LUDDINGTON:—Sir, a year ago I rose to support the motion before Council despite the lack of criticism of Government's policies for expenditure in the New Territories. As this is the last occasion on which I shall be able to address this Council as District Commissioner, New Territories, I make no apology for again, without provocation, drawing attention to certain matters which are of importance to Hong Kong as a whole and to the New Territories in particular.

Again I would invite honourable Members' attention to the expenditure on Public Works Non-Recurrent. Last year's estimates provided for a total expenditure of over 119 million dollars on capital projects in the New Territories. This year I am glad to say that, even without the provision for the implementation of the High Island Water Scheme, which expenditure has still to be approved, the estimates provide for a total expenditure of over 210 million dollars in the New Territories or 41% of the Colony total of 510 million dollars. This increase in expenditure is but an indication of the trend which will inevitably accelerate, bringing benefits, directly and indirectly to the people of the New Territories.

This acceleration of development gives rise to two requirements which I should like to emphasize. On the one hand a greater effort must be made to bring standards of service in the New Territories up to those provided in the urban areas. Because of the different environment and the more dispersed resident population, the services can never be quite the same as those in the urban areas and are always likely to be more expensive. However, it must not be assumed that all the so called rural areas can make do with resources intended to serve a different age. Motor cars, buses, ferries and trains have been with us for a long time but it is only recently that so many urban residents have been able to afford the leisure time to explore and enjoy the countryside of the New Territories. Similarly, increased prosperity in the New Territories has enabled more of its inhabitants to travel to the urban areas to enjoy better shopping and entertainment. These changes bring with them new and urgent demands for services such as improved communications, housing, water supplies and sanitation to cope with the aspirations of the increasing local populations and of urban visitors.

On the other hand, if these facilities and services are to be provided to the increasingly cosmopolitan population of the New Territories, then it must be recognized that certain privileges which have been enjoyed by original residents in the rural areas, because they were then such, will have to be curtailed, if not in some cases abolished entirely. Land ownership based on traditional rice cultivation cannot entitle individuals to any utilization, even if it is an agricultural use, of that land regardless of the effects such use may have on the environment generally and on neighbouring land and residences.

[MR LUDDINGTON] **Appropriation Bill—resumption of debate on second reading (10.3.71)**

All over the world pollution has become a stick with which to beat Governments. Enthusiasts demand immediate action and rigid controls upon everyone who offends against their particular standards. Others demand meticulous evidence of harmful effects before taking any action at all. Pollution in all its forms is everybody's problem and must be recognized as something which everyone can play a part in combating. In respect of general urban services, I am glad to see that nearly two hundred and fifty new posts have been included for the New Territories Division of the Urban Services Department. Some two hundred of these are for cleansing but further posts and capital expenditure for the improvement of sanitary services have been discussed since the publication of the Estimates and should be referred to Finance Committee shortly. This additional expenditure will be fruitless if the public continues to act as though it had a right to expect either a personal litter clearance service wherever it may happen to be; or an ubiquitous control service to prosecute offenders. Government's cleansing services in the New Territories will improve. But unless residents and visitors are prepared to co-operate by bringing their litter to serviced dustbins, the cost of such services will continue to increase.

These cleansing services will not solve the basic drainage problems which have arisen from the rapid changes of land use both authorized and unauthorized. These will demand major engineering investigations and works which will certainly swell the forecasts of expenditure on public works.

I should certainly like to have left my successor a cleaner and tidier New Territories to administer. I trust that new expenditure in this and future years will, together with public co-operation in the task of protecting our environment, ensure that we do not lose all the natural countryside which so many more of Hong Kong's population have recently been able to reach and to enjoy.

MR J. J. ROBSON:—Sir, when the Financial Secretary dealt with expenditure on public works, he left it to me to speak of my physical achievements over the year which is now ending. I shall resist this tempting offer, but before answering the detailed questions asked by unofficial Members I think it is necessary to give a brief run-down on the developing pattern of public works expenditure.

The total of around \$505 million spent during the present financial year on public works is roughly 30% higher than last year. Half of this increase is accounted for by expenditure on the major waterworks

projects and the extension of Kai Tak Airport and part of the remainder by the general increase in contract prices but, nevertheless, the increasing tempo of activity in all sections of the Public Works Programme is now becoming evident.

Recurrent expenditure, which next year is estimated at \$143 million, has doubled in the last six years and as more buildings, roads, waterworks, incinerators, sewage disposal plants, *etc.* are constructed, so must recurrent expenditure rise. Non-recurrent expenditure on road construction rose by about 40% over the year and next year's expenditure is estimated at \$68 million. This pattern of expanding expenditure must continue for a number of years if our ambitious road programme is to be met, and will require extensive use of the services of consulting engineers as well as further strengthening of departmental staff. It will, however, be difficult to improve upon the present output of buildings and the general run of civil engineering works as for many reasons all projects now take much more staff time and, excluding special projects such as Kai Tak Airport Extension, next year's increase in expenditure in these sectors in general terms only reflects the increase in tendered prices.

Thus, while next year's output of public works will not be a record when measured in real terms, its cost of some \$670 million will be. It also seems certain that for at least the next few years both expenditure and output must continue to rise and break all records. The best evidence of this is provided in the Appendices to the Draft Estimates which give details of Public Works Non-Recurrent Expenditure presented in various forms. Appendix XIII deals solely with those projects for which funds have been provided in the 1971-72 Estimates and indicates that, after a non-recurrent expenditure of \$508 million next year, \$1,227.3 million will remain to be spent to complete the projects now in hand. This latter figure does not include the High Island Reservoir or the 20-million gallon a day desalting plant which it is hoped will shortly be approved by the Finance Committee of this Council. These two projects alone will add an almost similar sum bringing the total sum remaining to be spent on approved non-recurrent projects to \$2,500 million. But even this is not the total picture, as to this sum must be added at least \$300 million representing that element of the cost of new projects which would normally be added into the programme and spent during the period under review.

Appendices X, XI and XII give forecasts of non-recurrent expenditure for the years 1972-73, 1973-74 and 1974-75 as \$960 million, \$1,027 million and \$883 million respectively. These figures of *annual* expenditure seem realistic when compared with the figures which I have just given for the balance of cost of projects now included in or likely to be introduced into the estimates. They must, nevertheless, be considered with reserve as it is difficult to estimate with any accuracy more

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than a year ahead, although the figure of \$960 million for 1972-73 illustrates the annual rate of non-recurrent expenditure which will probably be achieved in the next few years as many of the commitments giving rise to this expenditure have been accepted. To this must of course be added, say, \$150 million per annum for recurrent expenditure and \$160 million for person emoluments giving a total annual yield of around \$1,270 million.

To achieve this rate of expenditure and production will not be easy either for the Public Works Department or the Construction Industry. I have said that each year it requires more and more staff and time to spend the public works dollar. The reasons for this are, of course, obvious to the resident of Hong Kong. All the available good building sites were used up long ago and new ones have to be carved out of the hillside or reclaimed from the sea. In the case of Government Housing, improved standards of accommodation also mean that more buildings and more sites (and hence more effort and money) are required to house the same number of people. It is also difficult to carry out road improvements now the roads are full of traffic and, before any overhead structure can be built, objections from adjacent property owners have to be cleared. This tends to slow down production and, to maintain the same output, work must proceed simultaneously on more and more projects. Over the last two years increased costs and shortage of labour have also retarded progress on those contracts which were let before the present high level of prices set in and my honourable Friend, Mr SZETO Wai, has mentioned that a shortage of building labour and rising costs are likely to further slow down progress and hence expenditure. Now, however, Government contracts include a wage rate and materials fluctuation clause and the preliminary indications are that this, and better prices, has had the desired effect of both restoring the confidence of contractors in tendering for Public Works projects and also improving production. Nevertheless, because of many new variables, the preparation of next year's estimates has been more difficult than usual and I hope that in the event they will not be too far off the mark.

While building works and road works are in progress, the travelling public is inevitably inconvenienced and this inconvenience mounts with the increase of congestion on the roads. The honourable T. K. ANN has rightly pointed out that many of the older roundabouts are now inadequate and that to deal with the present density of traffic they must be replaced by flyovers. The projects which appear in the printed estimates do in fact provide for many flyovers of one sort or another and many more are contained in long term planning proposals. 14 flyovers have been built and are in operation and a further 9 are under

construction. An additional 17 are in the design stage and I hope that work will start on 9 of them this year. A further 51 are included in our long term road proposals, 11 of which are now in the planning stage. Unfortunately, as road congestion becomes more widespread, flyovers do tend to push bottle-necks further along the line. In these circumstances the only solution is either a completely new, or expanded road system, or suppression of traffic growth and, in the event, the latter solution may prove to be the more acceptable.

Traffic can, of course, also be improved by segregating the pedestrians and the motorists and Mr. SALMON's plea for more pedestrian footbridges and subways is in fact being met. It may surprise my honourable Friend to know that 32 pedestrian footbridges or subways already exist and the meagre programme to which he has referred in fact covers 82 such items, 15 of which are already under construction. Work on a further 20 should start this year, another 39 are in the design stage and the remaining 8 are in the planning stage. In addition at 59 locations, where grade separation is either not feasible or in-appropriate, signal controls or road improvements are being considered. I should perhaps explain that by far the greater number of pedestrian bridges are built as part of comprehensive road improvement schemes and only 23 appear in the Public Works Programme as separate items.

Mr Wilson WANG favours the system whereby land sold at auction is paid for by instalments, while Mr SZETO Wai questions the wisdom of this practice when applied to urban land on the grounds that it stimulates land prices and encourages inflation. I should like to emphasize that payment of premiums by instalments in respect of valuable urban commercial sites, *i.e.* lots with upset price of \$10 million or more, was *not* introduced to obtain higher prices but in response to specific requests from a number of individual applicants supported by the Real Estate Developers Association. The policy was designed to assist the purchase and development of those particularly costly central sites by spreading the land cost over 10 years and reducing the proportion payable during the development period when a large capital outlay on the building is required. It has so far only been employed in two cases—the lot at the junction of Nathan Road and Salisbury Road (where it will be recalled an earlier auction on the normal lump sum payment basis had been unsuccessful) and that on the Central Reclamation at the foot of Pedder Street. In these cases the instalment payments were made free of interest and there is some truth in Mr. SZETO's suggestion that, as a result of the very high prices realized, there was a danger that a false idea of land value was given to those who did not study the matter closely.

To avoid such an effect in future, arrangements have already been made for interest at the rate of 10% per annum to be imposed in respect of deferred payments when payment by instalment is adopted. This

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will retain the benefit of reducing the capital outlay on land at the outset, and thus facilitate development and widen competition, while avoiding the possible inflationary effect of a spurious and artificial land price to which Mr SZETO referred. It will also bring this particular class of land auction more into line with other cases—such as industrial sales at Kwun Tong—when Government accepts payment of premium by instalments.

A number of my honourable Friends think that the 1971-72 estimate of revenue from land sales of \$149 million is too low. Of all the estimates prepared by the Public Works Department, that for the revenue from land sales is the most difficult to assess accurately. Usually the value is over estimated and this was the case for the financial years of 1964-65 to 1968-69 inclusive. The return in the year 1969-70 was more than double the estimate, but who could have accurately forecast the way in which the property market would revive that year; that the hotel site in Kowloon, for which there was no bidder in January 1969, would sell on the 20th of November of that year for \$130 million or 6 times the upset price; and that every piece of land put on the market by Government would be sold at good prices. Last year the sale of the Central Reclamation site was a bonanza, which alone brought in 10% of the sale price of \$250 million—around 5 times the upset price. A successful sales programme and high land prices account for the rest of the increase.

The estimate of revenue for this year is the best that can be provided and is based upon all the land which is available being sold at sensibly spaced intervals and at reasonable market prices. It is also based upon the payment of a growing number of instalments. In theory these estimates should become progressively more accurate as the instalment portion grows, but the land market is most unpredictable and land sales programmes tend to go backwards rather than forward. Based upon the history of the last ten years therefore, I will not be surprised if next year's forecast proves to be wide of the mark in either direction.

From what I have said, my honourable Friend, Mr Wilson WANG, will realize that land will continue to be put on the market for residential purposes and 27 such lots are in the first 6 months land sales programme. On his question of increasing the revenue from land held under Crown land permits he will be aware that the fees for permits are fixed by statute. It would, of course, be possible to arrange for these fees to be increased but new permits are rarely issued in the urban areas, and where the land is unlikely to be required for two or more

years such holdings are converted to short term tenancy agreements on terms more in line with the market value of the land.

In respect of the specific case of the area of land at Shing Wo Road, this will be required for the construction of the Shing Wo Road Police Station (Item 33P in the Public Works Programme) and action is being taken for its clearance.

My honourable Friend, Mr Wilfred WONG, sees great advantage in stepping up the tempo of the Public Housing Programme. Our present population is around 4 million people and he estimates that, although Government aided housing has already made provision for over 1.6 million people, there are still 650,000 people who require low cost housing. The present resettlement/low cost housing target for the 6 years ending April 1975 is for 590,000 individual units and I have no doubt the Housing Board will recommend expansion of this programme if they consider that this is either necessary or desirable. However, I must point out that it will be difficult, if not impossible, to find suitable sites for housing estates in the areas where people in the qualifying income group now reside. The only new sites presently available for Government housing in or adjacent to the urban areas are at Ap Lei Chau, Chai Wan and Clear Water Bay Road and these have limited capacity. Further estates in the urban areas south of the Kowloon foothills must be ruled out on the grounds of unacceptable congestion and the need to give prior claim to the use of the little remaining developable land for community, industrial and transportation purposes.

Land is available in Kwai Chung, Tsuen Wan and Castle Peak and a limited area is being reclaimed at Sha Tin. Government housing is either under construction, or is planned, in all these areas but the rate of provision at Kwai Chung was reduced following a recommendation of the Housing Board in 1969 because of the fear that the accommodation would not be taken up. Thus it appears that the reluctance of people to move to the new towns may be the factor which will limit the rate of provision of Government housing, but there is some evidence to suggest that this reluctance is gradually being overcome and that the recent introduction by the Kowloon Motor Bus Company of the flat 20¢ bus fare has helped in this direction.

The Financial Secretary will be answering the many questions concerning the price of water and I shall confine myself to reminding honourable Members that the domestic consumption of fresh water by the population of Hong Kong is extremely low by any standard. Normally, increasing affluence and better living conditions bring a corresponding increase in the consumption of water and this has happened in Hong Kong. But fortunately it has been possible to offset this to some extent by the introduction of salt water for flushing and, in fact,

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in Resettlement Estates more salt water is used than fresh water. It is obviously in the interests of all that this process is encouraged and in my view a realistic pricing policy will help in this direction.

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

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, in the lamented absence of my honourable Friend, Mr ROWE, who has gone to another place, I'd better start by dealing with social welfare matters, to which a number of honourable Members referred, most urging the expansion of certain services and the provision of more Government funds, either in the provision of direct services or by subventions to voluntary agencies. It seems to me in principle that there is no real disagreement here. We all know that we cannot expand all our services all at once, and we must decide on priorities, and concentrate on making a success in those areas selected, seeking to develop our services in a controlled and effective manner.

May I illustrate this point by reference to the expanded public assistance scheme? To expand this scheme, too far, too quickly, would be to invite chaos. Any income maintenance scheme, like the public assistance scheme, requires a careful, reliable administrative machine. Honourable Members would be amongst the first to criticize Government—and rightly so—if significant amounts of public assistance were being overpaid or paid to people who were not really eligible for help—or indeed were being withheld from the needy.

As to the high proportionate administrative costs of the scheme, I can appreciate the concern expressed on this score. But it is not possible to switch over from the issue of dry rations to the payment of cash and to double the likely number of cases being helped without increasing the number of staff. And while it is true, as honourable Members have pointed out, that the more the rate of assistance is raised, the lower the proportionate administrative cost, nevertheless administrative costs are bound to go up if the scheme is expanded, as more people become eligible for assistance—though I would not expect the running costs to rise proportionately. But the more you raise the real value of assistance in relation to other incomes, the larger the number of potential applicants. Only a small increase in assistance scales is then needed to bring many more into the assistance field.

Before I leave the public assistance scheme, I would like to give an assurance that the Social Welfare Department will keep a careful eye on the effect of rising living costs on the increased purchasing power

conferred by these payments, and that when we come to review the initial operation of the scheme we will keep in mind the various comments made on eligibility criteria and the scale of assistance.

Much the same sort of consideration applies to the expansion of youth work services, which was urged by my honourable Friend, Mr WOO. I think everyone will agree with him on the importance of these as a means of keeping young people constructively, and I would add enjoyably, occupied in their spare time, and to provide them with facilities which their environment lacks. But finance is not the only, or even the most important, determining factor; space and the availability of trained staff are just as, or even more, important if services are to be effective. The Government is taking positive steps to help build up a cadre of trained and reliable staff within the agencies to enable these services to be expanded as required. For instance, that is why the Social Welfare Department invited a distinguished consultant in youth work services, Dr SPERGEL, to help to devise and run a 12-month training course for youth workers. The first course has already started. Further courses will follow and will, I hope, help to lay a firm foundation for the future. Having said this much, I accept the honourable Member's plea for more action in this field, and he may be assured that we will continue to look very closely into our plans for expanded youth services to see where there are gaps and how they can best be plugged.

Government also accepts that there is a need for more nursery places, as my honourable Friend, Mrs Ellen LI, has urged. Indeed, since 1966 we have set an annual target of 1,000 additional nursery places to be provided by welfare agencies and subvented from public funds. And the Social Welfare Department is giving substantial help with dependent children in two other ways. First, by special allowances under the public assistance scheme. Second, by providing both pre-service and in-service training for nursery workers. As to further provision of nurseries by factories and the use of appropriate school premises, as suggested by my honourable Friend, Mrs LI, the Social Welfare Department would welcome such developments provided the premises used are suitable and there is reasonable staffing.

Mrs LI went on to refer to the general level of estimated expenditure on social welfare. Actual expenditure will, of course, depend very largely on the use made of the public assistance scheme. There is no question of restricting the cost to a predetermined figure. Moreover, as I have already explained, Government has undertaken to keep the scheme under review so that on that score, too, expenditure may rise.

Reference has been made to the variations in the amounts allocated between voluntary agencies. Such variations are natural enough, and reflect the size and functions of the agencies and their access to funds

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from outside Hong Kong, and their fee or other income. These variations in the amounts of individual subventions do not reflect any judgement on the agencies concerned, for we do value very highly indeed the services provided by them in the social welfare field. But it does not follow that we should, as a matter of policy, adopt deficiency financing as a means of deciding what to pay agencies—which I take it is what Mrs LI is advocating. Whatever the merits or otherwise of deficiency financing in principle, it would be irresponsible from the taxpayers point of view for the Government to agree to underwrite whatever the agencies may choose to do, without having very close control over what they are doing. The agencies, at present, operate on a pretty free rein in the social welfare field; and I am not by any means convinced that they would wish to exchange this independence for close Government control.

What I have said about deficiency financing does not necessarily mean that Government will not continue to provide progressively more funds for the agencies. Our record over recent years makes it clear that we have afforded the agencies more and more help, and in their forward planning the agencies can rely at least on a realistic and sympathetic appraisal of their plans by the Government.

Finally, on this subject, may I make a plea—that the Government's expenditure on, and the importance it attaches to, the provision of social services is not judged solely by the size of the Social Welfare Department's vote. The services provided by the Medical and Health Department and by the Education Department, and the services enabled by the subventions to medical, educational and other bodies are just as much social services as are those provided under the aegis of the Social Welfare Department itself.

Now between Social Services and the Public Service, I would like briefly to refer to my honourable Friend, Mr SALMON's very reasonable worry about the manner in which squatter boats are cluttering up our typhoon shelters. This problem has been a headache to the Marine Department for many years. Indeed it is rather like dealing with a hydra-headed monster. Although in the last 10 years nearly 8,000 such boats have been cleared from typhoon shelters, pressures on the available space—from reclamations and other factors—and increases in demand, have gone far to off-set these efforts.

A considerable effort has been made in recent years to persuade boat squatters to accept land re-siting on a voluntary basis, but it now seems that we have gone as far as we can in this direction. The obvious next step might be thought to be outright compulsion to clear such

squatters from shelters and anchorages; but a number of considerations argue against such draconian measures. We are currently considering whether economic pressures can be brought to bear on what I might call marginal users of these shelters. I hope that this approach will prove effective, for, if not, we shall be forced, in the interests of human life, to adopt a more forthright course.

And now to the Public Service. Members have referred to the expansion which has taken place in the Service and have made understandable enquiries on the methods we employ to ensure that new posts are really necessary and whether existing staff are used to the best advantage and with the optimum efficiency. At the moment, mainly because of the astonishing expansion which has been necessary, the Civil Service is going through a very difficult period, where experience is at a premium. It is easy to recruit men and women—it is very much more difficult to recruit experience. We are a very young Service, and particularly in the middle grades we are over-stretched.

As regards the methods we employ to ensure that new posts are really necessary, I can reassure honourable Members. Indeed I sometimes think that we make Heads of Departments go through too many hoops in acquiring necessary additions to their staff. Once the Head of Department is himself convinced he makes a case to the Finance Branch of the Secretariat, and it is then examined by the Complements and Grading Division who may or may not find it necessary to consult the Organizational Surveys Unit, the Cost Control Unit and the Establishment Branch. Having passed that obstacle, and it is no ordinary one (indeed there is an apocryphal story of a Head of a Department who applied for an Assistant Director and got a messenger), (*laughter*) it then has to pass the eagle eye of the Deputy Financial Secretary and the Establishment Secretary.

His request then goes through the Establishment Committee of Finance Committee and Finance Committee itself. Finally, if the post in question is of a relevant grade, the actual selection of the person to be appointed is made by the Public Services Commission. I think we can be only too sure that surplus manpower is difficult to acquire.

As regards the use of the staff to the best advantage with the optimum efficiency, I referred last year to the proposal to move the Organizational and Surveys Unit to the Central Government Offices and to integrate them into the Finance Branch of the Secretariat. This move has now been carried out and the Unit is shaking down in its new environment. Its future shape and size is under consideration and I am hopeful that in the years to come it will play an increasingly significant part in improving the efficiency of the Government machine.

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We will of course bear in mind the honourable Mr BROWNE'S suggestion—I think it was—for the hiving off of the Computer Section and running it separately, but the section should and does include systems analysts and programmers, and such staff have a useful part to play in the main work of the Unit. Similarly the possibility of using management consultants and business efficiency experts will continue to be considered where relevant; we have, of course, already had experience of such consultants. I think we must first reach firm conclusions on the size and shape of our own Unit, required as a permanent entity and service, before we can usefully decide what fields can be covered by the *ad hoc* use of outside advice.

Finally, Sir, I would like to express to the unofficial Members of this Council my heartfelt gratitude to them for adhering to the spirit of Standing Orders during this debate, and sticking as closely as possible to matters arising from the budget we are considering. That they have done so has enabled us to field only five Officials this year, which I hope is a relief to us all. (*Laughter*). More seriously, I would like to thank the honourable unofficial Members who over the past year have devoted so much of their time—not only at budget time but throughout the year—to Finance Committee, to the Sub-Committees of that Committee, and to meeting the substantial demands made on them by their work in the UMELCO office, of which the public is making increasing and fruitful use. I suspect that very few people are really aware of the amount of time and effort given in Hong Kong, without tangible reward and often without thanks, to the service of the community, and I include in this all those private citizens who render service outside this Council on the many advisory bodies that are so striking a feature of the Government in Hong Kong.

3.46 p.m.

HIS EXCELLENCY THE PRESIDENT:—Honourable Members might care for a suspension at this point. I will suspend the sitting of Council until four o'clock.

4.00 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAITTE):—Sir, I am very grateful for the kind words about myself which honourable Members included in their comments on this year's budget, even if there were a few hard words, too. I was happy to hear rather more

agreement expressed than usual about the fiscal policies I have consistently advocated and I trust that this was from conviction rather than as a concession to the occasion. And I am sorry that in this reply I have been unable to match the poetic inspiration of a number of honourable Members.

My honourable Friend, Mr KAN, has poked fun at me for the inaccuracy of past estimates of revenue and expenditure; while my honourable Friend, Dr CHUNG, has been rather harsher with accusations of lack of candour and of arbitrariness. Two other Members have been sufficiently convinced that I have under-estimated revenue next year to set their own estimates against mine. I must make one formal protest about Mr KAN's figures; they include my predecessor's last budget and I cannot be held responsible for that one; and it had an unusually large margin of error as it happens. The quantification of my alleged pessimism should be reduced from \$2.3 billion to just over \$2 billion, of which, of course, well over half arose in the last three years when extreme optimism or an unusual gift of second sight would have been necessary to get the revenue estimates right.

Over nine years the error in estimating expenditure has been approximately $2\frac{1}{2}\%$, which is a significant improvement on previous years, when, it must be confessed, conditions for forecasting were on the whole more difficult. This figure would have been substantially less had it not been for the exceptional fall in expenditure in 1967-68, which also had an effect on 1968-69. The revenue estimates were less accurate, I admit, being 9% short of the actual outcome; but if one omits the last two exceptional years the margin of error was only 3%. And I defy anyone to say that he knew in advance that revenue would grow 45% over these last two years.

I quote these figures in reply but I do not think they are of any great significance. I have tried on a number of occasions to explain the true nature of the budget process. I will not go into this again at great length, although the reference by no less than three honourable Members to the "planned surplus" shows that I have not altogether succeeded in my previous attempts to explain. Surpluses are not in any real sense "planned"; nor are deficits. I lay great store by the principle of the annuality of expenditure estimates as necessary for this Council's exercise of its power, and duty, of financial control. But it is wrong to look at each year separately. I hold that two principles are important; first that there should be a steady expansion of public services, not an irregular one related to revenue accruing in any particular year; the second that taxes should be constant over long periods (provided, that is, that they are neither burdensome nor inequitable). While we should relate our aims in the expansion of the public service to our growing wealth as reflected in the rising yield of revenue, we cannot generate, or cut back, expansion at short notice in rhythm with

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the economy. We are always likely therefore to be behind the movement in revenues and this will tend to throw up surpluses—or deficits. And, as I remarked last year, the year 1967-68, when most of us were busy with other problems than the expansion of public services while the economy continued to grow, we lost a year or so in timing and a longer gap opened up between revenue and expenditure which we have not yet been able to close again.

This is an explanation of at least part of the higher surpluses of the last three years, but I doubt if we could in any case have kept up with the rapid growth of the economy in these years. I will concede one point to those who speak of "planned surpluses". I have not proposed to cut taxes to match the practicable level of increased expenditure, even if their maintenance has resulted in, in some ways, uncomfortably large surpluses. But, if I understand my critics, their argument is that we should have expanded expenditure faster rather than taxed less. That, as has often been said (and indeed has been said by my honourable Friend, the Director of Public Works today), is not only, or even primarily, a question of money.

If I may now speak of next year's estimates. A number of Members have criticized the revenue estimates as being unduly pessimistic. My honourable Friend, the Director of Public Works, has already spoken of the estimates for land sales on which I must accept his judgement. As to recurrent revenue, my estimate is 8.7% over this year's revised figure. But, if you take into account the effect on revenue from rates of our inability to revalue property, the increase must be adjusted to nearly 10%, which is, whatever anyone may say to the contrary, a substantial rate of growth. I am afraid that I do not agree with the simple extrapolations from average past experience on which some of my honourable Friends rely. These are even less rational than my own estimates and have the important defect that they ignore increases in the level of taxation in certain previous years which have pushed up the apparent growth rate. My honourable Friend, Mr BROWNE, has put the increase in total revenue at \$263 million higher than my estimates, while my honourable Friend, Mr LO, has put the increase in recurrent revenue at \$173 million higher than I have. I am tempted to offer my honourable Friends a small wager on the actual out-turn. I shall not be in a position to cook the books.

In this connexion my honourable Friend, Dr CHUNG, has accused me of not being candid. I must make allowances for his own sincere belief in scientific management which leads him to suppose that the estimating of public finances can be done with scientific accuracy, (and there are a number of economists who appear to agree with him). Alas,

it is not lack of candour but inability to see into the future with a prophet's vision, and to forecast human actions and re-actions, that is the cause of errors in estimating revenue. Estimating expenditure is, of course, a little easier because it depends to a large extent on governmental decisions, although as I have said, I cannot force departments to spend exactly according to their estimates.

This leads me on to the advance forecasts of expenditure (which I was happy to hear welcomed) and to my honourable Friend, Dr CHUNG's rebuke that I was being arbitrary in not publishing advance revenue estimates as well. Again, the advance estimates of expenditure have a fairly reliable basis in existing plans, although timing and costs may be upset by unforeseen events; but advance revenue estimates can only be the merest guesses, not even intelligent guesses because intelligence cannot be applied realistically so far into the future. So far from our failure to publish such figures being arbitrary, to publish them would not only have been arbitrary but also misleading, not to say dishonest.

There is, it seems to me, now more general appreciation of the need to maintain reasonable reserves in relation to our levels of expenditure. But both my honourable Friends, Mr SZETO Wai and Mr Wilfred WONG, have appeared to imply that they are being deliberately maintained, or increased, at the expense of increased social services. That is not so. I have already explained the genesis of reserves and, if I may be repetitive both of myself and of my honourable Friend, the Director of Public Works, more is needed than money to expand the social services.

My honourable Friend, Mr Wilfred WONG, has specifically proposed that, as the Development Loan Fund is not counted in our reserves but is yet an asset worth \$860 million, this sum should be allocated for social services in addition to the annual budget in the next two years. Apart from the unpracticability of further increasing spending at this rate over that period, I fear that my honourable Friend would put us on the road to insolvency were he to persuade us that the Fund represents spendable assets. They are, on the contrary, very illiquid, being lent out for periods of up to 40 years or, in the case of the Housing Authority, in perpetuity provided that the Authority continues to build. Liquidity is the key characteristic of our reserves and it is essential that we maintain them in liquid form. The Development Loan Fund, in any case, has total assets of all kinds amounting to only \$674 million; \$860 million is the total of loans allocated from the Fund to date. The Fund does provide an income of rather more than \$45 million a year but current calls on it from outstanding loan commitments, which stand at \$100 million, are taking virtually all this at present.

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Mr WILFRED S. B. WONG:—Sir, on a point of explanation on this. I did not mean that we should spend the \$860 million Development Loan Fund as such, but I did mean that we should earmark in the next two financial years a sum equivalent to \$860 million, which is roughly one quarter of our real reserves.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—I understood that was what my honourable Friend meant, but it makes no difference in practice whether we earmark the existing reserves or the Development Loan Fund for spending purposes. The point is that it is only reserves in liquid form which we can spend in the immediate future. The assets in the Loan Fund are illiquid and unspendable in other ways if liquid reserves are run down.

My honourable Friend, Mr K. S. LO, has advocated that 1% of our reserves should be allocated for the grant of loans to small industries for modernization and expansion. I have already indicated on a number of occasions that I should be prepared to lend my support to some such scheme, while remaining sceptical of the need for or the desirability of one. But I do not see much merit in devoting some arbitrary percentage of reserves to it. In November I elaborated in a memorandum to my honourable Friend, the Director of Commerce and Industry my difficulties with the scheme proposed last year by a sub-committee of the Trade and Industry Advisory Board. I understand that the Board is considering the question further.

My honourable Friend, Mr K. S. LO, also suggested that more funds should be allocated to the Agriculture and Fisheries Department for research, development and education to bring the price of food down and stabilize the cost of living. The Department does already engage in extensive work of this kind and is expanding it where practicable; the fields of irrigation and pig production are being given particular attention at present. But, as members of Finance Committee heard when the Director came before them three weeks ago, there are serious limits to what can be done with our small land area and relatively high costs. Certainly we can never be anywhere near self-sufficient except at unacceptably high cost.

I have been criticized for not having referred to the so-called Mass Transit Scheme. I think I should rather have deserved criticism had I referred to it; for in the absence of a Government decision I could only have given a personal opinion and it would not have been entirely proper of me to use the occasion of the budget to engage in propaganda against the scheme. But, now that it has been mentioned, I should like

to correct one popular misconception which my honourable Friend, Mr SZETO Wai apparently shares. The initial scheme is commonly said to cost \$2,000 million (actually \$1,906 million according to the consultants) and the full scheme \$4,391 million. These figures are incorrect. For reasons which I do not wholly understand, the consultants did not include either the cost of professional fees or the cost of financing during the unusually long period from inception of the work to production of operating revenue. Including these, the estimates of capital cost should be \$2,800 million for the initial scheme and \$6,650 million for the full scheme. They should also probably be increased further to take account of rising costs, particularly for equipment. Perhaps these figures will help to explain my financial doubts although figures of this magnitude tend to lose all meaning.

On the revenue side, one or two specific points were made. My honourable Friend, Mr SZETO Wai, suggested that television licence fees should be retained as \$9 million could be a useful supplement to social welfare funds. I do not think that this amount is likely to have much effect on social welfare expenditure, whereas it is manifestly unfair to continue long to raise a tax which is evaded by half the people liable to it—not necessarily those most able to afford it. I think the tax must go.

My honourable Friend, Dr CHUNG, has suggested on the other hand that the licence fee should be abolished at once, instead of next year, and that unexpired licences should be proportionately refunded. I am afraid that I do not have much sympathy with this proposal. There is nothing which suggests that it is so vital to abolish the tax at once that we should go to the not inconsiderable public expense of refunding licence fees already paid.

I have been berated for giving up a potential increase in rates and property tax in order to release staff for the administration of rent increase control; and my honourable Friend, Mr LO, has suggested that we should have undertaken, and should now undertake, a crash programme of training of Rating and Valuation Surveyors to carry out the revaluations while the existing staff is engaged on rent control. I am afraid that he very much under-estimates the professional skill, experience and judgement necessary for valuation for rating purposes. The Commissioner already carries out an extensive training programme. He has 14 Valuation Assistants who have recently passed the final qualifying examination of the Royal Institute of Chartered Surveyors and a further 59 in various stages of training for the professional examinations. But it requires five years to acquire professional qualifications and at least a further 18 months experience to produce an officer able to undertake the full duties of a Rating and Valuation Surveyor. I hate to think what havoc half-trained staff would

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wreak with the system. There is, furthermore, a serious shortage of valuers in other countries so that a crash programme of overseas recruitment would have been no more practicable.

Valuation work on new buildings coming into occupation continues as normal. It is only *revaluation* which is held up and I explained in my speech introducing the Estimates that, so far as rates were concerned, their loss was not too objectionable in the circumstances. Indeed, as rates are basically a charge on occupiers of premises, not on landlords (unless they have given leases on an inclusive basis), it could be reasonably argued that it would not be fair to raise rateable values in line with rent increases when the rents of some tenancies are controlled while others are not; and when it would be the latter who would be most affected by revaluation on top of the uncontrolled increase in the rents they pay. The loss of property tax, which falls on ownership, is less acceptable in terms of equity but is, of course, smaller. This is a problem which we must give thought to for the future.

I shall now turn to water charges which have been the main public issue arising from this year's budget.

No-one likes paying more for anything, particularly something which we are accustomed to take for granted and to regard as a gift of nature. But what comes out of our taps is not a gift of nature; nature is ungenerous to us in this respect. Water is a *commodity* or raw material which has been collected, stored, transported, purified and otherwise treated, a series of processes involving high capital costs and substantial operating costs. The question we face is who should pay; for someone must. I wonder, incidentally, how many commodities are supplied at the point of consumption at under 70 cents a ton (which is the price at \$3 a thousand gallons) or 90 cents a ton (which is the price at \$4 a thousand gallons)?

The facts that we account for our water under-taking through the medium of the Colony's general accounts, and that we have in the postwar years financed investment in waterworks wholly from general revenue, should not be allowed to mislead us into believing that the supply of water can be in the nature of a free or subsidized public service like primary education, the only limitation on which is public demand or that its finance has been wholly painless. If this misconception does arise from these circumstances, then we shall have to give serious consideration to setting up a statutory corporation responsible for its own separate finances. We have not done this so far because it is desirable, so far as possible, to maintain a cash basis for all public accounts.

We have not financed water projects since the war from loan funds but from general revenue. I have said before this that tax money is the only cheap, the only long-term money, and the use of surplus tax funds for capital intensive schemes such as waterworks is convenient as a means of keeping costs down so long as the tax system is not unfair or onerous. On any possible loan basis the charge for water would have to be at least double the charges we are now proposing. I am constantly adjured to invest public reserves in Hong Kong; when we do invest them in water projects, I am now told that the public should not expect a reasonable return from the investment. This, it is said, is because it is their own money and they should not be expected to pay interest, or repay capital, on their own money. Particular play has been made with the heavy interest charges shown in the pro-forma accounts. One reason why the interest is high is that charges are set to repay the very heavy capital cost very slowly—over 50 years for reservoirs, a completely uncommercial period, increased sinking fund contributions would reduce the interest charges but increase the total cost.

But the most important point is that the money used to provide water is not necessarily money which came from the people who consume the commodity whose production it finances. If it could be assumed that everyone consumed water exactly in proportion to the amount he has contributed to capital investment, then there would be a plausible case for writing it all off at once and not including capital costs in the charge for water. But it is manifestly not so (quite apart from any consideration of the desirability of not encouraging extravagant use, and yet heavier capital investment in consequence). It is particularly manifestly not so in the case of commercial and industrial use. I do not know of any place where such use is not paid for commercially on a metered basis, whatever may be the case with domestic consumption.

Furthermore, one effect of not recovering interest and capital through charges related to consumption could be, when we were running short of funds for the social services, to necessitate the raising of a second burden of taxation to replace the funds diverted to water. For I doubt if it were ever proper to raise taxes for the provision of water free, or on a subsidized basis, to all users. I see no reason, for example, why someone who is content with an economical cold shower should subsidize someone who is able to luxuriate in a deep hot bath; or why someone who waters a few plants in pots on his window-sill should subsidize someone who waters his extensive lawns; or why the careful domestic user should subsidize the profitable operations of a large industry. It is for these equitable reasons, as well as the general principle of charging for a commodity what it costs, that suggestions that taxes such as tobacco tax or television licence fees should replace water charges must be deemed inappropriate. If those who consume

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water above the basic minimum necessary for life and health are not prepared to give the public a proper return on its investment in the production of that water, then we should have to find the money elsewhere, if we can. At present charges the return on assets is no more than 4% before interest compared with the 10% to 15% we allow public utilities (before interest—and after tax, which the Water Authority does not pay). I am not sure it is realized that the Water Authority is the biggest single enterprise in Hong Kong.

My honourable Friend, Mr ANN, has asked why we do not charge interest on roads also and why we charge only 3½% on housing. Apart from Resettlement housing where there are special considerations justifying the 3½% interest to be charged, we have been for a number of years charging 5% on Low Cost Housing, Housing Authority and Housing Society. The two latter have been warned that, in the event that further public funds are made available to them, it will be at 7%. We have not done this for Low Cost Housing where 5% is still charged. Practice, therefore, for housing has generally been on the same lines as for water. As to roads, while most roads do have other more general functions than the facilitation of motor transport, I think I have made it clear that in my view road users must pay for the road; but the problem here is to devise a means of charging according to use made and, although rather sophisticated pricing methods have been suggested, we have to rely at present on general taxation of road users. This does not mean that they escape interest costs.

In this context I was somewhat surprised that my honourable Friend, Mr ANN, should quote a remark of mine made in 1965 to the effect that I considered the water rate too high; for what I was saying was that I thought that that part of the cost of water supplies met by a tax unrelated to the amount consumed by the taxpayer (*i.e.* by rates) was too high and that a greater part should be met from charges based on metered consumption. This view is, of course, entirely consistent with my view that, as industry in general consumes more in proportion to rates than do domestic consumers, this is a reason why industry should pay at a higher rate for metered supplies.

I might refer here to my honourable Friend, Mr ANN's scepticism about the forecast rate of increase in non-domestic consumption. I must confess that I share this scepticism, although the percentage increase in demand in the last three years has in fact been higher than has been assumed in this forecast. But this scepticism does not invalidate either the planned expansion of supplies or the proposed differential charges. The 20 million gallons a day desalting plant and High Island will still leave a gap in 1979 of about 50 million gallons

a day between supply and forecast demand (depending on the degree of restriction assumed in periods of low rainfall). This can, if necessary, be made up by adding further desalting plant, should Mr ANN and I turn out to be wrong.

It would be possible, of course, to take a risk with the supply position from 1974 to 1976 (the forecast is less likely to be unreliable over this shorter period) and postpone the expenditure of \$190 million on desalting plant; if rainfall were reasonably normal, we could get through without serious disruption but anyone who advocates this must have a very short memory. The longer ahead the forecasts, the less reliable the consumption figures, and we have therefore also considered whether we could phase the \$1,000 million High Island Scheme; but I am informed that the only possible phasing would be the postponement of the final \$100 million, which hardly seems worthwhile.

One or two comments were made suggesting that I was proposing to raise charges with the specific purpose of providing funds for future capital investment. This is categorically not so. It is to meet the cost of water from existing sources and sources coming into operation by 1976, at modest rates of interest and very long periods of repayment of capital. Perhaps I am myself to blame for this misconception because I referred to the cash flow which the new charges would generate during the next five years. I thought that businessmen would understand the concept of cash flow. The increase in charges will, in any case produce less than one quarter of the sum we propose to invest in Waterworks over the next five years.

The question was also raised as to why we do not credit the Waterworks accounts with interest on consumers' deposits. I believe that this was not done when the present form of accounts was devised as a small makeweight for the very large area of land which the Water Authority occupies or sterilizes and for which it pays no rent. This is not unfair as deposits are generally proportional to consumption. I have no objection, however, to crediting interest in future, although the amount is relatively so small that it is unlikely to influence pricing to any significant extent.

One further general comment—the alleged inflationary effect. I am sorry that some eminent public spokesmen have spoken in terms which serve to cause or increase rather than allay public anxiety on this score by a sober analysis of the situation. It is subsidies at below cost rather than charges based on cost which are likely to lead to inflation. Perhaps I could bring the matter into perspective (and here my honourable Friend, Dr CHUNG, might make a legitimate point against me) by relating the increases to Gross National Product even if we only have a rough idea of its magnitude. It is probable that increased water charges represent less than $\frac{1}{2}$ % of GNP—a not very significant amount.

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The revaluation of property for rating purposes, which I have been castigated for delaying, would represent something of the same order of magnitude.

To look at it another way, the increase in the domestic water charge to \$3 would increase the Consumer Price Index by 0.3 points or under $\frac{1}{4}\%$ at present; and even if the whole increase in the commercial charge to \$4 (excluding export industries) were to fall on private individuals (which it clearly will not), the increase in the Consumer Price Index would still be less than 0.45 points or less than $\frac{1}{3}\%$. These figures are negligible in the general context of movements of prices and wages and show how irresponsible is public comment of a kind likely, if not designed, to arouse public apprehension if serious consequences for their living standards.

This reminds me of a news item in a morning paper last week. A report that the Consumer Price Index had fallen by a full three points in February was headlined "Slight fall in the cost of living". The magnitude appears to depend upon whether the Index is going up or down.

It is I suppose, a natural human trait to regard the abolition of a television licence fee of \$3 a month as a negligible concession while objecting to an increase of \$2.25 a month for water as a serious imposition.

And if I may give other examples, any talk of the barbers being forced to raise their prices by the increase in water charges is nonsense, as a moment's thought will show, and should be treated as such rather than given plausibility. I doubt if barbers use as much as 1 cent's worth of water per customer.

And another example—I read a letter to the editor of a leading English language newspaper two days ago which said that the Brewery had raised its prices partly because of increased water charges. I am sure that the Brewery itself has said no such thing, for the Brewery has its own private water supply and does not use the public system.

Here I must thank the spokesman for the soft drinks industry for having made it clear that the industry's recent price increase was wholly unconnected with increased water charges.

Again, one organization which speaks with authority, has said that, as we have no practical monetary unit smaller than 5 cents, an increase in cost of only 1 cent or 2 cents for an article could result in an increase of 5 cents in its price, and this might be as much as 10%

thereby giving the impression that the increase would have a serious effect on prices generally. This argument is wholly misleading for three main reasons. First, a rise of 1 cent caused by increased water charges in the cost of an article retailing at 50 cents would be a rare phenomenon; even rarer a rise of 2 cents. Secondly, the figure of 10% quoted becomes more and more of an exaggeration as the price range rises. Thirdly, the argument can be more logically used to prove the reverse, that is, that the increase in water charges will not be passed on in higher prices; for in the case of a great majority of articles, according to this theory, there will already be a margin of between 1 cent and 4 cents between the strict commercial price and the actual price in multiples of 5 cents and there will be ample room for its absorption. It is only in the very rare case where this existing margin is smaller than the increase in costs due to water charges that the seller may perhaps be caused to raise his price to the next multiple of 5 cents. Yet the public are given the impression that all prices are likely to go up by 10%.

I think I have said enough now to show why, in fairness to the general public, water must in general be treated as a commodity for which consumers must pay in proportion to the cost of supplying them with the quantities they choose to consume. I have always, however, spoken of the basic minimum necessary for life and health in different terms. The problem has been to devise a means of treating this essential element of consumption differentially, as my honourable Friend, Mr Q. W. LEE, has proposed. The question has however been re-examined and the Director of Water Supplies has come to the conclusion that he could operate a system which, while not perfect, would go very far towards solving the problem.

We, therefore, have now decided to introduce a modification of domestic water charges whereby the first 2,000 gallons per quarter consumed through each domestic meter is supplied free and the new rate of \$3 per thousand gallons is applied to consumption in excess of that minimum. This will mean that the Resettlement family of six to which I referred previously as paying \$2.25 per month more for their overage consumption of $6\frac{3}{4}$ units a quarter will pay only 25 cents more a month than at present. The average bill in all Resettlement rooms is, in fact, lower than this; it is only 4.6 units a quarter and the average bill in Resettlement estates will therefore actually be reduced by 37 cents a month. I use Resettlement, of course, only as a convenient type of our less well-to-do families on whose consuming habits we have readily available records. This free allowance is equivalent to about four gallons per person per day or not very different from the amount to which daily consumption per person was reduced during the bad days of 1963-64.

The main difficulty of this scheme arises with buildings where there are communal meters. There it is proposed to authorize the Water

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Authority to provide a free allowance of 2,000 gallons a quarter for each separate dwelling in buildings communally metered. This will not, however, solve the problem of the old-fashioned tenement floor where there may be more than one family occupying separate cubicles. We have been unable to devise any method of meeting this aspect of the problem but in general such premises show very low consumption per head and we do not think that this difficulty should preclude adoption of the general scheme. We shall be giving further thought to a solution but I am not too sanguine of our ability to devise a practical one.

The cost of this change is estimated at \$12 million in a full year and about \$7 million in 1971-72. The question of how this reduction in income is to be treated in the future in the Waterworks account has not been decided and will be the subject of further consideration. As, in my view, one of the justifications for the concession is that some of our older reservoirs produce water at lower than average cost, and the cost of each new scheme tends to be higher than the last, the cost should fall on consumers of more than the minimum quantity. This is consistent with our approach to differential charging of domestic and non-domestic consumption.

Next comes the question of supplies for trade and industry. I have already dealt with the alleged inflationary impact of this, but there have also been representations that the increase in charges from \$2 to \$4 a unit will have serious consequences for industry. This is difficult to believe and no detailed evidence has been presented to support the general representation, although if there had been a case I should have expected detailed facts and figures in support. The total additional cost for industry is at present of the order of \$17 million a year. This represents not more than a $\frac{1}{4}\%$ of the value of industrial output and not more than $\frac{1}{2}\%$ of value added by the manufacturing processes in Hong Kong. This can have, in general, only a negligible effect.

There have been special representations from one section of the dyeing and finishing industry which purported to show that it would cost this industry an extra 2 cents a yard or, as they said, \$12 million a year. As the cost of the increased charges to the whole textile industry, including the dyeing and finishing part of it, is under \$9 million, this hardly appears possible. The part cannot be greater than the whole. Estimates of increased cost per yard vary from the unlikely figure of 2 cents I have mentioned to 1 cent. I suspect that to some extent this reflects variations in efficiency. To bring the figures into perspective, I understand that the premium at present on quota yardage for export to the United Kingdom is between 6 cents and 9 cents a yard.

To look at it another way, our investigations suggest that the increase in the cost of the dyeing and finishing process will be about 4% to 5%. But it is the effect on the cost of the finished cloth which has been put through all processes which is important because it is at this point that export sales are made. This should, it appears, be very much less than the 2% increase which I mentioned as the outside limit in my speech introducing the Estimates.

In all the representations from industry nothing has been said of the effect on the profits of industry. In 1968-69, the total profits of manufacturing industry were about \$550 million after tax, of which the textile industry earned about \$230 million; and the figures are clearly no lower now. The increase of \$17 million in water charges to industry is small in relation to this even if it had to be wholly absorbed by manufacturing profits, which I do not believe.

It is of interest that industrial water charges in Singapore are approximately HK\$4 a thousand gallons and in Tokyo HK\$5.80 plus a standing charge of HK\$477 a month.

One of the most curious arguments used against the increase is that, as industry is the main source of our wealth, it must be protected from increases in costs; that it must, in effect, be subsidized. But, if it is the source of wealth, where can such a subsidy come from except from itself? The argument seems to me to be self-defeating. It would in any case be highly irresponsible to offer unlimited supplies of subsidized water to any water-intensive industry which might wish to establish itself here. That would be a very slippery slope indeed. Where would subsidies stop?

However, the Director of Water Supplies believes that he cannot undertake at the same time two major changes, that is, the introduction of a free domestic allowance and the introduction of differential rates for domestic and trade consumers. Both involve substantial transitional problems. We have, therefore, come to the conclusion that the immediate increase should be the same for both categories, that is, to \$3 per unit; but that the rate should go to \$4 for trade consumers' bills based on meter readings from 1st July 1972, that is, a delay of a full year. This is a longer period of postponement than is strictly necessary for the transition but it will have the added effect of giving trade and industry an extended period to make any necessary adjustments to the full rate. This postponement will reduce extra revenue this year from about \$20 million to about \$10 million, and in 1972-73 by \$7 million.

Further consideration has also been given to the question of salt water charges. There is recognized to be merit in the argument that salt water for flushing should be regarded as part of the sewage

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system and met at least in large part, from the rates. It is not used solely for flushing, however, by non-domestic consumers; and those who are not provided with salt water supplies have certain expenses not incurred by those who do. We have decided, therefore, to increase the basic rate per thousand gallons from 40 cents to 70 cents, as already proposed, but to leave the assumed ratio of salt water to fresh water consumption as it stands. This will mean, therefore, that the Resettlement family of six will have to pay only 12½ cents extra a month, not 99 cents as under the previous proposal. This will reduce estimated revenue by about \$7 million in a full year or \$5 million next year.

Further consideration will have to be given to the implications of this modification for the water accounts if the major part of the salt water supply is to be regarded as financed by the rates, as this will leave less revenue from this source to be credited to fresh water supplies.

All three modifications taken together reduce the additional revenue by about one-third over the next five years and must affect to some extent the assurances I have given that there would be no further changes during this period. This cannot now be said with the same degree of certainty.

The total cost of these modifications in the next financial year is \$22 million and the estimated surplus will have to be reduced to this extent. Regulations by the Governor in Council introducing the new charges have already been made and will be published in this week's *Government Gazette* and laid on the table at the first meeting of this Council in April. These regulations include the second-stage increase in charges for non-domestic water to \$4 a unit in 1972. They provide in each case that the charges are effective from 1st April. This is necessary to give statutory authority for charging the new rates on any water which may have been consumed on or after that date, even if it is not charged in an actual bill until a considerable time afterwards. But, in practice—and I want to stress this very carefully—the Water Authority will not apply the new rates to any quarterly meter readings taken before 1st July, that is they will not be applied to any water delivered before 1st April. This applies equally to those trade consumers whose meters are checked monthly but read for billing purposes quarterly. All meters are read quarterly for billing purposes so that meter readings made on or after 1st July will include no water consumed before 1st April. Some people, because of their late place in the cycle of meter reading will not get bills at the new rates until after the end of September, while no-one will get a bill at the new rates before

July. As I explained when introducing the Appropriation Bill, the number of meters now installed makes it impossible to read all meters on the same day and this staggered procedure cannot be avoided even if, in consequence, some consumers begin to pay the new rates before others. The only exceptions to these arrangements are the new rates for ships and construction, which come into full effect from 1st April.

I trust that this Council will accept the increased charges as now modified, for, if we cannot impose charges to cover costs on an equitable and rational basis, then we shall have to reconsider our whole supply policy, including the preferential treatment which is accorded to trade and industry in times of restriction, the degree of risk of severe restrictions which we are prepared to take in the interest of keeping costs down and our proposals for desalting plant and the High Island Scheme.

To return now to the proper business of the day, the Report of the Finance Committee on the Estimates proposes one substantial, although in a sense notional, change in the draft Estimates of expenditure as presented, that is, the amendment of the Defence Contribution votes to token figures, except to the extent that we have residual commitments under the present agreement. This, if approved at the committee stage, will reduce the Head from \$97.3 million to \$23.5 million, pending a decision on the future contribution. This will reduce the formal estimate of total expenditure for next year to \$2,862 million; while the changes in taxes and water charges, as now modified, will produce a net increase in revenue of \$20 million to \$3,118 million, giving a revised estimated surplus of \$256 million. This figure is, of course, more than usually provisional because of the omission of any Defence Contribution and of the additional \$37 million to which we are virtually committed for education, as I explained when presenting the draft Estimates.

As is traditional, I now conclude with an up-to-date estimate of this year's surplus. It is now put at \$600 million.

Question put and agreed to.

Bill read the second time.

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

Committee stage

Council went into Committee.

APPROPRIATION BILL 1971

HIS EXCELLENCY THE PRESIDENT:—We shall consider the Schedule first in accordance with Standing Order No 55. With the concurrence of honourable Members, we shall take the heads in blocks of not more than five. If any honourable Member wishes to speak on a particular Head, the Clerk will please call that Head again after the discussion on it has finished so that it can be voted on. The question is that the sums of money for the following Heads stand part of the Schedule.

Heads 21 to 23 were agreed to.

Head 24.

DR CHUNG:—Sir, it is understood that the estimated expenditure of \$9,372,200 required in 1971-72 is to meet expenses for four major areas of activity in this Department, namely, first the salaries and expenses of the Census and Statistics Department, second the expenses incurred with the Census of Manufacturing Establishments, third the expenses for processing of data collected during the 1970-71 census, and fourth the expenses in connection with the compilation of the census reports. Will Government identify the respective estimated cost for each of the four areas of activity?

Presumably, the activities related to the second, the third and the fourth areas will be completed within the fiscal year 1971-72 and, if so, what new projects will the Commissioner of Census and Statistics be planning for 1972-73?

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—Sir, the breakdown of the estimate is as follows in round figures:—

- (i) \$3,738,000 for the general salaries and expenses of the Department;
- (ii) a revote of \$3,650,000 for the 1971 Population and Housing Census;
- (iii) \$1½ million for the processing of data collected during the 1971 Census;
- (iv) \$142,000 for the compilation of the 1971 Census reports;
- (v) \$342,000 for the Census of Manufacturing Establishments.

—I hope I am not going too fast for the honourable Member.

DR CHUNG:—I was asking in four areas, Sir.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—I began by giving the figure for general increases. I can't break the general figure down between the various special projects....

DR CHUNG:—Thank you, Sir.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—The activities related to the processing of data collected during the 1971 Population and Housing Census and the Census of Manufacturing Establishments will be completed within the fiscal year 1971-72, but the compilation of the Census reports may extend into the latter part of 1972.

The last question seems to go beyond the Estimates for 1971-72 which we are considering today; but I understand that the Commissioner for Census and Statistics proposes the following programme for 1972-73:—

- (1) Demographic studies and population projections based on the 1971 Census.
- (2) A Census of Industrial Production for 1973.
- (3) Improvement of statistical work in other Government departments.
- (4) Review of Consumer Price Index and continuous Household Expenditure Survey.
- (5) Planning of Population By-Census in 1976.

DR CHUNG:—Thank you.

Head 24 was agreed to.

Heads 25 and 26 were agreed to.

Head 27.

DR CHUNG:—Sir, my honourable Friend, the Colonial Secretary, in reply to my query last year, undertook to show in the 1971-72 Estimates the post of Administrative Commissioner and not Director of Public Works, and to explain his salary in the footnote. I was rather disappointed, Sir, to see that this agreed procedure was overlooked.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, I too was disappointed and the procedure wasn't overlooked. I do not think I actually undertook to show the post of Administrative Commissioner in the Estimates we are now considering, but I did say that I

[THE COLONIAL SECRETARY] **Appropriation Bill—committee stage**

would ask that it should be done if possible. When we came to consider the point in connexion with the Estimates we hit a problem. That is that the present incumbent is a pensionable officer, still earning pension, and it is necessary to preserve his pension rights. Not only must he continue to serve in a pensionable office, but also, pension being based on final pensionable emoluments, he must continue to receive at least the same pensionable emoluments as he did as Director of Public Works or he would receive a reduced pension.

We have not, in fact, yet established a pensionable office of Administrative Commissioner nor have we fixed a level of pensionable emoluments appropriate to the office for any, so to speak, standard level of incumbent. To accomplish what my honourable Friend desires, we would therefore, have to take four steps; first, create a post of Administrative Commissioner, second, include it in the Schedule of pensionable posts under the Pensions Ordinance, third, appoint Mr WRIGHT to it and, fourth, at the same time fix the pensionable emoluments of the office at Mr WRIGHT's present salary on a personal basis. All this can be done but we just haven't had time to do it. We will proceed to put the appropriate proposals before this Council in time for the 1972-73 estimates, if they are approved.

In the meanwhile, I am afraid my honourable Friend must suffer two Directors of Public Works. (*Laughter*).

DR CHUNG:—Thank you, Sir.

Head 27 was agreed to.

Head 28.

DR CHUNG:—Sir, among the estimated expenditure of \$23.23 million for the Commerce and Industry Department for 1971-72, I would like to know the amount allocated to the Industrial Development Branch of that Department. In view of the ever increasing importance of industry, particularly the export oriented manufacturing industry, in our economy, I would welcome a policy statement from the Government of the work and services of the Industrial Development Branch for which the said amount of money is provided.

MR J. CATER:—Sir, the brief answer to the first part of my honourable Friend's question is that, in the Commerce and Industry Department's estimates for 1971-72, the sum of \$595,734 has been allocated to the Industrial Development Branch of the Department. This figure includes staff emoluments, and a relevant proportion of other charges

and special expenditure, but does not include fringe benefits, the cost of floor space occupied by the Branch, or Directorate salaries. I suggest, however, that it would be appropriate if I related this expenditure to the Department and Industry *Division's* totals.

The estimated expenditure of \$23.23 million in respect of the Commerce and Industry Department for the next financial year includes expenditure on the Preventive Service, which is primarily responsible for the protection of the revenue from dutiable commodities and for anti-smuggling work. Expenditure on the Service amounts to almost \$13 million, which leaves a figure of just over \$10 million for the other branches of the Department's work. Expenditure on the Industry Division of the Department (which has 3 branches dealing with the various kinds of origin certification) with Industry Inspection (which polices our certification and textile quota procedures) and with Industrial Development, this accounts for 47.6% of this figure of \$10 million. Expenditure on the Industrial Development Branch of the Industry Division represents 12.2% of the Division's total or 5.8% of total departmental expenditure, excluding the Preventive Service. I would, however, stress that the work of all 3 branches overlaps to some extent, and that expenditure percentages may tend to give a misleading impression. The statistics thrown up by the Certification Branch in respect of factory registration, for example, have added to our knowledge of local industry, and provide useful data for our activities in promoting industrial investment in Hong Kong, as do the industrial surveys conducted by the Industry Inspection Branch.

Policy concerning the work and responsibilities of the Branch can be grouped under 3 main heads, *i.e.* advisory, industrial development and assistance, and Industrial Liaison:—

- (a) The *advisory function* involves the collection and assessment of such information on trade and industry as I need to discharge my responsibilities, to service my two Advisory Boards (Textiles Advisory Board and Trade and Industry Advisory Board), and to advise me generally on industrial matters. It also assists the Census and Statistics Department to provide statistical information which Government, industry and trade require.
- (b) In the field of *industrial development and assistance*, the Branch assists the Productivity Council and Centre in their efforts to promote the efficiency of industry. It aims to ensure that Hong Kong products are acceptable in our overseas markets insofar as health and safety factors are involved and, in conjunction with the Government Information Services, to publicize action taken in this field. It also aims to provide, in conjunction with local industrial and trade organizations

[MR CATER] **Appropriation Bill—committee stage**

information and assistance to potential investors in industrial development, with particular attention to overseas investment. In this respect I think that honourable Members will agree that the manufacturing industry, as the mainspring of our economy, should be encouraged to expand and advance its technological and managerial expertise so as to remain competitive in export markets, under pressure from the products of our competitors. The Branch also provides the fullest possible assistance to local or foreign entrepreneurs seeking information concerning the establishment of new industries in the Colony. Honourable Members will, of course, be aware that such ventures frequently introduce the new technical, marketing and design experience and "know-how" which is necessary if we are to widen the range and improve the standards of products made here. Basic facts are provided to such potential investors, including, *inter alia*, information on the economy, industrial structure and infrastructure, labour, land and factory costs and availability, taxation, technical education, vocational training and so on. When detailed information is required on any particular point, the Branch attempts to provide it, often working with other departments and industry itself. Branch officers are also available to take foreign visitors to industrial areas and into industrial undertakings of their choice. The work is undertaken in order to place all the facts before the potential investor, and to persuade him of the advantages which Hong Kong can offer. The work of the Branch in this particular field has increased considerably over the last year or so, and I was particularly encouraged when the Trade Development Council recently agreed in principle to the appointment of one or two industrial investment promotion officers overseas, beginning in the United States, which will enable my Department and the Council to begin co-ordinated action to attract overseas investors and industries to set up manufacturing facilities in Hong Kong. I am sure that honourable Members will agree that the considerable attractions which Hong Kong can offer to the overseas manufacturer and investor will be more effectively promoted by the kind of joint endeavour on which the Trade Development Council and my Department are now embarked. I would add that no attempts are made, or will be made, by either the Department or, I am sure, the TDC, to select which industries shall come here, and which shall not, nor are we in any way involved in negotiations concerning the rent or purchase of land or buildings, *etc.*;—these are all matters for individual decision by the investor.

- (c) The third function of the Industrial Development Branch is concerned with *industrial liaison*. On the domestic front, it aims to maintain contact with industrial organizations, to keep Government informed of and to advise it on the merits and the needs and views of industry in relation to the use and tenure of land and the provision of an adequate infrastructure for industrial development, and to assist industry in its relations with other Government Departments. In the regional and international area, it liaises with the principal regional and international industrial organizations on matters affecting Hong Kong industry.

DR CHUNG:—Sir, I am sure that my honourable unofficial Colleagues will agree with me that we obtain very good value for the meagre amount of \$595,000 spent on the Industrial Development Branch of the Department.

Head 28 was agreed to.

Heads 29 to 35 were agreed to.

Head 36.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, in accordance with the Report of the Finance Committee and as foreshadowed by the honourable Financial Secretary, I beg to move that the amount shown against Head 36 of the Schedule to the Appropriation Bill 1971 be reduced by \$74,011,200. In view of the fact that the present Defence Costs Agreement expires on 31st March 1971, and as a new Agreement has not yet been concluded, it is felt that the original provision under Subhead 1 (Defence Contribution) should be reduced to a token provision of \$1,000 only. This reduction makes it necessary to adjust the provisions under four other subheads as set out in the Order Paper.

Proposed Amendment

Clause

Head 36 of the Schedule That the amount shown against Head 36 be reduced by \$74,011,200 in respect of the following Subheads—

Schedule	Subhead 1	\$57,107,800
	Subhead 4	\$16,117,000
	Subhead 10	\$ 419,400
	Subhead 11	\$ 235,000
	Subhead 12	\$ 132,000

The reduction was agreed to.

Appropriation Bill—committee stage

HIS EXCELLENCY THE PRESIDENT:—The question now is that the reduced sum of \$23,268,600 for Head 36 stand part of the Schedule.

Question put and agreed to.

Head 37.

DR CHUNG:—Sir, under the category of Technical College and Technical Institute in the summary as given on page 149 of the draft Estimates, the approved estimate for 1970-71 is \$11,629,500 and the proposed estimate for 1971-72 is \$11,888,600, which shows a pitiful increase of a mere 2%.

It was revealed in a recent publication of a survey conducted by the Commerce and Industry Department that 75% of the 158 foreign-owned factories interviewed would not embark on any plan to either diversify the scope or to expand the size of their operation. One of the major reasons given is the acute shortage of technical manpower in Hong Kong. In my opinion, this is a matter which should not be treated lightly. All the industrial associations and many concerned public have during the past decade repeatedly voiced the urgent need for rapid expansion of our technical education and training facilities, particularly those in the middle and on the lower levels. Hong Kong could have achieved an even greater economic prosperity than the present level had we been able to provide more technical education facilities in the last decade of the 1960's.

It is against this background, Sir, that I must express my disappointment and disapproval on the negligible expansion of technical education in the budget year 1971-72. Last year the Technical College was supposed to offer five new CEI (Council of Engineering Institutions) Part II courses on the respective disciplines of structural engineering, electrical engineering, electronic engineering, mechanical engineering and production engineering. Unfortunately, all of them had to be dropped eventually due to lack of teaching personnel. Will Government give an assurance that these five new courses will be implemented in 1971-72?

It is a pity that no mention is made in the draft Estimates of the four additional technical institutes. However, we were subsequently informed at a meeting of the Finance Committee, and again earlier this afternoon by the Director of Education, that Government had already decided to build one more technical institute and that a paper was under drafting for consideration by the Executive Council on three additional institutes recommended by the Industrial Training Advisory

Committee. Will Government, first, announce the location of the second technical institute and, secondly, indicate the target date for its completion?

MR CANNING:—Sir, my honourable Friend, Dr S. Y. CHUNG, is correct when he says that for the current year the increase in recurrent expenditure on Personal Emoluments and Other Charges for the Technical College and the Technical Institute is just over $\frac{1}{4}$ of a million dollars. It is also true that the Technical Institute is not fully developed as yet—a sum of \$700,000 to cover the cost of equipment, which has been ordered but has not yet arrived, is shown under Head 65 page 379 Public Works Non-Recurrent estimates.

The main point made by Dr CHUNG is, of course, accepted. There is a need for expansion in our technical education and training facilities. It is because of this that Government has set up the Polytechnic Planning Committee to advise on the establishment of a polytechnic in Hong Kong. When the polytechnic is established the training facilities at the higher level now being offered at the Technical College will be more than doubled. At the middle level urgent consideration is now being given to the establishment of a second technical institute to be located in Kwai Chung. I regret that with a building of the size and complexity of a technical institute I am unable to give a firm target date for completion but the experience gained from the operation of the first technical institute at Morrison Hill will obviously be of great help in planning the proposed second institute.

At the lower levels of technical education there is a need to ensure that there is a proper balance of the various kinds of vocational training that are required. This is fully appreciated and as I have indicated earlier it is because of this need that it has been agreed to establish in my department the post of Deputy Director (Technical) who will be responsible among other things for advising on the proper "mix" below the Technical Institute level so that the Technical Institute and the Technical College will be well served.

I share Dr CHUNG's disappointment that it has not yet proved possible to start the courses leading to the Part II Examinations of the Council of Engineering Institutions. The position regarding recruitment for the posts he mentions is that there is a strong probability that we will be able to start two of these courses in electrical engineering and electronic engineering by September of this year. Offers of appointment have been made to the candidates concerned and it is hoped that they will be in post in July of this year. The remaining four posts were advertised again early this month and attracted a total of ten applications. These applications are being processed in the normal way and interviews will be held shortly.

[MR CANNING] **Appropriation Bill—committee stage**

I would, however, like to stress that the effective teaching of engineering subjects at the level required for these courses demands a high standard of ability from the lecturers concerned. It is by no means certain that the candidates who have offered their services will be found suitable for appointment even although they have the paper qualifications specified in the advertisement. I am therefore unable to give the assurance requested by my honourable Friend, Dr CHUNG, but I do assure him that the urgency of the situation is appreciated.

DR CHUNG:—Sir, regarding the second technical institute, I appreciate it is difficult for my honourable Friend to commit himself on the target date for the completion of that institute; but could my honourable Friend indicate the probable date without a commitment for the interest of the public?

MR CANNING:—Sir, with all due respect to Dr CHUNG, I do honestly find it difficult to give a probable date which doesn't imply some kind of commitment. I do assure him that we will do our best to get it done and built as quickly as possible.

Head 37 was agreed to.

Heads 38 to 50 were agreed to.

Head 51.

MR K. S. LO:—Sir, I should like to pass some comments on the following subheads.

Subhead 15—Quartering

The cost of quartering of Government officers who are temporarily housed in hotels and non-Government quarters for 1971-72 is estimated at \$6,760,000. As I gather that the number of officers who are without quarters, including single and married, are not more than 250 in number, I would strongly urge Government to press full steam ahead with its quartering programme so as to fill the gap within the shortest possible time. It is both uneconomical and demoralizing to have to house them in hotels and private apartments. To build 250 apartments will probably cost Government \$35 million which can be recouped from recurring rental expenses in about five years.

Subhead 24—Training of Government Officers

Apart from departmental in-service training, the cost of overseas training including training scholarships and merit trips in 1968 was \$3,125,000. For the year under review these 3 items amounted to \$4,600,000—an increase of \$1,475,000. I said in my speech the other day that the amount spent for overseas training compared rather unfavourably with the amount earmarked for travelling expenses of expatriate officers entitled to leave and vacation, which was three times as great.

The honourable Colonial Secretary in tabling the report on the training in the Public Service of Hong Kong, rightly pointed out that the cost of \$4,600,000 did not include the salaries of those undergoing training. This, however, does not change the proportion because the travelling expenses also do not include the salaries of those taking vacation or leave.

I would like to suggest that the implementation of the "localization" policy must not be allowed to stop at the recruitment level, as it is suggested in the opening chapter of the report on training. To make this policy more meaningful, it must be actively pursued in the in-service training of the locally recruited officers and in granting the deserving ones scholarships and post-qualification courses overseas in order to get them fully qualified technically and professionally, so that they are capable of taking over the jobs of overseas officers who are holding temporary appointments on contract terms.

I therefore urge Government to double and perhaps treble the amount for training scholarships and post-qualification courses in the next couple of years, so as to give effect to the declared policy of localization.

Head 51 was agreed to.

Head 52 to 56 were agreed to.

Head 57.

DR CHUNG:—Sir, under Standing Order No 55(3), I want to refer to the details of one source of revenue for which the Post Office is responsible. It concerns the collection of television licence fee.

My honourable Friend, the Financial Secretary, said a month ago that there were over 500,000 television sets in operation in Hong Kong, but indicated that not much more than half of them had licences. Will Government state, first, exactly how many of the television sets have licences and, second, how many of the licence holders obtained their licences through Rediffusion?

[DR CHUNG] **Appropriation Bill—committee stage**

I presume Government is fully aware that those owners of wired TV receivers could not have any possibility of evasion and that evasion in the past and during the next fiscal year, if the abolition of fee were on 1st April 1972, would only be confined to those owners of wireless TV sets.

My honourable Friend said earlier today that he was not sympathetic with my proposal of abolishing the TV licence fee on 1st April this year, not next year. I must make it clear here, Sir, that I was not asking him for his sympathy, but was questioning the equity of his proposal of penalizing the honest and law-abiding citizens. My honourable Friend still owes me an answer on this point.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—Sir, on a point of detail first, I did not say that there were 500,000 television sets in operation. I said that it was estimated that there were 500,000 television sets operation.

The answer to my honourable Friend's first question is, to be very exact, is 241,639. But I should explain that this is the total of individual licences plus Rediffusion subscriptions, and the latter can cover wireless as well as a wired reception. There is no information as to how many wireless sets are so covered.

The answer to the second question is 106,302.

As to evasion and the equity of the present situation, if it is inequitable it has been so for some time, and what I said was that I did not think that the inequity was not so great as to warrant the complications which would be involved in cancelling all licences as from the 1st of April and refunding the unused balance of the licences. As to evasion next year, while it is true that the Rediffusion subscribers are unable to evade the payment of licence fee, I don't know that that means that they are the honest citizens. If they wish to subscribe to Rediffusion, they have no chance of evading whether they are honest or not. (*Laughter*). But, furthermore, I think he has implied that those who are not Rediffusion subscribers, even if they have licences now, will be able to evade the fee next year. I don't think that is true and I said when I was introducing the Estimates that we would propose to reduce the estimate of revenue next year to \$5,000,000. This is nearly \$1.5 million above the revenue from Rediffusion subscriptions and of course the average licence for next year will be in respect of six months only, so you will have to double that figure to arrive at a full year's revenue. I am afraid I remain of the view, as a matter of policy perhaps rather than sympathy, that we should do as we have suggested and abolish the licence fee completely from 1st April 1972.

DR CHUNG:—Sir, I appreciate the difficulty of refunding the portion of the licence fee; but will my honourable Friend make a compromise with me that no refunding will be required if he abolishes on 1st April 1971—I repeat 1971, Sir.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—That is what we did when we abolished radio licences four years ago, and it was a very unpopular way of doing it. It is a matter of human nature perhaps that those who, as I said, had just renewed their licences were annoyed and those who had not just renewed their licences thought they had got away with it. But the fact remains that the Governor in Council has already made the regulations which will have the effect of carrying out the scheme as I proposed in introducing the Appropriation Bill; and the new regulations will be published at the end of this week and laid on the table in this Council in April.

Head 57 was agreed to.

Head 58 was agreed to.

Head 59.

MR SZETO WAI:—Sir, the estimated expenditure for this Head includes expenses for prisoners' welfare. I note that among such welfare items as adult education class, young offenders education class, recreation, religious ministrations, are fees for driving licences. I cannot understand why prisoners' welfare should extend to their driving licences. Will Government give a reason for the inclusion of such expenditure, small though it is?

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, it is the policy of Government, in all appropriate cases, to attempt to assist in the rehabilitation of an offender so that he may have a better chance of obtaining honest and useful employment and leading an honest and useful life on his release from a prison or a training centre. With this in mind, the Prisons Department provides various training courses, amongst them a vocational course in driving. This is particularly for young offenders at Cape Collinson Training Centre and the sum of \$1,000 covers the fees for provisional licences, which are \$40 each, and test forms, which are \$20 each, for candidates taking the driving test. I understand that, since the institution of this course in 1960, over 100 inmates have actually taken the course successfully and that this has in many cases assisted them in finding employment.

Head 59 was agreed to.

Heads 60 and 61 were agreed to.

Head 62.

Appropriation Bill—committee stage

MR SZETO:—Sir, over 10% of the proposed expenditure of \$4.28 million for the PWD Headquarters is for the training of university engineering or architectural students and graduates. As the provision is an appreciable sum, can my honourable Friend, the Director of Public Works, state briefly the scope of this rather expensive training programme, what is the annual intake of students and graduates and whether the expenditure is justified?

Mr ROBSON:—Sir, the scope of the PWD training scheme is to provide 2 years post-graduate training for 24 civil engineers; 11 electrical, mechanical or air-conditioning engineers; and 5 architects, *i.e.* a total of 40 trainees as compared with more than 500 posts for these professions shown in the draft estimates. Apprentices are assistants under agreement, and in the case of the civil engineering apprentices they are indentured to the Director of Engineering Development. There is also scope for the training during their summer vacation of 32 degree course students for a period of 3 months, 18 of whom are trained in the Civil Engineering, Highways and Waterworks Offices, 6 in the Electrical and Mechanical Office and 8 in the Architectural Office. During training, apprentices are paid around \$1,200 per month while degree course students employed during the summer vacation are paid at a token rate of \$150 per month although this sum will probably be increased to \$380 a month this year.

The annual intake of apprentices is normally 50% of the establishment figure as the training given is, in each case, for 2 years. The annual intake of degree course students for the period of their summer vacation is usually the full 32.

There are normally more than sufficient applicants to fill the civil engineering and architectural apprenticeships but the case of the electrical, mechanical and air-conditioning disciplines is more difficult, and there are at present 7 vacancies out of the total of 11 places available. It has been found that these graduates are unwilling to undertake a two-year apprenticeship without the promise of permanent employment in the respective assistant professional grade at the conclusion of their apprenticeship.

The half million dollars provided annually is usually under spent but for training purposes this amount is not, in my opinion, expensive—especially as the apprentices do useful work while under training. It is also my opinion that Government, as the largest employer in Hong Kong of professional officers in these disciplines, has an obligation to assist university graduates becoming fully qualified professionally.

Were Government not to foster training on these lines, the policy of localization would be under even greater handicap than at present as facilities offered by the private sector would be totally inadequate to supply Government's needs. It would also be grossly inequitable to expect the private sector to train Government's future architects and engineers for them. Honourable Members may be interested to know that in the case of the offices employing Civil Engineers, of the 223 engineers on the permanent establishment 194 are local officers and of these 104 entered the department as apprentices.

Finally the expenditure of half a million dollars would be more appropriately compared with the total expenditure of \$24 million on personal emoluments for the professional engineering and architectural staff of the PWD as a whole (this gives 2% of the annual wage bill for training) rather than with the \$4.28 million shown under PWD Headquarters of which only \$2.7 million is for personal emoluments.

MR T. K. ANN:—Sir, since the expenditure on Waterworks is spread over various Heads—No 62, 63 and 67—I think it appropriate and relevant for me to question here on the costing of fresh water.

I wish to refer to the speech made by my honourable Friend, the Financial Secretary, on the 24th February. He said that our present internal supply system produces water at a cost of \$1.45 per thousand gallons, treated and delivered to service reservoir; that Chinese water costs \$2 at the same point and High Island water a little over \$2; while desalted water from the proposed single water plant will cost between \$4 and \$5. He further said that to these costs must be added distribution and other operating costs and the loss in the distribution system, which together add about \$1.50. From these comments I deduce the present cost to be \$2.95 from our present internal supply system delivered to the consumers and \$3.50 from the High Island Scheme.

According to the Waterworks Account for the year ended 31st March 1970 appearing on page 654 of the 1971-72 Draft Estimates, total expenditure on fresh water—including staff charges, supply and distribution, bulk purchase of water, administration including services supplied by other departments, interest and sinking fund charges—aggregates \$141 million approximately.

I further find from the Public Works Department Annual Report for the year ended 31st March 1970, in Appendix CC, that the daily average consumption ran at 158.2 million gallons; and highest daily consumption at 193.6 million gallons. If we multiply these two figures by 365 days and divide the total operating cost of \$141 million by each of these two products, we will arrive at the cost of \$2.44 and \$1.99 per thousand gallons respectively.

[MR ANN] **Appropriation Bill—committee stage**

Since the distribution costs are already included in the Waterworks Operating Account, I would request my honourable Friend, the Financial Secretary, to account for the difference of \$0.51 between \$2.95, the present cost, and \$2.44 the cost I arrived at for the year ended 31st March 1970, both of which have already included the burden of interest amounting to \$1.13 per 1,000 gallons. My honourable Friend should not have included in the costing the loss in the distribution system, without taking into account the stocks of water in the reservoirs. If he were to take the latter into account, then the cost would be even less. After all 88% of the whole cost is but for receiving, preserving, treating and distributing rains from Heaven and there is no charge for rains.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—Sir, my honourable Friend's calculations are correct but I regret that he has been misled by the figure for daily consumption in 1969-70 given in the annual report of my honourable Friend, the Director of Public Works. That is a gross figure which includes all unaccounted supplies including loss in distribution from leakage, water used for fire-fighting, discrepancies between metering at service reservoirs and at domestic premises, which always favour the latter, and so on. These amount in total to 18%. If the gross consumption figure is adjusted for this, it gives an average cost of \$2.98 a unit compared with the figure of \$2.95 worked out by my honourable Friend.

This can be checked in terms of volume. 158.2 million gallons a day is about 58 billion gallons a year—the American billion. Reduced for 18% wastage this is about 48 billion gallons actually consumed. It can be deduced from the revenue of \$92 million from supplies measured and charged for that these amounted to about 45 billion gallons leaving about 3 billion gallons for metered supplies used for public purposes, *etc.*, which is about right.

The figure of \$2.98 in fact under-states the average price which may be deduced from the figures I gave. Taking Chinese supplies into account, the average should be \$3.10.

But against this there is one further adjustment to be made. The cost figures I quoted are based not on full consumption in the optimum supply conditions, but on a level which takes into account periods of restricted supplies which we may assume we will experience under average conditions over a period of years. In 1969-70 we were fortunate enough to enjoy an uninterrupted period of supply, which had the effect of reducing costs below the theoretical level.

To go on to my honourable Friend's second point. I am afraid that I cannot agree that water in stock should be taken into account. In the first place, surely it is only changes in stock which could be possibly considered as relevant, but these depend on the vagaries of the weather in each particular year and can work in either direction. The only proper consideration when considering average costs over a period of years is the annual amount of water which can be *delivered* from the system on average over that period for consumption and this is the basis we use.

DR CHUNG:—Sir, should the cost of the water used for fire-fighting and the water unmetered be charged to general expenditure account rather than charged to the water consumers?

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—I am sorry. I don't understand your question.

DR CHUNG:—Sir, my honourable Friend said in his reply to my honourable Colleague Mr T. K. ANN that he was misled by the gross usage of water and not the net usage. The gross usage includes the water used for fire-fighting and also water used unmetered. My question is, Sir, should the cost of water used for fire-fighting and the water used but unmetered be charged to the general expenditure instead of charged to water consumers?

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—A large part of the expenditure on waterworks is in fact charged through the rates; it is quite appropriate that water for fire-fighting be charged through the rates.

Head 62 was agreed to.

Heads 63 to 65 were agreed to.

Head 66.

MR SZETO:—Sir, the cost of traffic engineering works is included in the expenditure of this Head and has a provision for parking meters which exceeds those in previous years. Can Government say how many parking meters it plans to purchase and install next year, and will Government explain why less than 10% of this amount was spent this year and in the previous year?

Appropriation Bill—committee stage

MR ROBSON:—Sir, the funds asked for in next year's estimates, \$1.2 million, allow for the purchase of 2,000 parking meters and the installation of some 1,500. Less than 10% of this amount was spent on parking meters this year because only the sum of \$75,000 was approved for inclusion in the current estimates. In the case of the financial years 1968-69 and 1969-70, \$650,000 was provided each year but only \$101,000 and \$86,000 respectively was spent. The reason for the low expenditure over the last 3 years is that, in the light of the extensive damage to and pilfering of parking meters, which took place in the 1967 riots, the Commissioner for Transport investigated the possibility of an alternative system of charging for on-street parking involving the use of stamped cards. The purchase of new parking meters and extension of the existing metered areas was therefore suspended pending the formulation and consideration of the proposed card system, which was rejected by the Transport Advisory Committee in January last year.

Installation of further parking meters has now been approved and will commence immediately funds are made available.

Head 66 was agreed to.

Heads 67 to 78 were agreed to.

Head 79.

DR CHUNG:—Sir, I apologize for taking up so much of honourable Members' time and I hope that this will be the last I have to say in the committee stage. I have two observations on this Head of expenditure. First, I am sure the residents in Kowloon and the New Territories would very much welcome the opening of a new licensing office in Kowloon during 1971-72 for the registration of vehicles and the licensing of drivers. The move I believe is long overdue.

My second observation is about taxi licences. As far as I can remember, the last issue of new taxi licences was in 1968. In view of the growing need for taxi services on the one hand and the deregistration of the "pak pais" on the other, I cannot understand the reason for not issuing any more new taxi licences for the past 2½ years.

In the original estimate of revenue for 1970-71 there was, under the subhead for taxi concession of Head 4, an anticipated income of \$3 million, which was subsequently deleted in the revised estimate. In the revenue estimate for 1971-72, a sum of \$3 million is again shown against the same subhead on taxi concession. Will Government confirm that it is its genuine intention this time to issue new taxi licences in the fiscal year 1971-72?

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT):—Sir, as regards taxi licences, I understand that it is the view of the Commissioner for Transport that what is necessary at present to improve the taxi service is not more licences but the better organization of the existing fleet of taxis. I understand also that the Transport Advisory Committee have considered the question from time to time in recent months and intend to formulate proposals in the near future.

As to the revenue estimate of \$3 million, this is a token figure and should not be read as implying anything, either in a limiting sense or otherwise, as to policy next year. As I think honourable Members are aware, I myself do not look to taxi licensing premia as a source of revenue; but, as I am constantly criticized for under-estimating revenue, it seems desirable to include a figure. (*Laughter*).

Head 79 was agreed to.

Heads 80 to 84 were agreed to.

The Schedule as amended was agreed as standing part of the bill.

Clause 1 was agreed to.

Clause 2.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—On clause 2, Sir, I beg to move that the sum mentioned in the first three lines of the clause as printed be amended downwards to accord with the amendment I have already moved, and which has been accepted, to Head 36 of the Schedule.

The amendment was agreed to.

Clause 2, as amended, was agreed to.

Preamble.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER):—Sir, in respect of the Preamble, I move a similar amendment to that I have just moved in respect of clause 2.

The amendment was agreed to.

The Preamble, as amended, was agreed to.

DECEASED'S FAMILY MAINTENANCE BILL 1971

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

Clauses 1 to 16 and the Schedule were agreed to.

INLAND REVENUE (AMENDMENT) (NO 2) BILL 1971

Clauses 1 to 3 were agreed to.

Council then resumed.

Third reading

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAITTE) reported that the Appropriation Bill 1971 had passed through Committee with certain amendments and moved the third reading of the Bill.

Question put and agreed to.

Bill read the third time and passed.

THE ATTORNEY GENERAL (MR ROBERTS) reported that the

Deceased's Family Maintenance Bill 1971

Inland Revenue (Amendment) (No 2) Bill 1971

had passed through Committee without amendment and moved the third reading of each of the bills.

Question put on each bill and agreed to.

Bills read the third time and passed.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—That concludes the business for today and, in accordance with Standing Order No 8(5), I will now adjourn the Council until 2.30 p.m. on Wednesday 7th April 1971.

Adjourned accordingly at seventeen minutes to Six o'clock.