

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 9th January 1974****The Council met at half past Two o'clock**

[Mr PRESIDENT in the Chair]

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, MBE
THE HONOURABLE THE COLONIAL SECRETARY
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP
THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, CMG, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, JP
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, CBE, JP
DIRECTOR OF URBAN SERVICES
THE HONOURABLE JAMES JEAVONS ROBSON, CRE, JP
SECRETARY FOR THE ENVIRONMENT
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE LI FOOK-KOW, JP
SECRETARY FOR SOCIAL SERVICES
THE HONOURABLE GEORGE PETER LLOYD, CMG, JP
SECRETARY FOR SECURITY
THE HONOURABLE DAVID AKERS-JONES, JP
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE ALEXANDER STUART ROBERTSON, JP
DIRECTOR OF PUBLIC WORKS (*Acting*)
THE HONOURABLE WOO PAK-CHUEN, CBE, JP
THE HONOURABLE SZETO WAI, CBE, JP
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE ANN TSE-KAI, OBE, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP
THE HONOURABLE PETER GORDON WILLIAMS, JP
THE HONOURABLE JAMES WU MAN-HON, JP
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP
THE HONOURABLE GUY MOWBRAY SAYER, JP
THE HONOURABLE LI FOOK-WO, OBE, JP

ABSENT

THE HONOURABLE LEE QUO-WEI, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL

MR KENNETH HARRY WHEELER

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Import and Export Ordinance.	
Import and Export (Registration) (Amendment) Regulations 1973	235
Money-Lenders Ordinance.	
Money-Lenders (Registration) Regulations Revocation of Order of Exemption	236
Pilotage Ordinance.	
Pilotage (Dues) (Amendment) (No 3) Order 1973	240
Emergency Regulations Ordinance.	
Emergency (Summer Time) Regulations 1973	245
Emergency (Control of Oil) Regulations 1973.	
Emergency (Advertising, Display and Floodlighting) (Restriction) (Amendment) Order 1973	246
Emergency (Control of Oil) Regulations 1973.	
Emergency (Motor Fuel) (Amendment) Order 1973	247
Rating Ordinance 1973.	
Rating (Areas of Hong Kong) (Amendment) (No 2) Order 1973	248
Import and Export Ordinance.	
Import and Export (Radio) (Prohibition) (Revocation) Regulations 1973	249

<i>Subject</i>	<i>LN No</i>
Interpretation and General Clauses Ordinance. Rectification of Errors (No 3) Order 1973	250
Boilers and Pressure Receivers Ordinance. Boilers and Pressure Receivers (Exemption) (Consolidation) (Amendment) Order 1973	251
Government Lotteries Ordinance. Government Lotteries (Amendment) Rules 1973	252
Interpretation and General Clauses Ordinance. Government Lotteries Ordinance. Delegation of Powers	253
Interpretation and General Clauses Ordinance. Specification of Public Office	254
Import and Export Ordinance. Import and Export (General) Regulations (Amendment of First and Second Schedules) Order 1973	255
Import and Export Ordinance. Import and Export (General) Regulations. Import and Export (General) Regulations (Amendment of the Second Schedule) (No 2) Order 1973	256
Import and Export Ordinance. Import and Export Ordinance (Amendment of Schedule) Notice 1973	257
Public Health and Urban Services Ordinance. Public Health and Urban Services (Amendment of Tenth Schedule) (No 2) Order 1973	258
Public Health and Urban Services Ordinance. Declaration of Markets in Urban Areas to which the Ordinance Applies	259
Emergency (Control of Oil) Regulations 1973. Emergency (Advertising, Display and Floodlighting) (Restriction) (Variation) Order 1973	260
Emergency (Control of Oil) Regulations 1973. Emergency (Advertising, Display and Floodlighting) (Restriction) (Amendment) (No 2) Order 1973	261

Papers

Sessional Papers 1973-74:

No 36—Annual Report by the Commissioner for Transport for the year 1972-73 (published on 9.1.74).

No 37—Annual Report by the Commissioner of Police for the year 1972-73 (published on 9.1.74).

No 38—Supplementary Provisions for the quarter ended 30th September 1973 (published on 9.1.74).

Oral answers to questions

Extension of Legislative Council Chamber

1. MR WOO asked: —

Will Government extend the Legislative Council Chamber so as to provide additional seating accommodation for members of the public and enable better arrangements to be made for televising its proceedings?

THE COLONIAL SECRETARY: —Sir, the substantial alterations which would be necessary to increase the seating capacity of this chamber significantly would be very costly and would involve its closure for several months.

Better television coverage also presents problems, since it could only be achieved by the location of remote control cameras at different places in the chamber and by the extension of the central booths along the north wall to house the necessary additional controls, probably at the expense of the public seating area.

However it is clearly not satisfactory that only the backs of certain speakers are revealed to television audiences (even if some honourable Members are flattered from this angle) and the Director of Public Works will investigate the possibility of making improvements to television coverage at a reasonable cost.

Legislation for finance companies (1)

2. MR SAYER asked: —

Will the Government consider introducing legislation to license and control those concerns engaged in soliciting deposits

which are currently able to operate outside the provisions of the Banking Ordinance and other legislation designed for the protection of the public?

THE FINANCIAL SECRETARY: —Sir, in answer to an almost identical question asked by my honourable Friend Mr T. K. ANN on the 18th July last I spoke of the damaging consequences stemming from hastily prepared legislation to regulate the activities of finance companies and I said then that we were considering their activities and I mentioned four particular aspects.

There continues to be an influx of finance companies into the Colony and in the past few months this has included some of the most distinguished names in international financial circles. It is true that licensed banks have to meet capital and liquidity provisions set by the Banking Ordinance and to this extent they may feel they are unfairly restricted. But the facts do not match this feeling: banking licences continue to be much sought after and there are many concerns, both overseas and local, which have expressed a wish for a banking licence.

I remain of the opinion that the licensed banks have the means at their command to compete on equal terms with the finance companies. In any case, only a few have established local business; the majority do not compete directly with the local banks because their business is directed to the supply of credit for current liabilities and capital projects elsewhere in the Far East.

Nevertheless, Sir, we are continuing our study of that sector of the financial market occupied by companies known as finance companies.

Legislation for finance companies (2)

3. MR SAYER asked: —

Is the Government satisfied that the public is adequately protected from the activities of companies which solicit deposits and promote other banking services without having to conform to any set standards?

THE FINANCIAL SECRETARY: —Sir, this question to some extent overlaps the reply I have just given to question No 2 also put to me by my honourable Friend Mr SAYER.

[THE FINANCIAL SECRETARY] **Oral answers**

Nothing has been brought to my attention which has led me to be dissatisfied with the operating standards of the reputable finance companies which accept deposits in Hong Kong. Whilst it is true that these companies do not have to meet statutory obligations, they conform to the high standards required, as a matter of practice, of finance houses operating on an international basis.

Nevertheless, I recognize that there is a possibility of less reputable companies operating to lower standards thus providing some risk for depositors and I can now say that a Protection of Depositors Bill, designed to lay down the minimum size of deposits which finance companies can accept from the general public will, if Your Excellency in Council so directs, be introduced into this Council shortly. Thus by this bill the deposit-taking activities of finance companies will be confined to a fairly restricted clientele. This will be achieved, as I have said, by specifying a minimum figure below which only licensed banks will be permitted to accept deposits.

MR SAYER: —Sir, is the Government aware that in one country at least, where there is little legislation to control the activities of even respectable second line and fringe banks, substantial support has had to be organized at short notice to avert a serious loss of confidence in these concerns?

THE FINANCIAL SECRETARY: —Yes, Sir, I have read of such press reports.

MR LI: —Sir, is the Government aware of the fact that some of the companies are actually handling banking transactions in Hong Kong?

THE FINANCIAL SECRETARY: —I am not aware, Sir, that the finance companies which my honourable Friend refers are conducting banking business illegally.

Return of land adjacent to Kai Tak Airport

4. MR CHEONG-LEEN asked: —

Can Government negotiate for the return of the land adjacent to Kai Tak airport in Ngau Chi Wan presently occupied

by the Royal Air Force for use as low-cost housing, recreational or other public use?

THE COLONIAL SECRETARY: —Sir, although the Royal Air Force has given every assistance in making substantial boundary adjustments to promote the widening of Kwun Tong Road and to help in the construction of the Underground Railway, it is not practicable for the Royal Air Force to move from its present location.

The honourable Member may be interested to know that there is a proposal to rebuild the present Officers' Mess within the boundaries of Kai Tak, which would release an area of land now occupied for this purpose by the Royal Air Force on the opposite side of Kwun Tong Road.

MR CHEONG-LEEN: —Sir, does the honourable Colonial Secretary know or is he in a position to say whether this piece of land which will be released will be available for a public purpose?

THE COLONIAL SECRETARY: —I am afraid I can't look that far ahead, but I will make enquiries and see whether there is any preliminary allocation of this land or not and will let the honourable Member know.

Owners of co-operative housing flats residing in departmental quarters

5. MR LI asked: —

- (a) What are the rules regarding occupation of a civil servant's co-operative housing flat at times when the officer in question is required to take up residence in departmental quarters?
- (b) Are any changes contemplated so as to ensure maximum use of both quarters?

THE COLONIAL SECRETARY: —Sir, the by-laws which govern Government Servants' Co-operative Building Societies provide that if a member of such a society is required to occupy a departmental quarter, or is transferred to another part of the Colony where he would be unable to make use of his flat he may, with the consent of the committee of the society (and on such conditions as the committee may decide)

[THE COLONIAL SECRETARY] **Oral answers**

underlease his flat to another civil servant. The permission of the Governor is required if the period of the underleasing exceeds one year.

A member may also, with the prior written approval of the committee, leave his flat in the care of a caretaker for a period not exceeding six months. The Governor's approval is required for a period of more than six months. A "caretaker" is defined as a person appointed by the member for the purpose of cleaning, airing and generally maintaining the flat during the member's absence. A caretaker is not permitted to make any payment to the member for his occupation of the flat. A caretaker does not necessarily have to be a Government servant.

It appears that, in practice, these rules have ensured that cooperative society's flats are well occupied at all times.

MR LI: —Sir, is my honourable Friend the Colonial Secretary's answer to part (b) of my question "yes" or "no"?

THE COLONIAL SECRETARY: —No, Sir.

Administrative Appeals Tribunal

6. MR CHEUNG asked: —

In order to improve the arrangements for dealing with statutory appeals which at present can be made only by way of petition, will Government set up an administrative appeals tribunal?

THE ATTORNEY GENERAL: —Sir, the short answer to this question is that the proposal is at present under active consideration by the Government.

MR CHEUNG: —Will my honourable Friend give a slightly longer answer to that?

THE ATTORNEY GENERAL: —If my honourable Friend wishes to know when we are likely to make a decision, I am not in a position to say. I can assure him however that the matter is under very active consideration.

Kowloon taxi fares

7. MR WOO asked: —

When will a decision be announced on the question of permitted fares for Kowloon taxis?

THE SECRETARY FOR THE ENVIRONMENT: —Sir, this matter has been under active consideration for some time. The advice of the Transport Advisory Committee has now been received and I hope to put the matter to the Executive Council in the very near future. If approved the proposals could be implemented with very little delay.

Princess Margaret Hospital

8. MR WONG asked: —

When will the Princess Margaret Hospital complex become fully operational?

DR CHOA: —Sir, the Princess Margaret Hospital complex consists of

- (1) the general wing,
- (2) the combined staff quarters,
- (3) the psychiatric wing.

The psychiatric wing of the hospital is in Category A of the Public Works Programme and the anticipated completion date at present is 1977. Planning is proceeding.

The combined staff quarters are under construction and the present anticipated date for completion is November 1974.

The general wing of the hospital is nearing completion and it is anticipated that this will be handed over to my department during June 1974. Bulk storage and office accommodation is being made available this month in the casualty block of the general wing of the hospital, and the storage unit moved in last week ready to receive equipment scheduled to arrive during the next six months. Further office accommodation will become available over this period so that senior administrative staff may move in and be in a position to take over the general wing of the hospital in the middle of the year. Staff training and familiarization exercises will continue to take place until the hospital becomes operational. It is not expected that we can begin to open

[DR CHOA] Oral answers

the hospital until one month after the handing over of the combined staff quarters and intake of patients after that date is planned to be phased over a period of three months culminating in the opening of the Casualty Department. By this date, all supporting and clinical departments will be operational and specialized units of clinical departments will be added progressively as the necessary staff become available.

New Lai Chi Kok Hospital Interchange (Roadworks), the major approach to the hospital, is not expected to be completed until February 1975 and this may affect the access of ambulances and other transport to the hospital and consequently the intake of patients. The South Kwai Chung Polyclinic Stage II, which is the specialist clinic for the hospital, is at present out to tender and its completion date is not expected until the middle of 1975. However, it is proposed to run a temporary specialist clinic in consulting rooms situated in the present Stage I South Kwai Chung Clinic.

In short, the answer to my honourable Friend's question is that procedures for equipping and staffing the hospital are progressing satisfactorily at present and though it is not possible at this juncture to give an exact date for bringing the general wing of the Princess Margaret Hospital complex into operation, it is anticipated that if building and construction works proceed according to plan, this part of the hospital should be fully open in the early part of 1975.

Integration of Hong Kong and Kowloon taxis

9. DR CHUNG asked: —

Has Government considered the integration of taxi operation on both the Hong Kong island and the Kowloon peninsula? If so, what are the reasons for not doing so?

THE SECRETARY FOR THE ENVIRONMENT: —Sir, this question is closely related to the question asked by my honourable Friend, Mr P. C. Woo. The possibility of the integration of taxi operation has been under active consideration since the cross-harbour tunnel opened in 1972. As with the question of taxi fares, the advice of the Transport Advisory Committee has been received and the matter will be referred to the Executive Council shortly.

External trade statistics

10. DR CHUNG asked: —

Is it true that Hong Kong's external trade statistics, such as domestic exports, for any month do not necessarily represent all shipments made during that particular month? Will Government, as an example, provide details for domestic exports in September 1973 to show the composition of shipments made in different months but entered as shipments in September?

MR JORDAN: —Sir, it is true that, as I think, is the case with everyone else's trade statistics, the statistics of Hong Kong's trade published in respect of any particular month do not relate to all shipments made actually during that month nor only to shipments made during that month. The reason for this is that full details about all shipments do not come to hand in time and if we waited until all the information was available there would be an unacceptable delay in publication of any figures at all.

Generally speaking, provisional trade figures for a given month are published four weeks after the end of that month. They are based on trade declarations covering shipments made in that month and lodged by the tenth of the succeeding month, and, on declarations covering trade in previous months, and lodged between that day and the eleventh day of the preceding month.

On average, this system results in published figures for a given month covering about 70% of the shipments actually made during that month, but of course the 30% not recorded then is made up for by declarations relating to trade in previous months. The Census and Statistics Department's experience has shown that these, to a very large extent, offset each other.

My honourable Friend has asked specifically about the month of September 1973. I am afraid that it is not yet possible to produce absolutely final figures for this month: indeed there is usually a six months' lapse before such figures can be obtained. However, my honourable Friend may be interested to know that the figures for July 1973, the latest month for which we do have the final figures, show that the difference between the published trade figures for that month and the final figures was only about one and a half per cent.

DR CHUNG: —Sir, arising from the answer given by my honourable Friend since by Government regulations exporters have to lodge their export declarations with Government not later than two weeks after

[DR CHUNG] Oral answers

the date of shipment, will my honourable Friend explain why it is necessary for Government to take a period of as long as six months to compile and publish details of shipments. Secondly, is Government aware that industry needs such information much earlier than six months in order to effectively trace the market trends?

MR JORDAN: —I am afraid I can't explain in detail, Sir, exactly why it takes six months to produce the absolutely final figures, but the position is that under the law exporters have to lodge their declarations within fourteen days from the actual export. As the computer programming is arranged at the moment we have to close the books as it were on the tenth of the month in order to be able to produce the provisional figures as soon as we do, and there are, of course, always late declarations; there are declarations that have to be checked because they are doubtful; there are people who don't indeed lodge their declarations within the statutory time at all and have to be pursued; and all this naturally means that to get really accurate figures and to be sure of them takes a considerable time. I don't really think, Sir, that there's any serious disadvantage to industrialists or traders in the fact that the final figures are not available until six months later. One reason I am encouraged to say this is that, of course, we have never published the final figures—and yet our economy seems to be in a reasonably healthy state—because as I said in my original reply; what is left out in any month is very much offset by what has come in from previous months and these offsets cancel each other more and more as you take a longer and longer period, so the statistics for a whole year, as published, are, I am confident, pretty accurate.

DR CHUNG: —Sir, as far as I am aware we do and Government does publish the figures and the latest I can obtain is for June 1973.

MR JORDAN: —I am informed by the Commissioner for Census and Statistics, Sir, that those final corrected figures are not published.

Assessment of disability allowances

11. MR CHEUNG asked: —

How long does it take to complete the medical examination and other formalities involved in assessing an applicant for disability allowance?

THE SECRETARY FOR SOCIAL SERVICES: —Sir, initial enquiries are conducted by the Social Welfare Department. These include a home visit and usually take between one to two weeks to complete. The period varies according to the complexity of the case and whether there is difficulty in locating the applicant.

The next stage is to consider whether a person is severely disabled under the terms of the scheme and this is a decision of the Director of Medical and Health Services. It need not involve a medical examination in the case of a patient who is already known to the department and where it is simply a matter of checking past records. Where a medical examination is required, it can normally be arranged within two to four weeks for a physically disabled patient. However, some difficulty has been experienced in dealing with mentally ill or mentally defective patients, owing mainly to the shortage of doctors in the psychiatric service and partly due to the patients failing to keep their appointments. There are some 300 such applications outstanding at present and it is expected to take about three months to clear them.

The final stage of authorization and payment presently takes about one month. However, with the steady reduction of the backlog of work being handled by the Social Welfare Department this can soon be expected to come down to a normal period of about one week.

Consultations have taken place between the Social Welfare Department and the Medical and Health Department about the problems of processing disability allowance applications and my honourable Friend may be assured that every effort will continue to be made to deal with them as quickly as practicable.

Recruitment of police women for traffic warden duties

12. MR CHEONG-LEEN asked: —

What steps are being taken to recruit more police women so that they can take on traffic warden duties which are at present being done by police men?

THE SECRETARY FOR SECURITY: —Sir, parking regulations are enforced by beat officers as part of their normal duties.

Just over 70 women officers are nevertheless now employed on traffic control, road safety and similar tasks. The Commissioner hopes to bring the number up to 280 within two years.

[THE SECRETARY FOR SECURITY] **Oral answers**

He also hopes to recruit more women for a range of other work. The planned increase in from about 700 to 1,200—though all new posts in the force can be filled by either men or women. The recent improvement in police rank and file pay has encouraged many young women to apply to join and almost 250 have been initially accepted during the latest recruitment campaign.

MR CHEONG-LEEN: —Sir, in my honourable Friend's reply, he did say that over 70 women officers will be employed in traffic control, road safety and similar tasks. I presume that similar tasks are related to the question of traffic control, and if that is the case, is the proposed increase of up to 280 women officers within two years designated for such type of work, namely traffic control, road safety and so on?

THE SECRETARY FOR SECURITY: —Yes, the answer is that this is so in both cases; that is the 70 women officers are now employed on a variety of types of work connected with traffic and the 280 would be also employed on that sort of work.

Publication date of Green Paper on Transport

13. MR WU asked: —

Will Government fix deadline dates for the publication of the green paper on transport and for its adoption?

THE SECRETARY FOR THE ENVIRONMENT: —Sir, I am afraid that the draft green paper on transport was discussed only yesterday by the Transport Advisory Committee and I now await their views.

As most of the material in the green paper is based on matters previously discussed and agreed by members of the Transport Advisory Committee, I am hopeful that they were able to agree the basic principles involved.

The next step will be to amend the draft as necessary and then put it to the Executive Council for approval to publish.

Processing of applications for public assistance

14. MR LOBO asked: —

- (a) How many applications for public assistance, infirmity and disability allowances are outstanding?
- (b) Can additional staff be recruited, or overtime worked, to catch up with the backlog, and
- (c) can the procedure for processing applications be simplified and made more practicable?

THE SECRETARY FOR SOCIAL SERVICES: —Sir, the procedure for processing public assistance applications consists of 3 stages. In the first instance, a home visit is carried out to check the identity of the applicant, to ascertain the background and circumstances of the case and to ensure that the documentation is in order. This stage normally takes up to two weeks to complete although the period can vary depending on the complexity of the case and whether there is difficulty in locating the applicant. At any given time there are about 700 public assistance applications under enquiry and this figure has held steady for some months. Secondly, on completion of the investigation, the entitlement is calculated, payment authorized and finally the information is referred to the payments control unit for issue of a cash order book; this normally takes about a week and about 2,000 cases are awaiting payment at present. It should be emphasized, however, that under existing arrangements early payment can be made exceptionally to those in urgent need, usually on the day of application, or at least within 48 hours. About 100 such payments are made every week. However, the majority of cases, where no immediate serious hardship is likely to arise, are dealt with in the normal turn. The natural desire for prompt payment must not be allowed to override the need to exercise proper control over public funds which includes ensuring that applicants receive their proper entitlements.

With regard to infirmity and disability allowances, the number of applications first received when the scheme started in April 1973 exceeded 20,000 and has since reached a total of 45,000. This considerable burden of work has been energetically tackled and the backlog of cases has fallen steadily. The procedure is similar to that for public assistance but there is an additional step involving medical assessment for disability allowance. The current situation is that about 2,000 applications for infirmity and disability allowances are under enquiry or awaiting medical assessment and a further 7,500 pending action for payment. The latter figure amounts to about one month's work.

[THE SECRETARY FOR SOCIAL SERVICES] **Oral answers**

The answer to the second part of my honourable Friend's question is that the existing staff have for some time now been working substantial amounts of overtime and that staff were diverted from other duties to assist them for a period of about three months when the back-log of infirmity and disability applications was at its height last year. Since then forty temporary additional posts have been provided to assist with the increased workload pending a detailed examination of the long-term staff requirements.

As to the third part of the question, procedures for processing are kept under constant review but they will be examined with particular care in connection with the long-term staff proposals I have just mentioned.

In conclusion, Sir, I can assure my honourable Friend that every effort is being made and will continue to be made to reduce and finally eliminate any back-log of work.

Hong Kong shipping register

15. MR WOO asked: —

What is the present position as regards establishment a separate Hong Kong shipping register?

THE FINANCIAL SECRETARY: —Sir, during the past year or more there has been considerable correspondence with the United Kingdom Government on this matter and a number of meetings have been held, both in London and in Hong Kong, with Ministers and officials from the Department of Trade and Industry. As a result of these discussions considerable progress has been made in clarifying the problems which would be involved in the establishment of a separate Hong Kong Register of Shipping and in defining the attitudes of the United Kingdom and Hong Kong Governments to the issues involved. These relate essentially to the employment of certain non-British qualified officers and the acceptability of certain types of safety equipment of non-British manufacture on Hong Kong owned ships. Close liaison has also been maintained with the Hong Kong Shipowners' Association and the Hong Kong General Chamber of Commerce.

As a result of a meeting you yourself, Sir, had in London in September with the Minister for Aerospace and Shipping, it was

decided that a small team of professional officers from the Department of Trade and Industry should visit Hong Kong to study the local shipping industry at first hand and to consider in depth, and from a technical point of view, various aspects of the proposed Hong Kong Register. This four man team was in Hong Kong for two months from 17th October to 14th December.

Following their return to the United Kingdom the team are producing a comprehensive report for submission to both the British and the Hong Kong Governments. After this report has been received and studied I would expect that further discussions will be necessary with the Department of Trade and Industry in order to reach an agreed view on the conditions for the establishment of a separate Hong Kong Register. This view will, somehow, have to strike a balance between the very understandable desire of the United Kingdom Government not to permit any lowering of essential standards of ships flying the Red Ensign and the Hong Kong shipowners' equally understandable insistence that, in order to encourage support for a Hong Kong Register, the associated conditions should be such that the viability of their operations would not be jeopardized in any way.

MR WOO: —Sir, is Government aware that it was alleged recently in the House of Commons that Hong Kong was trying to reduce standards for the Hong Kong register and thereby in effect create another flag of convenience?

THE FINANCIAL SECRETARY: —Yes, Sir, the Government is aware of what was said in the recent debate in the House of Commons on the Merchant Shipping Bill. Some of the comments made were inaccurate and the others were offensive and are to be deplored and I can categorically deny the charge that the Hong Kong Government is seeking to establish a Hong Kong register with standards which are lower than those applicable to British registered ships.

Government business

Motions

TELEPHONE ORDINANCE

THE FINANCIAL SECRETARY moved the following motion: —

It is hereby resolved that the Schedule to the Telephone Ordinance be amended, with effect from the 15th day of January 1974—

[THE FINANCIAL SECRETARY] **Motions**

(a) in Part I—

(i) in item 1 by deleting "\$350" and substituting the following—

"\$410"; and

(ii) in item 2 by deleting "\$235" and substituting the following—

"\$280"; and

(b) in Part IV by deleting items 5 and 6 and substituting the following—

"5. For a private wire, not \$300 per annum
exceeding one mile per cable per cable pair.
pair measured radially from
the telephone exchanges.

6. For each additional 220 \$15 per annum
yards or part thereof per per cable pair."
cable pair measured radially
from the telephone exchanges.

He said: —Sir, section 26 subsection (2) of the Telephone Ordinance provides that the Schedule of Charges may be amended by resolution of this Council and the resolution I have just moved provides for an increase in the charges for private and business telephone exchange lines and for private wire services with effect from 15th January next. All the charges concerned have remained unchanged since 1964. These increases are necessary to provide the Telephone Company with an adequate return on its capital and thus to enable it to raise funds in the capital market for the required expansion in the telephone system.

By the standards of most countries the telephone system in Hong Kong has been growing at a very rapid rate as explained by the Acting Financial Secretary in reply to a question by my honourable Friend Mr Wilson WANG on 6th June last. The rate at which new lines have been installed has risen from 25,000 in 1963 to 111,000 in 1973 and this has required substantial increases in capital investment by the company in recent years, from an average indeed of \$79 million each year from 1965 to 1967 to an average of \$164 million each year from 1970 to 1972. To continue to meet expenditure of this magnitude, the company is obliged to raise funds in the open capital market.

In 1970, the Finance Committee of the Advisory Committee on Telephone Services recommended, and the Government accepted, that, in view of the company's need to pursue a continuing programme of expansion in what was a highly capital-intensive operation, the maximum permitted rate of return on average capital employed by the company should be raised to 12% after tax. The actual rate of return on average capital employed by the company was 10.1% in 1972 and, if charges remain unchanged, this rate is expected to decline to 8.6% in 1973 and eventually to 4.8% in 1978.

In August 1973 the company applied, under section 28 subsection (1) of the Telephone Ordinance, for an increase in charges designed to provide an average rate of return of 10%, after tax, on, average capital employed. The company represented that, with the anticipated decline in the rate of return to as low as 4.8% in 1978 if charges continued at their present levels, its credit-worthiness would not be sufficient to raise sufficient capital at current rates of interest to sustain an expansion programme of upwards of \$150 million a year at current prices.

It is clear that Hong Kong will only be provided with the number of new telephones needed over the next few years if the ability of the company to attract new long-term capital into its undertaking in adequate amounts is preserved. To do this the rate of return on capital employed must be raised and this is the reason for the increased charges now proposed. Briefly, they are from \$350 to \$410 per annum for a business line and from \$235 to \$280 per annum for a residential line, that is an increase of 17% for a business line and 19% for a residential line. This distribution of the increase in charges is considered appropriate because a greater proportion of the capital investment needed is required to meet the demand for residential telephones. The increases proposed for a private wire are from \$200 to \$300 per annum for a cable pair not exceeding one mile in distance and from \$10 to \$15 per annum for each additional 220 yards.

I should explain here that a private wire is a circuit provided to permit communication between, and for the exclusive use of, a limited number of people at fixed locations. Circuits for telex services are amongst those provided on this basis. The percentage increases proposed for this service are higher than those for exchange lines, but they are needed to make this facility viable by comparison with the proposed rates for business and residential telephones. Nevertheless, the new charges for private wires will still be below the figure of \$410 per annum now proposed for a business line.

[THE FINANCIAL SECRETARY] **Motions**

The length of a cable pair on which the charge for private wires is determined will now be measured radially from telephone exchanges. Previously, cable lengths have been measured in accordance with the actual physical length of a cable. The radial measurement proposed will be simpler for the company and will be cheaper for the users of private wires because the direct radial distance is shorter than the physical length of a cable.

If these increases are approved, I anticipate that the return to the Telephone Company on average capital employed will not exceed 11% after tax in any year, that is to say below the 12% maximum return permitted annually.

I should add, Sir, that these increases have been accepted by the Government on the advice of the Advisory Committee on Telephone Services. In tendering its advice the committee made it clear that it intends to pursue with the Telephone Company the steps that can be taken to enable even more funds to be generated internally for increased capital expenditure in order to reduce the waiting list for telephones which is at present about 31,000. The committee is also looking into the company's maintenance programme which has tended to be inadequate at times as the cacophony of noise interference sometimes heard in the middle of telephone conversations bears out. The Government has taken note of this intention and has decided to review the position when the Advisory Committee's report on its discussions with the Telephone Company is available.

DR CHUNG: —Your Excellency, we are living in a world of rapid inflation. This is particularly so during last year when we in Hong Kong experienced an unprecedented rate of inflation and were frustrated with the phenomenal rise in the prices for many basic raw materials. Like any other commercial enterprise, the Telephone Company has been and will continue to be faced with rising costs.

The last time the Telephone Company increased its rental charges was in 1964. At that time there were about 170,000 working exchange lines. Today, the company has about 750,000. Ten years ago, a telephone subscriber could only communicate with about 170,000 other telephone subscribers but the same subscriber can now have access to $\frac{3}{4}$ million other subscribers. In other words, the value of his telephone has much improved over the years.

For these two reasons, namely, depreciation of money and appreciation of the value of the telephone, it is therefore only fair that the company should be permitted to increase its telephone rental charges so as to maintain a reasonable annual return of around 10 to 11 percent on average capital employed.

However, the Advisory Committee on Telephone Services and the general public are rather bewildered by the conservative policy of the company in carrying out its expansion programme. Throughout all these years, the company was unable to reduce the length of the waiting list. At the end of 1967 there were about 38,000 applicants on the waiting list and at the end of 1973, the length of the waiting list was about the same as in 1967. Furthermore, there are at present nearly 4,000 applicants who have been waiting for a telephone for between one and two years and about 300 waiters whose applications were made at least two years ago. Honourable Members can imagine the hardship imposed on these waiters particularly those who have applied for business lines.

In the United Kingdom, the Post Office report and accounts for the year 1972-73 reveals, in its telecommunication section, that during the year the telephone waiting list was reduced to 200,000 which, compared to the net annual demand of 1,431,000 telephones, was 14 percent or equivalent to about seven weeks' supply. This, the report says, was still too high and the management will continue its drive to reduce the waiting list further.

In Hong Kong, the waiting list was 31,000 as disclosed by the Financial Secretary as at the end of last year and the net demand during the year 1973 was 105,800 telephones (which was derived by multiplying the gross demand of 126,000 with an acceptance rate of 84 percent). Thus the waiting list represented more than 28 percent of the net annual demand or was equivalent to about fifteen weeks' supply. Honourable Members will therefore realize that the standard of telephone services in Hong Kong with regard to the position of supply on demand is very much inferior than that in the UK.

Another area that the Telephone Company has been neglecting during the past is its services in the New Territories. The Advisory Committee on Telephone Services in examining and investigating the various complaints received is of the opinion that there is an extreme inadequacy of telephone services in both the New Territories and the outlying islands where telephonic communication is badly needed. It is a pity that the company so far has not made any real effort in improving its services to these outer areas of Hong Kong.

[DR CHUNG] Motions

With the increased telephone rental charges, the company should be able to do very much more in its expansion programme. As the company is operating under a franchise of monopoly, the Government has a responsibility to ensure that the Hong Kong community has efficient and adequate telephone services. I therefore urge that the Government should exert greater pressures on the company with particular respect to the adequacy of its overall development programme in meeting the increasing needs of Hong Kong people whether they are residing in urban, suburban or rural areas.

With these words, Sir, I support the motion.

Question put and agreed to.

Motion (in Committee)**Supplementary provisions for the quarter ended 30th September 1973**

Council went into Committee, *pursuant to Standing Order No 58(2)*, to consider the motion standing in the name of the FINANCIAL SECRETARY.

THE FINANCIAL SECRETARY moved the following motion: —

That this Council approves the proposals set out in Paper No 38.

He said: —Sir, the schedule of supplementary provision for the second quarter of the financial year 1973-74, that is to say for the period 1st July to 30th September 1973, covers a total of \$313.4 million. This is a very substantial increase compared with \$97.7 million for the previous quarter and with \$146.7 million for the corresponding period in 1972-73.

Of this sum of \$313.4 million, Public Works Non-recurrent accounts for \$229.8 million: \$154.4 million is required because of more rapid progress than expected on a number of existing projects; \$71.4 million is required for projects upgraded to Category A of the Public Works Programme and new Public Works Non-recurrent projects outside the Public Works Programme; and the balance of \$3.9 million, required on the Public Works Non-current, is required for commitments carried over from the previous year. The major projects requiring supplementary provision included compensation, survey, site investigation

and design, advance construction and utility and traffic diversions in respect of the mass transit railway, a greater part of which expenditure will be recovered from the Mass Transit Railway Corporation in due course, the Kowloon-Canton Railway—Hung Hom Development: Stages II and III, and the Kai Tak Terminal Building Modifications Stage IV, Phase II.

Items other than Public Works Non-recurrent account for \$83.6 million and include \$39 million for the capital and recurrent expenses involved in running the Hong Kong Polytechnic; \$10.4 million for providing additional recurrent grants for the Universities; a total of \$49.4 million for post-secondary education. \$4.7 million for site clearances in Hong Kong, Kowloon and the New Territories; \$2.6 million for improving the approach lighting system at the airport; and \$1.3 million for meeting the cost of computerising driving licences and driving offence records.

The Finance Committee has approved all the items in the schedule and the purpose of this motion is to seek the covering authority of this Council.

Question put and agreed to.

Council then resumed.

THE FINANCIAL SECRETARY reported that the motion had been agreed to in committee without amendment.

Question agreed by the whole Council pursuant to Standing Order No 58(4).

First reading of bills

DISTRICT COURT (AMENDMENT) BILL 1974

MAGISTRATES (AMENDMENT) BILL 1974

LANDLORD AND TENANT (CONSOLIDATION) (TRANSITIONAL PROVISIONS) BILL 1974

TRAINING CENTRES (AMENDMENT) BILL 1974

DRUG ADDICTION TREATMENT CENTRES (AMENDMENT) BILL 1974

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

Second reading of bills**DISTRICT COURT (AMENDMENT) BILL 1974**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the District Court Ordinance."

He said:—Sir, the bill seeks to transfer from the Governor to the Chief Justice the power to appoint temporary District Judges and temporary additional District Judges. This is consistent with comparable provisions already in the Supreme Court Ordinance under which the Chief Justice makes temporary appointments of commissioners.

Motion made. That the debate on the second reading of the bill be adjourned—THE ATTORNEY GENERAL.

Question put and agreed to.

Explanatory Memorandum

This bill transfers from the Governor to the Chief Justice the power to appoint temporary District Judges.

MAGISTRATES (AMENDMENT) BILL 1974

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

He said:—Sir, the Governor's authority under the Magistrates Ordinance to appoint magistrates is one which cannot as the law stands be delegated. It is now considered appropriate that the Chief Justice should be able to appoint magistrates and this bill will enable the Governor to delegate to him the power to do so.

Motion made. That the debate on the second reading of the bill be adjourned—THE ATTORNEY GENERAL.

Question put and agreed to.

Explanatory Memorandum

The purpose of this bill is to amend section 5 so as to enable the Governor to delegate to the Chief Justice his power to appoint magistrates.

**LANDLORD AND TENANT (CONSOLIDATION)
(TRANSITIONAL PROVISIONS) BILL 1974**

THE SECRETARY FOR HOUSING moved the second reading of:—"A bill to enact transitional provisions relating to the repeal of Part II of the Landlord and Tenant (Consolidation) Ordinance, and for purpose connected therewith."

He said:—Sir, when the Landlord and Tenant (Consolidation) (Amendment) (No 2) Bill was taken through this Council last month the intention was to include a provision to permit action on outstanding rent-increase applications to be completed under the repealed Part II of the parent ordinance. By an oversight, this intention was not realized and I apologize to honourable Members for having now to seek separate legislative provision for this purpose.

The details of the bill are fully set out in the attached explanatory memorandum and I need not take up honourable Members' time in elaboration.

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 will permit the Rating and Valuation Department to determine applications for rent increases under the recently repealed Part II of the Landlord and Tenant (Consolidation) Ordinance which were still outstanding on the 15th December 1973 (the day on which the repeal became effective). The bill would also permit any review, appeal or application arising out of such determination to be proceeded with.

Clause 3 of the bill validates any certificates issued under section 58 of the repealed Part II, and any review or appeal determined, between the 15th December 1973 and the date of commencement of the bill.

TRAINING CENTRES (AMENDMENT) BILL 1974

THE SECRETARY FOR SECURITY moved the second reading of: —"A bill to amend the Training Centres Ordinance."

He said: —Sir, experience has shown that in these centres there is now a need for a sharper regime with stricter discipline. This should be effective for an increasing number of the younger and less amenable offenders there. Some amendments to the present legislation are thus proposed. The bill is also intended to clarify or to strengthen it in other ways.

First, the minimum period of detention is reduced from nine to six months, so that those who respond to short, sharp treatment need not be detained longer than is necessary.

Second, the bill makes clear that courts shall not remand to a training centre anyone unsuitable for detention there. The present wording of the ordinance in this respect is not altogether satisfactory.

Third, supervision following release now lasts four years from the date of sentence. So any detainee released early (because he responded well to training) is supervised for longer than one who did not so respond. To remedy this anomaly, the bill provides that supervision shall in future run for three years from the date of release.

Fourth, penalties are introduced for failure to observe the requirements of supervision notices.

Fifth, provision is made to cover cases in which a new sentence is imposed. If one is for more than two years imprisonment, or is another detention sentence, then the original sentence (or supervision notice or recall order) will cease to have any effect. If it is for a shorter period of imprisonment, then the original sentence (or supervision notice or recall order) will merely be suspended during the period of imprisonment.

Sixth, anyone actually detained in a training centre can already be declared incorrigible. The balance of his sentence may then be commuted to imprisonment. The bill provides for a similar declaration to be made, with the same effect, in the case of a detainee who is at large.

Motion made. That the debate on the second reading of the bill be adjourned—THE SECRETARY FOR SECURITY.

Question put and agreed to.

Explanatory Memorandum

This bill provides—

- (a) for the reduction of the minimum period of detention of a person sentenced to be detained in a training centre from nine months to six months (clause 2);
- (b) for the exclusion of a person remanded pending trial from committal to custody in a training centre if the Court certifies that the person is unsuitable for detention in such custody (clause 3);
- (c) that a person released from a training centre may be subjected to supervision for a period of three years from the date of his release (rather than, as at present, for four years from the date of sentence of detention in a training centre) (clause 4(a) and (c));
- (d) that a person who fails to comply with any requirements specified in a supervision notice shall be liable upon prosecution to certain penalties (clause 4(b));
- (e) that if a person in respect of whom a sentence of detention, supervision notice or order of recall is in force is sentenced to imprisonment for two years or less the sentence of detention, supervision notice or order of recall shall be suspended until the expiration of the term of imprisonment; and if such a person is sentenced to imprisonment for more than two years or a new sentence of detention is passed on him, the first-mentioned sentence of detention, or the supervision notice or order of recall, as the case may be, shall cease to have effect (clause 5);
- (f) that a person in respect of whom a sentence of detention in a training centre is in force may be reported as incorrigible, for the purposes of section 7(2) of the principal Ordinance, whether he is then detained or at large (clause 6); and
- (g) for the deletion of subsection (2) of section 8 of the principal Ordinance (clause 7). This subsection is considered to be redundant.

**DRUG ADDICTION TREATMENT CENTRES
(AMENDMENT)BILL 1974**

THE SECRETARY FOR SECURITY moved the second reading of:—"A bill to amend the Drug Addiction Treatment Centres Ordinance."

He said:—Sir, the Drug Addiction Treatment Centres Ordinance was first enacted in 1969. There was then one centre. Two more have since been opened. They are the Ma Po Ping Centre for men and the Tai Lam Centre for women. All three have played a valuable part in rehabilitating addicts. But experience has shown that a number of procedural amendments are desirable. This bill is intended to make them. It has five main purposes.

First, it specifies that no conviction shall be recorded against an offender sentenced to treatment unless a court so orders. Treatment is medical rather than punitive, and rehabilitation is more likely to succeed if offenders, particularly young and first offenders, can return to normal life with clean sheets.

Second, the bill enables the Commissioner of Prisons to recall to a centre for further treatment a person who fails to comply with a supervision order. This dispenses with the present need for an additional appearance before a magistrate.

Third, under the present ordinance a detention order lapses—and treatment or supervision ceases—on a sentence of imprisonment, for however short a time. This is unsatisfactory. So the bill provides that a detention (or supervision, or recall) order shall lapse only upon a sentence of imprisonment for more than two years or upon the making of a new detention order. If imprisonment is for less than two years, the original order will merely be suspended during it.

Fourth, the bill provides that inmates who are considered to be a bad influence may be transferred to a prison by order of the Governor without the court appearance now necessary.

Finally, it enables the transfer of a prisoner who is a drug addict from a prison to a treatment centre during the last eighteen months of his sentence, also by order of the Governor. This provision was recommended by the Board of Review of Long Term Prison Sentences. It is designed to cover cases in which both the individual's and the public interest will be best served by a period of suitable treatment immediately before release.

Motion made. That the debate on the second reading of the bill be adjourned—THE SECRETARY FOR SECURITY.

Question put and agreed to.

Explanatory Memorandum

The effect of clause 3 is that no conviction will be recorded against a person in respect of whom a detention order is made unless the court considers the circumstances so warrant and specifically orders a conviction to be recorded.

Clause 4 repeals and replaces section 6 of the principal Ordinance to enable the Commissioner of Prisons to make a recall order against a person who is subject to a supervision order and who has failed to comply with the requirements of that order. The recall order will require such person to return to an addiction treatment centre.

Clause 5 inserts a new section 6A in the principal Ordinance providing that if a person in respect of whom a detention order, supervision order or recall order is in force is sentenced to imprisonment for two years or less, the order shall be suspended until the expiration of his term of imprisonment. However, if such a person is sentenced to imprisonment for more than two years or a new detention order is made in respect of him, the first-mentioned detention order, or the supervision order or recall order, as the case may be, shall cease to have effect.

Clause 7 repeals and replaces section 8 of the principal Ordinance to enable the Governor to order a person detained in an addiction treatment centre to be transferred to and detained in a prison. Clause 7 also adds a new section 8A which enables a person serving a prison sentence to be transferred to an addiction treatment centre for cure and rehabilitation where the Governor is satisfied that such a transfer would be in that person's and the public interest.

SECURITIES BILL 1973

Resumption of debate on second reading (12th December 1973)

Question proposed.

Securities Bill—resumption of debate on second reading (12.12.73)

MR WOO: —Sir, may I in the first place congratulate my honourable Friend the Financial Secretary on the excellence of the speech which he made in introducing this bill into the Council on Wednesday the 12th December last. He has, as usual, shown mastery of the subject and his ability to deal not only with the broader policy aspects but also with the details of a complicated and specialist subject. I associate myself too with his tribute to Mr James SELWYN, the Commissioner for Securities, who has shown himself to be an expert in all aspects of this complex subject. We are lucky to have secured his services so that the stock exchanges in Hong Kong can be guided towards maturity and a greater degree of professionalism in the conduct of their business.

However, as regards the procedure which has been adopted for dealing with the bill, the Unofficial Members have some reservations. We do not, of course, accept much of the bill as it stands. The fact that 230 amendments have been suggested, about half of which are acceptable to Government, shows the extent to which changes are required in the bill before it can be allowed to pass through this Council.

The Unofficial Members do of course accept the need for legislation along the general lines of the bill. Accordingly, we shall vote for the second reading, on the understanding that adequate time will be provided for a thorough examination of the extensive and important amendments and for such further consideration and discussions of those amendments as may be needed before the committee stage is embarked upon.

I am sure that Government will accept the fact that it is the responsibility of the Unofficial Members to discharge this task and that, important though it be to get this legislation onto the statute book, it is equally important to allow adequate time to ensure that the amendments are practicable and workable by those concerned.

I should add that the *ad hoc* group of Unofficial Members has already devoted much time to an examination of the existing version of the bill much of which, in its present form, would have been unworkable. The *ad hoc* group met on 2nd November with the chairman of the four stock exchanges. On 12th, 19th and 23rd November we had three long meetings with the Commissioner for Securities and his assistant, the Law Draftsman, and the Assistant Registrar General. I am grateful to the officers concerned for the amount of time which they have spent in discussions with us. I also

acknowledge their willingness in many instances to accept the need for amendments.

I expect that, when the amendments arising from our discussions have been incorporated into the legislation, the bill will assume a form which can be fully supported by the Unofficial Members as being legislation which is entirely necessary to ensure adequate control of stock exchange transactions, to avoid malpractices and to put the whole business of transactions in securities on a thoroughly sound framework. This framework, based partly upon experience in Britain, Australia and other overseas countries, but adapted also to take account of our own local circumstances, will meet the standards which it is necessary to achieve for Hong Kong to take its place as an international financial centre.

The provision in the bill which has given rise to the greatest amount of heart rending is the setting up of a compensation fund. The amended proposal is that the cash fund should be \$25 million with a further \$25 million in bank guarantees. Although this sum still exceeds the amount which the stock exchanges said they were prepared to subscribe, a fund of this size is, in the view of the Unofficial Members, necessary to demonstrate internationally that Hong Kong has provided a realistic safeguard against the possibility of default by dealers.

The Financial Secretary referred in his speech to insider trading, admitting that there is considerable difficulty in defining exactly what this phrase means and in prescribing means of averting it. He also referred to the possibility that the definition might be so wide as to hamper legitimate activities. In view of this he agreed to recommend that the implementation of clause 137 should be deferred and I quote: —

"until such time as we have been able to assess the proposed United Kingdom legislation."

Frankly, Sir, in a matter so complex as this I think we would be ill-advised to proceed quickly. Hence I would be grateful for an assurance that "we" referred to in the quotation I have just read out from the Financial Secretary's speech includes the Unofficial Members. I seek an assurance that the clause will not be brought into operation without prior consultation with the Unofficial Members of this Council. If such an assurance can be given it would prevent the need for me to propose an amendment to clause 1 of the bill.

[MR WOO] **Securities Bill—resumption of debate on second reading**
(12.12.73)

Subject to the aforesaid remarks, Sir, the Unofficial Members support the motion for the second reading of this bill.

MR WONG: —Sir, the purpose of the Securities Bill, as the name "Securities" implies, is to provide security to those who invest and own securities. To achieve this end, a monumental number of clauses, 147 in all, is contained in the bill which largely concerns regulations on stock exchanges in Hong Kong. Clause 20, however, prohibits a dealer from dealing in securities in a stock market that is not a stock exchange. Clause 46 requires a dealer to register when carrying on a business of dealing in securities. Clause 47 requires an investment advisor to register and clause 48 requires a dealer's representative to register. These clauses provide additional protection for the investing public of Hong Kong. It is hoped that in due course, legislation covering mutual funds will be passed.

Hong Kong has not only evolved as a financial centre in its own right, but is also evolving as an international financial centre. The function of the stock market is to encourage legitimate investment in the stocks of companies proven to be worthy of public subscription. It is a source of capital as well as an opportunity for investment. It is not the intention to have a stock market which is a hot-bed of speculation. It is in the nature of our regulatory economy that we establish rules to regulate dealings with securities and these rules are to be carried out by the members of the Hong Kong stock exchanges. The Federation of Hong Kong Stock Exchanges and its member stock exchanges will be subject to the Securities Commission through which the Commissioner will have broad administrative responsibilities in connection with dealings in securities. I do not propose to go into details of any of the 147 clauses in the bill, some of which will be amended in detail. Suffice it to say, had the Securities Bill been promulgated one year earlier when *laissez faire* really prevailed, the debacle of the Hong Kong stock market in 1973 which cost a majority of investors, salaried and wage earners alike, two-thirds of their fortunes and savings would probably have been partly averted. In this bill, provisions are made relating to dealers' accounts and records, and the establishment of stock exchanges of funds to compensate persons who suffer from defalcations by stock brokers.

Power of inspection was conferred on the Commissioner for Securities and provides for investigation of prescribed persons by inspectors; this bill gives special protection to investors by creating

certain offences in relation to improper practices connected with the dealing of securities.

By providing protection to innocent investors, it will make Hong Kong Stock Exchanges safe institutions for investment by the public and strengthen, in the long run, the financial structure of Hong Kong.

Subject to the amendments at the committee stage, I support this bill in principle.

MR CHEONG-LEEN: —Sir, I support the statement of my senior colleague, the honourable P. C. Woo.

This bill has been in gestation for about a year, and since its first reading in this Council there have been exchanges of views among Government officers concerned, committee members of the four stock exchanges and among Members of the Legislative Council.

In consequence, over 200 suggestions for amendment were put forward for consideration and many of them have been accepted for incorporation into the bill.

I would like to stress that the overriding purpose in approving any amendments is the general public good, which, in this context, is a combination of three factors: firstly, stimulating the climate of confidence in the Hong Kong stock market where local and overseas investors can invest in the economic growth of Hong Kong, such as in the industrial and trading sectors; secondly, imposing reasonable and fair conditions under which Hong Kong stockbrokers and investment advisers can operate and render service to investors; and thirdly, enhancing Hong Kong's position as a financial and investment centre servicing Hong Kong and other parts of Asia.

Many investors have been badly bitten and hurt as a result of the Hang Seng Index falling from an all-time high of about 1775 to a low of 400 within the period of a year.

A few months ago too, many stockbrokers were worried that this Securities Bill would adversely affect the prices of stocks. Today with prices at a comparatively low level, they are wondering whether the enactment of this bill will on the contrary be conducive to restoring more confidence in and evoke greater long-term support for local stocks.

[MR CHEONG-LEEN] **Securities Bill—resumption of debate on second reading (12.12.73)**

This then is the challenge that faces stockbrokers and investment advisers. With the passage of the Securities Bill, they should consider it their obligation and responsibility to give investors up-to-date and factual information on quoted stocks.

By so doing, Hong Kong people will be further enlightened as to whether or not to invest (rather than to gamble) in those companies which are well-run, profitable and actively contributing to Hong Kong's economic growth.

After this bill has been passed, it is hoped that a simpler, non-legal but accurate version can be compiled in both English and Chinese so that stockbrokers and investors alike can be made aware of their rights and obligations, and of course the potential opportunities in sharing in Hong Kong's future growth and prosperity.

MR SAYER: —Sir, in moving the second reading of the Securities Bill, the honourable the Financial Secretary very comprehensively explained the reasons leading to the establishment of a Securities Advisory Council and the subsequent drafting of the bill. In retrospect there can be little doubt in the minds of those concerned with stocks and shares and those in the field of banking that the situation which prevailed in the early part of 1973 was fraught with danger. We can consider ourselves fortunate indeed that the inevitable drop in share values did not carry with it far more serious repercussions.

The continuous provision of capital is fundamental to our commercial system. Without it our economy cannot function effectively or competitively. At the same time, the process must be regulated if abuse is to be avoided. The line between good judgment and pure speculation, as well as between fact and fiction, can easily become blurred. There have been many instances, here and elsewhere, of the small investor being the one to suffer because he does not always understand the ins and outs of dealing in securities. It is right that he should have the opportunity to invest and this should be encouraged. It is also right that he should be prepared to risk his money on the basis of his own judgment, but there is an unacceptable side—high pressure promotion or market manipulation of stocks and shares can, for example, leave him bewildered and at a disadvantage to the professionals.

Sir, I do not wish to infer that members of the four Stock Exchanges have been anything but ethical in their activities. On the

contrary, too much criticism, in my own opinion, has been levelled at that particular fraternity and the valuable contribution they have made in raising capital for industry and development has been largely overlooked.

Obviously the old *laissez faire* methods of marketing securities are no longer suitable and need to be brought up-to-date in order to cope with the very different circumstances we are faced with today. The bill provides one aspect of what is needed. The stock exchanges can help by encouraging their members to become technically competent in selling their services and handling the needs of their constituents; there, is no longer any place for amateurs.

The Federation of Stock Exchanges, the Law Society and others have sought numerous amendments, and justifiably so. The issues involved are complex and it is essential that the framework of the bill is workable. It is also important that the operations of the stock exchanges in particular should be the responsibility of the members themselves, through their committees and their federation. Free enterprise should not only be seen to work, but also be seen to be accompanied by self-discipline.

The bill provides safeguards without imposing unreasonable restrictions. I am sure that the events of last year in the securities market have had a more than salutary effect on all sectors of the community and its provisions will be universally welcomed.

My honourable Friend, Mr P. C. Woo, has spoken of further amendments to be negotiated before the bill is enacted. I believe that with the progress so far achieved it should not be difficult to reach a satisfactory conclusion.

Sir, I beg to support.

THE FINANCIAL SECRETARY: —Sir, I am grateful for the warm support my honourable Friends have afforded this bill and, in particular, for the very thorough and conscientious study of the bill undertaken by the *ad hoc* group of Unofficial Members.

This group studied in detail the representations of the four stock exchanges submitted direct to them and which, understandably, contained most of the recommended amendments directly affecting the stock exchanges themselves.

[THE FINANCIAL SECRETARY] **Securities Bill—resumption of debate on second reading (12.12.73)**

At the suggestion of UMELCO, the stock exchanges subsequently held lengthy meetings with the Commissioner for Securities.

In addition to the meetings held with the UMELCO *ad hoc* group and the stock exchanges, the Commissioner has, of course, held considerable discussions with the other principal parties involved including the underwriters, merchant banks and the Hong Kong Society of Accountants.

Honourable Members will recall that I said, when moving the second reading, that constructive and practical suggestions for amendments would be welcomed and that we were only too conscious, when I say "we" in this context, I mean the Commissioner for Securities, my honourable Friend the Attorney General and myself, we were only too conscious of the complexity of the task of drafting such a comprehensive piece of legislation quickly for a relatively inexperienced market. I am neither surprised nor concerned, nor humiliated (though somewhat daunted by the physical effort involved) that I shall be moving so many amendments at the committee stage; and I indicated during the second reading the more important of these amendments.

I share my honourable Friend Mr P. C. Woo's concern that adequate time be afforded for a thorough examination of the proposed amendments themselves. Indeed, I would suggest that the hours of discussion the Commissioner has already had with interested parties since the second reading readily testifies to the importance which the Government attaches to this and, in fact, a list of the proposed amendments to be moved at the committee stage has already been made available to honourable Members and the actual drafts will be circulated tomorrow. I hope honourable Members will agree, therefore, that they have had, and will have, adequate time to study the detail of the proposed amendments which are to be moved in committee on the 30th January next.

I can give my honourable Friend Mr P. C. Woo the assurance he seeks regarding the implementation of clause 137 relating to insider trading. This clause will not be brought into operation without this Council having an opportunity to debate it. There will be no procedural difficulty in arranging this. As regards my honourable Friend Mr Hilton CHEONG-LEEN's suggestion that we should have careful regard to the public relations aspects of this bill, I certainly shall ask the Commissioner for Securities to consult the Director of Information Services in the near future.

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).

PROTECTION OF INVESTORS BILL 1973

Resumption of debate on second reading (12th December 1973)

Question proposed.

Question put and agreed to.

Bill read the second time.

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

Committee stage of bill

Council went into Committee.

LANDLORD AND TENANT (CONSOLIDATION) (TRANSITIONAL PROVISIONS) BILL 1974

Clauses 1 to 3 were agreed to.

Council then resumed.

Third reading of bill

THE ATTORNEY GENERAL reported that the Landlord and Tenant (Consolidation) (Transitional Provisions) Bill 1974 had passed through Committee without amendment and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

Adjournment and next sifting

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 30th of January.

Adjourned accordingly at five minutes to four o'clock.