

**OFFICIAL REPORT OF PROCEEDINGS****Thursday, 20th March 1975****The Council met at half past two o'clock****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 JAMES JEAVONS ROBSON, CBE, JP  
SECRETARY FOR THE ENVIRONMENT  
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, CMG, JP  
SECRETARY FOR SOCIAL SERVICES  
THE HONOURABLE DAVID AKERS-JONES, JP  
SECRETARY FOR THE NEW TERRITORIES  
THE HONOURABLE LEWIS MERVYN DAVIES, CMG, ODE, JP  
SECRETARY FOR SECURITY  
THE HONOURABLE DAVID WYLIE MCDONALD, JP  
DIRECTOR OF PUBLIC WORKS  
THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, JP  
DIRECTOR OF EDUCATION  
THE HONOURABLE IAN ROBERT PRICE, TD, JP  
COMMISSIONER FOR LABOUR  
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP  
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP  
THE HONOURABLE LEE QUO-WEI, OBE, JP  
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP  
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP  
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP  
THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP  
THE HONOURABLE JAMES WU MAN-HON, OBE, JP  
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP  
THE HONOURABLE LI FOOK-WO, OBE, JP  
THE HONOURABLE JOHN HENRY BREMRIDGE, JP  
DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP

THE HONOURABLE MRS KWAN KO SIU-WAH, MBE, JP  
THE HONOURABLE LO TAK-SHING, JP  
THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MR KENNETH HARRY WHEELER

---

**Second reading of bills**

**APPROPRIATION BILL 1975**

**Resumption of debate on second reading (19th March 1975)**

MR WU: —Your Excellency, a great contemporary economist Paul SAMUELSON said that fiscal budgetary policies dealing with taxes and public expenditure, in co-operation with stabilizing monetary policies, have for their goal a high employment and growing economy, but one without demand-pull inflation, and help provide a favourable environment within which the people can have the widest opportunity for achievement.

Whereas Hong Kong had been enjoying what must be full employment for so many years up to a year or so ago, I am indeed greatly concerned on the deteriorating situation of unemployment in our midst at the moment. In the Economic Background information, it was pointed out that in the manufacturing industries, the total number of employees has come down from 626,000 in December 1973 to 563,000 in September 1974, a reduction of 62,000 people or about 10%. It is my belief that the decline would be much greater by now, as, contrary to a 29.7% increase in value of domestic exports for the first nine months of 1974 over the same period in 1973, the month of January 1975 saw our domestic exports down 15% compared to January 1974. Nor does our tourism business, a highly labour-intensive service industry and another important economic contributor, fare any better, with a 13½% decrease in the number of visitors compared with the previous year. Likewise, it is estimated that more than 40% or approximately 50,000 people of the construction labour force are now idle, due to a depressed real-estate market following the stock-market slump of the past two years.

I questioned in this Council in the middle of 1974 if Government was aware of reports in the vernacular press about over 100,000 people being unemployed. By any reckoning it would seem that the up-dated figure would be somewhere between 100,000 and 150,000 or over 10% of the total working population. The immediate prospect could even be dimmer with the large number of school-leavers, postsecondary and university graduates and reduced Government recruitment.

I know that the primary cause of the situation was an economic recession and greatly reduced demand in our major markets, the industrially developed countries in North America and Western Europe and that according to ILO and UNIDO sources, some 25% of the world's workforce are now out of jobs. But these are no consolation, nor can our limited public assistance scheme or free hawking zone be depended upon to provide an ultimate answer, particular when the situation is likely to be with us (if not worsen) for another year and that, unlike other countries, our unemployed do not have an agricultural base to go back to. Perhaps the best we can hope for is that their savings during the previous affluent years would help them ride out the present difficulties.

It is times like this that reminds one of the inadequacies of our "sacred" *laissez-faire* policy. For, although we have a proud population who much prefer to "feed by their own efforts" than to live on relief, there appears to be no Government agency which jointly or separately is acting at the moment to provide decisive and immediate measures to alleviate or moderate this problem of great urgency.

Instead, the defects and consequences have been so obvious. For our past industrial land policy (or the lack of one), we have developed mainly light industries on high rise factories that depend more on the nimble fingers and dexterity of our female workers, and the fact that there are more of them than male workers in our manufacturing industry testifies. With the rapid development in these industries in low-cost neighbouring countries and with perhaps a better-educated work force, we are fast losing business in our "bread and butter" lines, although there are claims that we are developing higher grades of products which at best provide the prestige but not the volume, as one top German buyer reminded us. On the other hand, in the light engineering and metal industries field that provide the best potential of expansion and employment, Hong Kong is lagging far behind, and if no great reduction is made in the proposed price or rent for the industrial estates for land intensive industries, I can see little inducement

[MR WU] **Appropriation Bill—resumption of debate an second reading (19.3.75)**

with land costing five to ten times as high compared to neighbouring countries, and at a time when overseas manufacturers generally have excess capacity as a result of reduced demand. It might be easier to attract local industrialists in setting up supporting and other industries, as they know their home ground and now see the easing labour situation as being ideal for new or re-investment to meet the recurrent demand in our major markets where wages are at least 4 to 8 times as high and ever-increasing due to inflation and union demand. However this would only be feasible with land available at economical prices.

For the lack of a central, industrial development or export-import bank, many industrialists have still to pay interest as high as 4 to 6% above the prime rate or 6 to 8% above the savings rate for money to finance their inventories and exports. This makes it hard for them to tide over the difficult period and to promote exports in what as now become a buyers' market. In addition there is also the burden of exchange risks which if not covered could wipe out the usually meager profit in a floating situation as we recently experienced.

A great deal of private construction projects involving hundreds of millions of dollars and providing thousands of jobs are still being held up by cumbersome or indifferent bureaucracy, taking years to decide on town planning and land use requirements in the urban and New Territories areas. This is perhaps a valid complaint by developers and it is one that a concerned Government can so easily help for its own revenue's sake and for the benefit of the economy in that proceeds from sales of completed flats can be quickly recycled to finance further development to help the economy. Recently with reduced interest rates and lowered prices rising from lower costs, smaller flats still enjoy brisk sales.

Government has said more than once that land is Hong Kong's precious asset and has thus raised the suspicion that it is hoarding same for ever-rising prices. At this time of a serious recession, one has grave doubts as to whether the continued restriction of the use of this important resource would be in Hong Kong's best interest. There is for all practical consideration an abundance of land in the New Territories and provided we offer attractive enough terms and conditions we can still find investors from within and without to develop both the infrastructure and the industrial, commercial and residential

accommodation at lower costs to enhance our competitive export position in the long term and to provide employment in the current recession.

The honourable Financial Secretary has in his popular and welcomed budget speech made at least two important deviations from our traditional old-fashioned finance, that is in budgeting for a deficit and in raising public debts, a move I advocated in a previous budget debate. In as much as our inflation is largely imported and influenced principally by a friendly neighbour whose interests appear to lie in a viable and stable Hong Kong, there is all the more reason that we should embark on an expansionary approach, particularly by encouraging private investment with little fear of the pitfalls of self-induced demand-pull or cost-push inflation as in other economies.

Sir, I may be accused of being Keynesian and over-optimistic in the wake of an unprecedented inflation. But Hong Kong thrives more than anywhere else on confidence, entrepreneurship and the industry of its people, and policies that undermine or discourage these qualities could only bring calamity. I noted with regret that my honourable Friend, the Senior Member Dr the honourable S. Y. CHUNG's speech the work and scope of the Economic Review Committee formed last May fell far short of Unofficial Members' expectations in the evolution of economic policies. I too regret to report that in my humble opinion, the Trade and Industry Advisory Board unfortunately fall into the same category. It has always been puzzling to me that with all the entrepreneurship, finance (as evidenced by recent huge bank deposits) reputed administration in Hong Kong, there is this lack of closer cooperation and proper co-ordination to achieve even better results. I could not see why these should necessarily be followed by more Government control and regulation which must be resisted with vigour.

My honourable Friend has hinted the appointment of a Taxation Review Committee. Perhaps it is relevant for me to refer to a speech made in May 1974 by Mr LEE Kuan-yew, a proclaimed socialist and Premier of Singapore, whereby he lay great emphasis on the need for developing countries to increase their gross national product. He said and I quote:

"It does not need research to convince most political leaders in office, whatever they may have believed in opposition, that the overriding objective must be to increase the GNP and that this comes before a more equal sharing of that GNP.

[MR WU] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

Japan is the Asian model where education, modernization and industrialization have been placed over and above a more equal distribution of GNP with conspicuous success."

In the Hong Kong context, it is of paramount importance that any new tax introduced should not unduly deter re-investment or further investment in skill-intensive and higher technology manufacture. I cannot therefore lend support to a tax on undistributed profits if ever this Council sees fit to introduce a dividend tax as, particularly in private companies, most profits are re-invested for expansion that assures Hong Kong of a growth economy providing for its teeming millions. It is difficult to say how much investment would provide a job in industry and commerce, but I would suggest that our present state of development in light industries, probably HK\$20,000-\$30,000 per job is a fair estimate. This amount taxed could mean a job lost.

I suggest that in a full employment situation as Hong Kong was in the early 1970s, people would not really mind paying for some of the social services. Politically, what you have never provided for is no loss, but employment lost or cannot be obtained is not only disappointment but hardship.

The Senior Member's proposal of a turnover tax is a novel idea, but I submit that in the case of Hong Kong it will not only be inflationary but highly damaging, as for example, in the garment business, the predominantly largest industry in Hong Kong, the turnover is large but marginal profit small. A 1% turnover tax could easily make Government a sure-win majority shareholder as far as dividends and profits go and destroy all incentive to be involved in this business of high risks, keen competition within and without, though of vital importance to the Hong Kong economy.

Sir, I have spoken at length on the effects of budgetary policies on industry and commerce, and must praise my honourable Friend the Financial Secretary for his good sense and skill in getting the priorities right, and ensuring the realization of expectations arising from, Sir, your earlier promises of quality of life for the people. He and his colleagues must have had an unenviable task, and the public at large should be grateful to them for letting us get off so lightly for so much. Let us wish that he meets with every success in his prudent approach to deficit financing and raising of public debts so that he can continue a policy of low-taxation for high demand and growth that most countries are beginning to adopt to combat the current worldwide recession.

My comments on other items now would be few and brief as I feel that a great deal of wisdom have been or will be contributed by my colleagues with specialized knowledge in the respective fields.

There is however one point I must mention and that is communication between Government and people. There are signs of a healthy change in this direction, and my honourable Friend the Financial Secretary and his colleagues should be congratulated for their tactics in the presentation of the present budget, not by his usually lengthy though by no means monotonous speech like the one the other day in this Chamber, but by his excellent background information, and particularly by despatching his Chinese senior lieutenants to appear and answer questions in the TV programmes. The beneficial effects of these programmes greatly shorten the communication gap, and make an opportunity for the man in the street to air his grievances or simply satisfy his curiosity thereby contributing tremendously in mutual understanding between the people and officialdom. As one journalist told a UMELCO meeting, if people could only be convinced what they are paying for, more than half of the battle is won.

Like other honourable Unofficial Members, I am concerned at a proposed cut in the Radio Hong Kong appropriation, and can only hope that effective programmes like these would not be subject to the axe. On the contrary, more utilization should be made of this technological facility that reaches the most people. Also, those who fully appreciate the Chinese dialogues would have been impressed by the concern, constructive criticism and reasonableness demonstrated by the people participating in the debate and feel a sense of confidence and harmony in this community.

This TV programme further illustrates that where a Government department is headed by an expatriate, it would be a great asset to have a Chinese deputy or assistant director who has the opportunity to participate in decision-making and who can be depended upon to sell that decision. I would be happy to see our Chinese department heads or assistant directors rubbing shoulders with kaifong leaders and editors of the Chinese press in the cocktail circuit, and be accessible to the latter by telephone for information or clarification of policy matters. Additionally the top echelon of the Government Information Services should have more Chinese administrators, and the pre-requisites for press officers for the Police, the Urban Services Department, the Housing Authority and other Government departments should include the ability to read and write Chinese.

[MR WU] **Appropriation Bill-resumption of debate on second reading  
(19.3.75)**

Sir, perhaps a visible divisive factor between officialdom, its own ranks, and the people is the huge expenditure for and gross overprovision of quarters for expatriate and senior officers when the great majority of the population are still living in such crowded conditions. It appears that Government officers above a certain grade are entitled to housing of certain standards in regard to size and refinement set years ago when land and building costs were more acceptable. I suggest that tens of millions of dollars can be saved if officers take, in relation to the size of the family, smaller flats with modern amenities in the 1,000 to 1,300 *sq. ft.* 2/3 bed-room type high class flats as are normally built and sold by the private sector to the more affluent community. This will also save large sums of hotel expenses before "suitable" flats are available.

Sir, with these comments, I support the motion.

MR CHEONG-LEEN: —Your Excellency, at last year's budget debate, I refrained from commenting on the Hong Kong Government's budgetary philosophy, and confined myself to speaking mainly on what was in the minds of most people, that is, how to cope with inflation and rising living costs.

Today, because of the different nature of this year's budget as compared to previous years, I am impelled to speak on the Government's budgetary philosophy and what are the fiscal implications for the next few years.

My interpretation of the Government's budgetary philosophy is, to put it simply, that:

Firstly, people both inside and outside of Hong Kong must have strong confidence in Hong Kong as an economic entity to keep on working hard here and in investing here.

Secondly, as Hong Kong's economic life-line is commerce and industry, both direct and indirect taxes have to be kept as low as possible in order to sustain a high level of capital investment and employment.

Thirdly, economic growth in Hong Kong has to be balanced by fair increases in social expenditure, for better housing, education, medical services and so on, so that social justice is seen to be done in Hong Kong.

This year, by force of economic circumstances, the honourable Financial Secretary has departed from the principle of seeking to present a "balanced budget". The financial implications are those of a "deficit budget" which is a significant departure from previous tradition and principle. It will be of great interest to this Council if the honourable Financial Secretary will explain whether the principle of "deficit budgeting" is forecast for the next 3 to 5 years. If that is to be the case, it is of the utmost importance that:

Firstly, the Government should build up its fiscal reserve position to a more respectable level in relation to annual estimated expenditure.

Secondly, loan finance for capital expenditure should be limited to the Government's capacity to service such loans.

Thirdly, the honourable Financial Secretary will have to exercise the utmost prudence to ensure that the deficit amounts indicated in annual "deficit budgets" will not be exceeded.

It is a matter for regret that our fiscal reserves for 1975-76 will stand at the equivalent of only 4 months of estimated expenditure, as compared to 6 months of estimated expenditure in 1974-75 and 9 months in 1973-74. I believe that it is a desirable objective for the Government to improve the fiscal reserve position back again to 6-9 months estimated expenditure within the next few years. A strong fiscal reserve position will increase the Government's borrowing capacity, give the fiscal system more strength to withstand sudden downturns in the world economy and thus provide greater protection to the people's livelihood and living standards in Hong Kong.

#### *Budget Strategy*

Turning to the Financial Secretary's strategy for the 1975-76 budget, I have a few observations to make.

#### *Civil Service*

My honourable Friend states that the increases in the strength of the Civil Service for 1975-76 will be limited to 1,600. On the other hand, even though provision for the Civil Service has been reduced percentage-wise from 40% for 1974-75 to 38% for 1975-76 of total recurrent provision, the increased amount provided for 1975-76 over the 1974-75 period is \$407 million, which is nearly the amount of next year's budget deficit which the honourable Financial Secretary intends to close by borrowing.

[MR CHEONG-LEEN]      **Appropriation Bill—resumption of debate on  
second reading (19.3.75)**

Furthermore, Civil Service pensions which are shown as a separate head of expenditure and are not included in the foregoing percentage calculation of 38%, have increased by \$23 million, that is from \$151 million in 1974-75 to \$174 million in 1975-76.

I might add too that the figures which I have given do not include the emoluments for posts in the Housing and Urban Services Departments which are paid for by the Housing Authority and the Urban Council. Nor do they take into account free medical and dental expenses for approximately 90,000 civil servants and their families, plus the sizeable amounts advanced from the public Treasury for 20-year repayment low interest housing loans at 5%.

I have always maintained that the Hong Kong Civil Service is about the best in Asia in terms of responsibility and capability. It is also by far the most highly paid. I think the time has come when the Hong Kong Government should review its emoluments structure to see whether in today's circumstances, the public is getting the best value for money in terms of efficient performance and higher productivity both at the departmental as well as the individual level.

The McKinsey Report has recommended the setting up of annual operating plans for all departments, which recommendation I am afraid is still far away from implementation. As part of his budgetary strategy for the next 3 years, I would suggest that the honourable Financial Secretary press for greater productivity on the part of the Civil Service and to aim to progressively adjust percentage-wise Civil Service emoluments from 38% to 30% of total recurrent provision (excluding emoluments to Housing and Urban Services Departments). As a start for this year, if it has not yet been done, all departments should be requested to freeze and to review the existing 8,000 vacancies to see which of them can be suspended or cancelled.

While on the subject of the Civil Service I would like to make some reference to the ICAC which was set up on 15th January 1974. ICAC, it is generally acknowledged, has achieved a remarkable degree of success in exposing corruption in the Police Force, to the extent that some members of the public are expressing concern that ICAC efforts are affecting police morale in the battle against serious and violent crime. As is well known, next to having good jobs and decent homes, the suppression of violent crimes is considered by most people to be Hong Kong's most serious concern. I feel that honest police officers should have nothing to fear from ICAC and that they should

expect the full understanding and support of the Commissioner of Police in case they are framed or wrongly accused.

At the same time, from a practical point of view, it would seem desirable for ICAC to concentrate its efforts more on investigating cases of corruption which are still taking place, and only in exceptional cases and subject to the approval of the Governor, should corruption cases which took place prior to the formation of ICAC and have ceased since then, be taken up and given any kind of priority. This operational strategy by ICAC would minimize the possibility of blackmail within the Police Force, or within other Government departments, or even among members of the public and within ICAC itself, whereby money or benefits could be illegally solicited by a person or an organized group from civil servants who had engaged in corrupt practices prior to the formation of ICAC but have since then ceased to be corrupt.

#### *Raising Additional Fiscal Revenue*

Another aspect of the honourable Financial Secretary's budgetary strategy has to do with the raising of additional fiscal revenue.

On the subject of the rate of betting duty on totalizator turnover, the honourable Financial Secretary has proposed an increase from 7½% to 10% to give an extra yield of \$27.5 million in 1975-76. I am told by many members of the public, including those who go to the races regularly, that for once the honourable Financial Secretary seems to have erred on the side of modesty in his demand for only a 2½% increase, whereas a 5% increase could have been a more appropriate figure with a yield of \$55 million in 1975-76. There is a school of thought that there will always be a number of gamblers who would still want to place their bets with illegal bookmakers, and which the Government could do nothing about, while an increasing proportion of people would be attracted to legal off-course betting because they feel safer in doing so, whether or not the betting duty were to be 7½% or 12½%.

Insofar as entertainment tax is concerned, it seems somewhat unfair that the honourable Financial Secretary should reimpose an admission tax on cinema audiences without looking around for more revenue of a similar nature from other types of entertainment. By that I am referring to football matches which are now played on a professional basis and which, as entertainment goes, is no different from going to the cinema. I suggest that Government look into the possibility of obtaining additional public revenue from such sources.

[MR CHEONG-LEEN]      **Appropriation Bill—resumption of debate on second reading (19.3.75)**

*Tax Reductions*

*Water Charges*

As regards the increase in water charges, I would urge the honourable Financial Secretary to ensure that no hardship is caused to the large number of families who live, several families to a flat, in pre-war buildings in the more congested districts such as Western District on Hong Kong Island and in Kowloon. In order to reduce hardship, I would propose that the maximum quantity to attract the present charge of \$3 a thousand gallons at the second level of consumption be raised from 14,000 to 28,000 gallons for the several families living as a group in pre-war flats in the more congested districts.

*Dependent Parents Allowance*

Due to inflation and rising prices, many middle-income families who pay taxes have been experiencing difficulty in making ends meet, in particular those families which have parents living with them and who are not working.

In the 1975-76 budget all the proposals of the honourable Financial Secretary have to do with increasing taxes, without one single proposal to reduce taxation and the burden of the individual family. Since he has thought it fit to reimpose entertainment taxes, it would seem only reasonable that he be asked to reinstate the dependent parents allowance which was abolished in 1st April 1973 and allowed for \$2,000 per parent not working and who would be living in the taxpayer's household.

The Financial Secretary should know quite well by now that the looking after of one's dependent parents is a traditional Chinese virtue. Knowing him to be the sensitive, sympathetic and understanding person that he is (*laughter*), I am sure that he would be the last person in the world to want to be accused of using fiscal measures to discourage Hong Kong people from practising this traditional virtue.

In my opinion, the Government should encourage this traditional virtue in every way possible, especially since the Government has so far not established many homes for the aged. It can surely be argued with great validity that the Government has a moral responsibility to respect and even assist in upholding this traditional Chinese virtue. Furthermore, in the long run Government would be saving money by

not having to build so many expensive old people's homes as is the case in other countries.

### *Car Park Fees*

Last year, Sir, I sounded a warning against the too drastic increase in the cost of parking tickets and monthly car passes. Unhappily Government's punitive efforts against motorists have all been too successful, to the detriment of the public treasury. As an example, during the months of January/February for 1974 and 1975 respectively, the decline in income was \$434,621 for all Government multi-storey and open-air car parks. This could represent a loss of income of about \$2 million *per annum*. Not only that, but in some of the multi-storey car parks, more than half of the car park spaces seem to be continuously empty and unused. The car parks are all in prime locations and it is an unnecessary waste of valuable space.

I suggest that the Government review the existing situation which is most unsatisfactory from the public point of view, bearing in mind the cost of building these car parks and the need to use them by motorists for their legitimate purposes.

### *Housing*

On the subject of housing, I wish to make two comments.

Firstly, in regard to public housing, I gather that Government will still proceed with the 10-year development programme in a positive way, and that there could be new accommodation for 55,000 persons in the coming financial year. This figure of course is far from sufficient to meet the needs of those who have been waiting for years for public housing at economic rentals.

As an aftermath of the oil crisis, there has been an unfortunate reduction in the building of public housing units. Perhaps the time is opportune for Government to face up to the fact that it will not be able to provide decent homes for all who need them within the next 10 years, bearing in mind the birth-rate and the heavy rate of immigration into Hong Kong.

Should the Housing Authority not then aim for even better housing and community service standards in the new towns that are coming up in the New Territories? Will the standards for reconversion or rebuilding of the older resettlement estates be good enough for 5 to 10 years from now, and should these standards not be revised upwards once again?

[MR CHEONG-LEEN]      **Appropriation Bill—resumption of debate on second reading (19.3.75)**

Next to employment, the most important need of a family in Hong Kong is to have a decent home. I would therefore like to have the assurance from the Government that there will be no slackening of the pace to provide decent homes at economic rents for the large number of people who have been on the waiting list for many years.

I have read with some concern the statement made by the Commissioner of Rating and Valuation that fewer domestic units will be built in 1975 (13,600 units) and 1976 (approximately 12,400 units), which figures are well below the average of 18,000 units for the past 10 years. In addition, a number of personalities in the real estate industry have already sounded a warning that within the next 2 to 3 years there will be an acute shortage of domestic flats, if steps are not taken urgently by Government to encourage more building of domestic flats, particularly the smaller flats.

One of the problems facing the real estate industry is that middle income families who now wish to purchase flats cannot do so, either because of reduced income or because they cannot afford to pay the down payment and the monthly instalments.

As the honourable Financial Secretary is responsible for economic policy, I hope he will leave no stone unturned to encourage the banking community to make more loans available to real estate developers at low interest rates so that the building programme for medium and small domestic flats can be revived.

In order to stimulate more home ownership, Government should assist the Hong Kong Building and Loan Agency to find more funds to enable families to purchase their homes. This can be done: firstly, by Government agreeing to increase sizeably the total limit of the 5-year revolving guaranteed loans. Secondly, by increasing the amount of the loan to individual applicants appropriate to the current costs of small and medium-sized domestic flats.

*Economic Stability*

Last year at this time we were concerned about inflation and rising costs. Today, we are more concerned about the depressed state of the world economy and the slack demand for the products which Hong Kong manufactures and exports worldwide. As an export-oriented economy, we have no other choice for the time being but to make use

of loans and our reserves and to have enough public works projects going in order to counteract the depressed state of our economy, while awaiting world trade to show some signs of improvement.

Meantime, business and industrial interests in Hong Kong look to the honourable Financial Secretary, who is the Treasurer and the Monetary Authority in Hong Kong, to constantly exert every effort to help stabilize the US dollar rate in Hong Kong so that there will be minimal currency fluctuations and thus reduce the manufacturing risks of Hong Kong's industries.

One large project affecting the economic future of Hong Kong is the building of a modified version of the mass transit railway, for which Government has already put aside in its reserves a sum of \$800 million, based on an estimated cost at present prices of over \$5,000 million. Many members of the public are not convinced of the necessity to build such a railway at times like these, nor are they convinced that the Government can keep within the revised estimated cost ceilings in the construction of this mass transit system.

I believe that a full and clear statement by Government at this time should help to dispel doubts and misgivings in the minds of many members of the public on the necessity to build and the costing and future financing of this new form of public transport network. It may well be that the consultants whom Government had employed for the purpose believed that the mass transit system is an absolutely vital factor in coping with serious traffic congestion within the next 5-10 years; if this is so, Government should make a categorical statement to this effect once again in order to clear the air. Furthermore, Government will have to reaffirm or clarify its position as to whether apart from the \$800 million already set aside, the rest of the cost will come mostly from outside loan capital and will not be a fiscal burden on Hong Kong taxpayers during the time the mass transit railway system is being constructed.

Finally, like the honourable Financial Secretary, I too am optimistic about the future. I sincerely hope that in the latter half of this year we should look forward to an upswing in the world economy which would bring in more orders to our factories and provide more employment for our people.

Let it not be forgotten however that the people of Hong Kong expect the Government to ensure that the stock market does not become once again a gambling casino for local and overseas speculators,

[MR CHEONG-LEEN]      **Appropriation Bill—resumption of debate on second reading (19.3.75)**

but instead will be the place where investment capital can be raised for the growth and expansion of Hong Kong's industries and enterprises, so that more jobs can be made available to our people and their living standards improved.

With these words, Sir, I have much pleasure in supporting the motion.

MR F. W. LI: —Your Excellency, for over a quarter of a century in the past, there have been only two years when we had deficits and those were the years 1959-60 and 1965-66. Despite repeated suggestions from some Unofficial Members of this Council, our Financial Secretaries, past and present, have resisted the idea of deficit and loan financing and have accumulated surpluses which became bulging reserves.

Today, we are faced with an entirely different situation in that the revised estimated deficit is \$410 million for the current year and the budgeted deficit for 1975-76 is \$429 million after making allowances for selected tax increases and fees adjustments. The turn of events has caused an erosion of our reserves and we expect to start our new year with only \$2,371 million in our fiscal reserves, representing approximately 30-36% of our budgeted expenditure. I agree that this figure is dangerously low in view of the uncertainties which lie ahead.

The unique circumstance of Hong Kong's economy made it necessary for us to build up sizeable reserves. I must therefore congratulate Government for the foresight to have done so when it was possible.

Unfortunately, there has been a fall in the value of our foreign currency assets in Hong Kong dollar terms. This has given rise to one important question and that is, who actually looks after our reserves and foreign exchange assets? Whilst I am not doubting the prudence and care and the quality of the advice which Hong Kong receives from the Crown Agents, I feel that, in view of the substantial losses which we have suffered, Government should make closer investigations into the management of our assets, especially in this time of financial stringency.

I am fully aware, Sir, that we are not alone in this situation when we went through a period of gyrating exchanges; but we must try our best to recoup our losses in order to return to a more comfortable

level. Sir, I strongly urge that it is essential for Government to adopt a positive policy to manage our reserves rather than to wait passively hoping that the worst is over.

The budget presented by my honourable Friend, the Financial Secretary, three weeks ago is indeed a satisfactory one. He is to be commended on his "balanced strategy" in the unenviable task of dealing with the solution of our difficult problems and facing the challenge caused by adverse conditions. I realize that there is no simple and straightforward solution available to him. If there were, it would probably have meant an overall increase in the standard rate of taxes which I personally feel would be totally unacceptable.

Instead, with acumen and expertise, he chose to exercise economies in spending and searched for additional revenue without causing too much distress to the people in general by carefully apportioning the increase in taxes, fees and charges. He has boldly resorted to loan financing.

He has, in the interest of austerity, drastically cut departmental submissions. Thus, many public projects and ventures so hopefully planned in our past affluent years will have to be slowed down or postponed, regrettably for the present, but out of necessity.

However, in terms of the future development of Hong Kong and of social justice, we must plan how best to expend our limited resources. I suggest, Sir, that Government should give an assurance that once funds become more readily available again, the projects already planned will be restored to a reasonable priority. In the meantime, we realise that the people's needs of housing, education, social and medical services have an obvious priority. We must ensure that our idealism and planning does not outstrip our financial commonsense. Sir, I am sure you will agree that Government's task is not an easy one; but money must be found so that our plans for a better life for all can continue.

Referring to the Civil Service, I note that the establishment as shown in the draft Estimates represents only an increase of 0.7% on the establishment this time last year. It has also been pointed out that the provision for the Civil Service will be reduced to 38% of the total recurrent provision compared with 40% for 1974-75 and an average of 42% for the 3 years ending 1973-74. Whilst this is necessary, it is imperative that the efficiency of the service must be increased or at least maintained and should not be affected by the economies. I wish to emphasise that the mere freezing or cutting down of the total establishment does not really achieve the desired result. Perhaps redeployment

[MR LI]      **Appropriation Bill—resumption of debate on second reading  
(19.3.75)**

of staff can make for greater efficiency. In any case, we must avoid wastage in manpower.

Sir, at the last year's budget debate, I called the attention to the reference of many items of miscellaneous advances, arrears of revenue *etc.* in substantial amounts made by the Director of Audit in his 1972-73 Annual Report. It was suggested that many of these outstanding items were irrecoverable.

Instead of an expected improvement, I am shocked to find that the situation has deteriorated this year. The arrears of revenue in the 1973-74 report are higher than those of the previous year. I suggest that somewhere along the line, the system of tax collection requires greater control. Furthermore, according to the report of the Commissioner of Inland Revenue only 85,790 persons paid salaries tax for the year 1973-74 which is just over 2% of the population of 4.2 million. With inflation and increased salaries, I am surprised that this number is so small. I feel that it is extremely necessary for Government to strengthen its tax collection system even further, with a view to increasing revenue and preventing tax evasion.

Turning now to loan financing, I feel that it ties in with reserves. Reserves are tax money and loans have to be repaid from our tax revenues eventually. I am not saying they are exactly the same; nor am I advocating that we should dip further into our reserves. There is a difference and the ultimate choice is an economic one.

A rational decision must be based on the relative cost of these alternative means of financing rather than a prior target of reserves. More specifically, it all depends upon whether we can obtain loan financing at a cost lower than what we would incur in the case of liquidating our foreign exchange reserve assets. With the prevailing interest rates and world financial conditions, I do feel that it is a judicious decision to resort to loan financing.

By its very nature, loan financing is expansionary. It will affect our income and employment, interest rates, trade balance as well as our own exchange rate.

Local financing however will cause our interest rates to rise, resulting from increased demand without a corresponding increase in our money base. International capital flow, being interest-sensitive, will keep the exchange rate of the Hong Kong dollar at a level unfavourable

both to our trade and employment conditions. In other words, much of the expansionary effects will be dampened by the adjustment of the exchange rate.

Sir, I am in favour of offshore borrowing which has the effect of increasing our money base. It is more expansionary in that our export and employment position will not be affected by capital inflows. There is no question that the strengthening of the Hong Kong dollar in the exchange market has some adverse effects on our industries.

To be consistent, I feel that it is a wise decision to use our official foreign exchange earnings as a guideline for offshore borrowing. This enables us to avoid putting unnecessary pressures on the foreign exchange market when it comes to debt servicing, especially when we intend to return ultimately to some form of fixed parity.

Since the Hong Kong dollar was floated in November last year, our currency has been strong. This has the favourable effect of containing imported inflation but it also blunts the competitive edge of our exporters.

Somehow and somewhere, we have to strike a balance. I agree with my honourable Friend, the Financial Secretary, that it is essential to keep our foreign exchange market free of control because it is a self-adjusting mechanism in which no one-way movement could continue for ever. We need only to keep an orderly market. I am, however, disturbed to hear that he does not rule out the use of interest withholding tax as a positive regulator in this connection.

Sir, the issue of interest withholding tax has come up from time to time. The main reason for its continuing existence is its power to generate a stable and substantial revenue. To use it as a regulatory device, subject to occasional discretionary changes, will add a complicating dimension to the whole picture and it can no longer be relied upon as a stable source of revenue.

Under the circumstances, if we were to increase interest withholding tax in order to deter further money inflow, our industries will get some advantage in the exchange rate which will only be offset by a higher cost of borrowing. I should like to point out that a higher interest rate structure will not only hinder the development of our financial market and the general economy but will also affect loan financing of Government.

When I was speaking at the opening session of this Council in October last year, I had commented on the Independent Commission

[MR LI]      **Appropriation Bill—resumption of debate on second reading  
(19.3.75)**

Against Corruption. I was indeed very much alone when touching on this subject.

Sir, I have the greatest respect for the Commission, in particular, the Commissioner, the Deputy Commissioner and all its dedicated officers. There is ample evidence that they are putting tremendous efforts into their very difficult assignments. I fully support anti-corruption measures and eradication of corrupt practices but I have my reservations on the way the Commission's estimates are presented in the budget.

According to subhead 110 of Head 52 of the Estimates included under "Miscellaneous Services", there is an item of \$30.5 million budgeted as expenditure for the Commission for 1975-76 against an original approved estimate of \$8.5 million and supplementary provision of \$12.9 million making a total of \$21.4 million for the current year.

Whilst this amount includes payment of rent of quarters and office accommodation of \$4.7 million, the 1975-76 Estimates show this item under another subhead, namely, "Rent for Government leased accommodation". Assuming the current year's figures apply to next year's, the total budget for the ICAC is therefore approximately \$35.2 million. I have been assured in Finance Committee that there would be savings from expenditure on the Police Force after the formation of the Commission, but it does not appear to be so.

I have no doubt that the proposed expenditure will give us good value for our money. I am, however, concerned with the fact that it is presented as a one-line vote without details, bearing in mind that the amount is not insignificant.

It is true that under the Ordinance, the ICAC is an independent statutory body and as such, it is outside the Civil Service and directly under Your Excellency's authority. Nevertheless, the expenditure of the Commission is charged to general revenue and the Finance Committee of this Council has to approve or reject.

I feel that we would be failing in our duty and surrendering our constitutional right of budgetary control if we were to accept a budget of this size on a one-line vote basis. I would personally urge that the Commission's establishment and salaries of its staff together with other items of expenditure should be published under a separate head in the Estimates on a break-down basis in the same format as any other

Government department, including the Judiciary and the Public Services Commission which are also independent bodies. This will go a long way to assure critics and concerned members of the public that the funds used for this important work are not being wasted.

Sir, with these remarks, I support the motion.

MR BREMRIDGE: —Your Excellency,

*Independent Commission against Corruption:* I suppose that it is only my inexperience in this Council which leads me to be surprised that many—though not all—of those critics of Government who over their years in the wilderness quite rightly proclaimed the need for a firm grip to be taken on the problem of corruption, and the consequent requirement for the establishment of an independent commission, should now still be thumping their empty, or rather pre-empted tubs. They stridently deplore in particular firstly that the ICAC is indeed independent, secondly that it is proving perhaps over-dramatically successful, and thirdly that it is expensive. Other Members have spoken before me on this subject. I should myself like to emphasise my firm conviction that the ICAC is an essential part of the Government of Hong Kong at this moment in time, that it is only just settling down firmly to its task, admirably guided by those you, Sir, have chosen to direct it, and that the community both welcomes what the ICAC is doing, and characteristically expects it to do more. No organization is perfect nor immune from fair criticism, and the ICAC is certainly capable of improvement. Equally it is right that it should be reasonably forthcoming to the public about its composition, costs including salaries, and intentions. I agree with what my Friend the honourable F. W. LI has just said. But this indeed it is, and the shortly to be issued Annual Report will be very explicit. I would regard any weakening of our cold-blooded resolve to fight corruption in Hong Kong as a most significant failure of our duties to the community. Of course the ICAC costs money, but I consider its budget for this year to be a singular example of money that is likely to be well spent.

*Recreational Facilities:* I come now to recreational facilities. It is inevitable in this year's budget that expenditure on recreation must be limited.

I have however one small constructive suggestion to make which I believe would be free of cost. I have never understood the extreme

[MR BREMRIDGE] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

case about polluting crude water in our reservoirs, when I know that the water itself—much from the East River—is subsequently and totally filtered. Many of these reservoirs offer admirable opportunities for boating and fishing, while I do not believe that a few swimmers would add much pollution—though care would no doubt have to be taken that they did not go down the outlets. A few franchises for boat operators, ice-cream vendors, and so on should cover the total cost involved to Government in providing access. Some of the reservoirs both on Hong Kong Island and in the New Territories are in lovely and easily accessible country, and I cannot see any case for not opening them up for boating and kindred activities. Goodness knows this prospect has been talked about enough, and is accepted in many other countries. Could we possibly have some action from those responsible? If this can be done without affecting higher budgetary priorities, it seems to me very important to provide better recreational facilities for the young in particular.

*Civil Service Recruitment:* It is right, Sir, that controls should be placed on Parkinson's pleasure, the pullulating Civil Service.

I was nevertheless glad to hear the statement by the Financial Secretary that provision is included in the Estimates to bring an additional 19,000 secondary school places into the public sector. I was also glad to know that Princess Margaret Hospital, two polyclinics, and a specialist clinic will be opened. But I would be grateful for confirmation that these are firm commitments and hence that the necessary staff will somehow be provided for them. The same question applies to staff for other new commitments, which have been classified as essential. It seems to me that the mechanism for obtaining approval to recruit such staff may need review. The head of department who needs staff for these purposes must, I am told, make a bid for them to be approved as part of the net increase in the strength of the Civil Service, which is limited to 1,600. But how will this limitation work in practice? Is this an increase of 1,600 on establishment, or on present strength? There is a major difference, and it is important to nail down the criterion. I believe that my Friend the honourable Financial Secretary was perfectly explicit in his budget speech, but he may wish again to make it clear that the net increase on present strength is limited to 1,600. There is a surprising uncertainty amongst the public on this point. My honourable Friend has also said that the Police will be one sector of the Civil Service in which recruitment

will be allowed, the others being such related services as Prisons and the Legal Department; and also the revenue collecting departments. Approximately how many of the 1,600 additional bodies will be allocated to the Police, and how will the balance be split up as between Prisons, Legal Department, revenue collecting departments, Education Department, Medical Department, and indeed other departments? I would be pleased to have an assurance that recruitment of staff for those essential projects which must go ahead will not be over-delayed on the grounds that a bid must nevertheless be made in competition with other bids for some of the 1,600 posts.

So that there may be no misunderstanding I should add that I both appreciate and accept the need for strict limitation on the growth of the Civil Service, and I welcome the firm stand of Government at this juncture. But common sense, sensitivity and flexibility should march hand in hand with dogma. Will they be allowed so to do?

*Airport Charges:* I turn now to the question of airport charges. So that there may be no doubt about my personal position, I have in the past advocated, and I still now advocate, that all who profit from the airport should pay their share towards the considerable capital expenditure necessary over the coming years. This does not mean airlines only, though clearly they must expect increased costs. But I wish to make two points.

Firstly, it is open to Government as an act of policy to decide what will be the surplus or profit arising out of civil aviation activities in Hong Kong. It is gratifying to note that revenue in the next financial year will be about HK\$233 million—an increase on the current year of HK\$38 million. The large surplus that will result is clearly an important factor in the Financial Secretary's general revenue. But there should be some assurance that profitability is kept within reasonable bounds. It therefore seems to me unfortunate that the Airport Profitability Committee is composed entirely of civil servants, under the chairmanship of the Deputy Financial Secretary. Even Judge JEFFREYS did not demand a jury consisting entirely of civil servants, nor indeed should "Judge" Jeaffreson! (*laughter*). Let justice be seen to be done.

Secondly, I cannot agree with the Financial Secretary's proposal to introduce a surcharge of HK\$500 on aircraft movements between midday and 1800 hours. It seems to me to be irrelevant that such a surcharge is the practice at some other international airports, not least because many of those so afflicted are notoriously inefficient (*laughter*). Sir, firstly the peak hours at Kai Tak are not from mid-day to 1800,

[MR BREMRIDGE] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

but from 1400 to 1630 hours. Secondly the reason for the existence of a peak period is purely and simply the geographical position of Hong Kong allied to curfew hours in Japan. Aircraft leaving Japan at a reasonable hour in the morning for the south via Hong Kong arrive in Hong Kong in peak hours. The position is the same for aircraft leaving Hong Kong in the afternoon to arrive in Osaka and Tokyo before curfew. Thirdly it is not open to airlines to surcharge their fares. In fact as you know current practice unfortunately is entirely the reverse. Fourthly it is anyway absurd to think that the airlines will change their schedules because of a surcharge of HK\$500 per movement. The demurrage, for example, on a Boeing 707 aircraft is about HK\$10,000 per hour.

I submit that this new surcharge is a signal example of random taxation (*laughter*) on some but not all of those who use the airport. Kai Tak is indeed a major international airport, and airlines have many considerations other than those of creating the least possible trouble for the civil aviation authorities. The idea of peak hour surcharges has long had a sort of Sixth Form fascination amongst transport experts (*laughter*); of course I do not include my honourable Friend the Financial Secretary (*more laughter*). It may well be practical politics when it is possible to surcharge the fares, or the transport prices, or if the surcharge acted as a deterrent. It seems quite unfair when none of these conditions prevail. This sort of taxation might as well be imposed on every other aircraft, or on airlines the first initial of whose names run from A-L. Would the Financial Secretary suggest because traffic is heavy on the Star Ferry between 8 *a.m.* and 9 *a.m.* in the morning that a wharfage surcharge of HK\$500 per movement should be imposed?

I repeat that I do not attack in any way the principle of increased airport charges, but I do suggest that they must be fairly based, fairly spread over all users of the airport, and not arbitrarily surcharged on a portion of the users because of some extraordinary notions of Utopian transport policy.

*The Future:* In general I applaud the Financial Secretary's real courage in facing up to the necessity for deficit financing. I suspect that he may be optimistic—as indeed it is right for him to be at this junction—about the possibility of 5% growth in the next financial year, and 7% subsequently. I thus also suspect that Hong Kong may possibly be at a major watershed in its financial affairs, with larger

budgetary deficits and thus more deficit financing to be faced in the years ahead. This does not greatly worry me so long as the community continues to exercise its present remarkable sense, flexibility, toughness and capacity for hard work, and Government, while sensitive to the need for continued, visible, and steady progress in all social fields, the need for which I must underline, maintains its general determination not to allow spending to exceed what we can properly afford. And properly afford must unfortunately involve calculations of higher taxability. We are, however, in Hong Kong entirely captive to overseas markets, and I believe it unwise to allow any feeling to develop at this juncture that we face plain sailing ahead. I believe also that the recent current stock market euphoria, both here and elsewhere, owes more to gambling fever than to economic fervour. We should beware of stockbrokers, especially when bringing gifts—an updated maxim which I hope, Sir, will commend itself to this Chamber and to the community.

With these words, Sir, I support the motion.

DR FANG:—Your Excellency, my honourable Friend the Financial Secretary has had a particularly difficult task this year in balancing his books in view of the many uncertainties surrounding the world economy. I congratulate him on a generally well-balanced budget which leaves intact the basic stability of our economy upon which so much depends. His expenditure and revenue proposals should be achieved without traumatic pains to any particular sector of our community, but perhaps I may be allowed to delve a little deeper into a few aspects of the budget.

Firstly, the proposal to restrict Government expenditure and to limit fairly severely growth in the Public Service, however necessary in the circumstances, cannot but strike a note of despondency. These decisions will bear hardest on the departments which are already understaffed, and I am extremely concerned at their effects on the Medical and Health Department and particularly on the realization of the targets set out in the 10-year Medical Development Plan. When times are difficult it is to be expected that more will turn towards the Government for medical and social services, and we must be in a position to respond to such demands if social distress is to be avoided. I am glad to know that the Princess Margaret Hospital, the Tang Chi Ngong Specialist Clinic and the Polyclinics in South Kowloon and Kwai Chung will still be opened in 1975-76. These and other projects to be completed this year will yield an additional 1,815 beds, but I am

[DR FANG]      **Appropriation Bill—resumption of debate on second reading  
(19.3.75)**

surprised that they can be adequately manned by a total increase of only 273 posts, according to the Draft Estimates of Expenditure for 1975-76. I would like to draw particular attention to the staffing position of the Princess Margaret Hospital which will be opened this year and will provide for over a thousand beds. The Estimates allow for only 56 Medical Officers for both this hospital and the Lai Chi Kok Hospital. This number seems totally inadequate and represents less than half of a previous planning target of 137 Medical Officers in 1975-76 for this hospital alone. I would welcome a statement from the Government as to how the new Princess Margaret Hospital is to be run. There can surely be little room for redeploying staff from other institutions since most do not appear to be overstaffed—indeed quite the contrary in some cases.

I turn now to the training and welfare of our nurses without whose help no medical service can survive. The controversial Margaret Lamb Report on the training and education of nurses in Hong Kong pinpointed many serious defects in our service. Many of her observations had been made as far back as 1967 by the Nursing Board Working Party on Nursing Education and Training, particularly those pertaining to the lack of communication between students, senior ward staff and teaching staff and the inadequate number of trained tutors and instructors.

MISS LAMB also noted that in some cases there was a lack of equipment and essential supplies in Government hospitals. I should like an assurance from the Government that this is not so, or that, if there have been shortages in certain spheres, these have now been rectified.

It is now nearly nine months since MISS LAMB reported and I would like to know what progress has been achieved in implementing her recommendations and whether the present financial stringency is likely to delay implementation, and if so, in what areas.

My special concern is the training of clinical instructors and the Nurse Tutors Courses which were scheduled to commence in September this year. I was very disappointed to learn only recently that this is no longer possible because of lack of funds. The ten-year Medical Development Paper proposed various measures to improve the supply of nursing personnel in Hong Kong. Will the limitations placed on staff recruitment delay the achievement of these targets? If so, I

venture to suggest that our priorities be re-examined to allow these much needed and long overdue improvements to be introduced with the greatest possible despatch.

My third point concerns the methadone maintenance programme. I am aware that a pilot study on methadone maintenance is well underway and that until the results have been evaluated towards the end of 1975, no conclusions can be drawn. In December last year, the Finance Committee of this Council, however, accepted the principle that methadone treatment should be offered as an out-patient service and to this end, has approved the establishment of three more clinics to dispense such service. I should like to sound a note of caution lest we commit ourselves to an ever increasing burden on the taxpayer's money in order to sustain addicts on methadone. In my view, methadone should be used only as an adjunct to the treatment of heroin addiction and not as an end in itself. Indeed, some experts now believe that methadone can be used to detoxicate an addict within a period of 3 to 4 weeks in decreasing doses, leading eventually to complete abstinence. No doubt these and other findings will all come out in the pilot study and I look forward with interest to reading the evaluation report.

Before I leave the medical field, I should like to comment on the absence of any provision in the 1975-76 budget for the employment of private practitioners in out-patient clinics, for which the approved estimates in 1974-75 was \$116,000. I understand that this was a pilot scheme which was never put in hand. The use of private practitioners seems to me an expedient and economical way of keeping our clinics going without the expense of employing full time staff, and is particularly relevant at this present time. Perhaps Government would state why the pilot study was not pursued, and what arrangements are being made to enable our out-patient clinics to operate at maximum economy and efficiency.

Finally, I feel compelled to say a few words about the proposed distribution of the increased expenditure budgeted for 1975-76. This amounts to only an increase of 2.51% over and above the 1974-75 revised estimate which falls in line with the proposals of the Financial Secretary to exercise the strictest stringency. However nearly 70 million dollars, or 41.65% of the total increase expenditure for 1975-76 go to the three law-enforcing departments, Police, Prisons and Legal Department. This figure does not even include the capital cost of buildings, such as prisons, etc. No one would quarrel with the logic of this decision since crime is on the increase in Hong Kong. Many contributing factors are involved, but there can be no doubt that one

[DR FANG]      **Appropriation Bill—resumption of debate on second reading  
(19.3.75)**

of the main causes of our upsurge in crime is our inability to impose deterrent sentences, that is to say, enforcing the law on the death penalty. This inability has been forced upon us by the British Government as a political move, ignoring totally local sentiments on this issue. The niceties of political considerations particularly in a land so far removed from Hong Kong, are lost on the man-in-the-street who only knows that his life and property are not being given the protection he has a right to expect because of the mockery which has been made of our courts and of our law. In my view, the British Government has a case to answer and I urge most strongly that renewed efforts be made to allow us to execute the death penalty. I am sure that this will lead to a containment of our crime problem, thereby allowing us to devote a larger share of our hard earned resources to improving the quality of the life of the Hong Kong people.

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

Miss Ko: —Your Excellency, I would like to express my appreciation to the honourable Financial Secretary for his comprehensive and realistic speech and all the materials tabled for the debate on the Appropriation Bill. Many of my Unofficial colleagues have already expressed their valuable points of view on how to tackle the present financial problems which I am sure will be very helpful for the coming financial development in Hong Kong.

With regard to the debate on the Appropriation Bill, I have very much in mind two matters of basic concern to the community for which the bill provides. First, how can the appropriation aid significant progress as well as maintain present social services particularly social welfare programmes in Hong Kong in the light of the expected financial recession? Secondly, how to help protect the livelihood of the people of Hong Kong especially those in the lower income bracket?

In many situations, when financial difficulties become seriously pressing, there is always a danger that some social services will be the first to be cut or modified, because the economic value of social services is not easily identified. It is evident, however, that youth, one of the primary concerns of social welfare, are a great asset to any economy; their healthy growth and development will determine the supply of skilled and responsible workers available to carry on the enterprise of

commerce and industry in the future. In like manner, child welfare and women's welfare also contribute directly or indirectly to economic assets. Education, housing, medical and health services are a great investment in better human resources for the overall development of the community. No one can deny that the relationship between economic and social development is inseparable; as a matter of fact, they complement each other.

Sir, on 17th October 1973 you stressed "the formulation of long-term plans to break finally the makeshift conditions forced on Hong Kong by the influx of population in the '50s and '60s and the need not to be diverted from long-term measures such as housing, education, social welfare, medical and health—in order to achieve the essential conditions of an acceptable tomorrow . . ." and you have continued to act on this principle in many aspects of these programmes since that time. All of us have been so much enlightened by your remarks and insight that long-term measures of social services should be working toward a better quality of life and that such measures should be the aim of the Government. Although we are now facing world financial recession, and frugality has to become our guideline for economic planning in the immediate future, the quality of life of the people, especially those in the lower income bracket, should be even more in our mind. Though we are faced with great financial difficulties in the year ahead, I am pleased to see that \$3,057 million has been earmarked for social services next year, that is for education, housing, medical and health, social welfare and labour. This represents an increase of \$337.4 million or 12.4% over the revised estimate for 1974-75. The proposed provision for social services amounts to 41.8% of the total expenditure for 1975-76.

In the field of social welfare, the draft estimate for 1975-76 is \$326.7 million with an increase of \$56.6 million over the revised estimate 1974-75. Within the draft estimate, a large sum amounting to \$214.84 million will be allocated for the public assistance scheme and disability and infirmity allowances, which I understand represents an increase of \$50.34 million over the revised estimate for the year 1974-75. The increase for public assistance scheme and disability and infirmity allowances in the present situation should be welcomed. The draft estimate also indicates relatively small increases from last year for the rest of the numerous services and expansion programmes. With these small increases, it will not be easy to maintain the present amount and level of services in some areas of work owing to increased operational costs, not mentioning the expansion programmes in the present Five Year Plan.

[Miss Ko]      **Appropriation Bill—resumption of debate on second reading (19.3.75)**

It is encouraging to hear that although Government is forecasting a deficit of \$900 million for 1975-76 and is also exercising strict economy measures among its own departments, the subvention for social welfare voluntary agencies will be granted an increase of 16% for 1975 over the previous year. All these increases express Government's real concern for social welfare programmes amidst all financial difficulties.

Because of the present financial situation, the Social Welfare Five Year Plan will certainly suffer a considerable setback and I do hope that more provision will be made as soon as possible in order to be able to keep pace with the on-going plans.

The honourable Financial Secretary has stressed that the reduction in proposed public expenditure is one of the strategies in the Appropriation Bill. I am sure this is the time for all of us, Government and voluntary organizations, to exercise the strictest economy and to eliminate wasteful spending in order to cope with the present financial situation.

In the field of social welfare, I am glad that evaluation and examination programmes have recently been started. Encouragement should be given to more organizations to engage in self-evaluation, and consultation should be available for those who need help. As I have mentioned before, it is hoped that the Social Welfare Department and the Hong Kong Council of Social Service will jointly play a more active role in considering what areas could be strengthened and which programmes are overlapping, outdated or impractical and therefore should be cut or changed. In some cases, a merger of organizations or projects may be desirable. Flexibility should be one of the principles in this exercise, so that resources may be shifted to the more urgently needed areas if necessary. All these measures should lead to better efficiency and thus avoid unnecessary expense.

In view of some of the new expansion programmes in the Social Welfare Five Year Plan and some of the existing services, the use of volunteers, especially social service and social welfare volunteers for some jobs in pilot schemes or other programmes at appropriate times and in appropriate situations, under close supervision of trained staff, would be worth serious consideration. With the plan of using volunteers in mind, perhaps the design of these projects would have to be modified, and special pre-service training for the volunteers would be organized. At present, some programmes such as home help, recreational programmes,

welfare for the aged, the community service, have engaged volunteers. Some other fields of work such as child welfare, youth programmes and women's welfare may also consider the use of more volunteers. Volunteer service is a vast area and there is much potential in our community waiting to be tapped and explored. Besides encouraging more people, young and adults, to work towards a fuller life and to make a greater contribution to the community, using more volunteer workers in the field of social welfare will make it possible to maintain some existing programmes and carry out some planned projects in a more economical way and this is quite significant at the present time. However, it should be made clear that volunteers cannot be relied upon for professional performance nor can volunteers be a substitute for trained workers. Volunteer workers can only be of assistance to trained workers, doing a job which does not require professional skills.

Regarding the necessity of increasing revenue by raising taxes, fees and charges, it is wise not to add too much burden on those who are in the lower income bracket. On the tax increases and increases of fees and charges as proposed by the honourable Financial Secretary, I am particularly in favour of those which fall on people best able to afford them, for example the increase of corporation profits tax, tax on subsidized quarters provided by employers, betting duty, duties on intoxicating liquors and tobacco. I think the proposed setting up of an Inland Revenue Ordinance Review Committee is a good sign in planning and working towards a sound and better taxation and revenue system in Hong Kong.

According to the Economic Background to the 1975-76 budget, the number of unemployed persons at the end of 1973 was of the order of 100,000 and a further increase in unemployment was indicated in 1974. In the light of the apparent unemployment situation, the creation of job opportunities in commerce, industry and other spheres of employment has become a great priority. It is necessary to tap all possible resources, including loans as mentioned by the honourable Financial Secretary in his speech, to support and encourage all endeavours in this aspect.

The slightly increased allocation proposed for the Consumer Council for 1975-76 is necessary as the Council has accomplished a great deal since it was launched last April, especially in fighting profiteering and price control, and it continues to have a great contribution to make in the future.

[Miss Ko] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

I think it is now time for the Council to emphasize more on the promotion of consumer education. I am very glad to know that the Consumer Council is currently studying the adequacy and effectiveness of existing consumer protection legislation in Hong Kong. It is also desirable that there should be closer communication and co-operation between the Consumer Council and the Economic Branch of the Government, thus enabling the Council to make a more effective contribution in respect of relevant issues affecting consumers in Hong Kong.

Although we are facing world economic recession, if we earnestly assist the development of commerce and industry, consider social service programmes as high priorities and help protect the livelihood of the people of Hong Kong, especially those in the lower income bracket, we are working towards a more stable and healthier economy in Hong Kong in the long term. I hope the proposed Inland Revenue Ordinance Review Committee and the other authorities concerned will take these points into consideration in their tasks.

Sir, with these remarks, I support the motion.

4.15 p.m.

HIS EXCELLENCY THE PRESIDENT: —I think perhaps at this point honourable Members might like a short break. Council will resume in fifteen minutes.

4.30 p.m.

HIS EXCELLENCY THE PRESIDENT: —Council will resume.

MR TIEN: —Sir, I rise to speak in support of the budget proposals made by my honourable Friend, the Financial Secretary. I believe I would not be alone in this Chamber in saying that these proposals are balanced and have, by and large, been well received by this community.

In my speech in this Chamber on 31st October last year, I painted a somewhat rosier picture of the economic future of Hong Kong than was borne out by subsequent events. For the first time in many years we are experiencing an actual downturn in our exports. The January figures for imports however are not too encouraging

either, these having gone down by 1% compared with January 1974. Given the high import content of our exports, imports give a good indication of future trends. That my forecast has turned out to be off beam is due to a set of unforeseen circumstances, not least of which being the flotation of the Hong Kong dollar, which in effect raised the parity of the Hong Kong dollar against the US dollar by something like 8% in the last 4 months. This *de facto* revaluation of the Hong Kong dollar could not but work against our export performance. This is so not only in the United States, but also in Europe since most commercial contracts are written in US dollars. Of course, one cannot blame the flotation of the Hong Kong dollar as the sole reason for our plight. There were other reasons, but I hope I am not being unduly biased when I say that this was a contributing factor which aggravated an already unpleasant situation.

I don't know what is the answer to this. I realize, of course, that bringing the exchange rate down could mean an increase in the cost of our imports of raw materials and semi-manufactures; and directly or indirectly the cost of living in Hong Kong. But the exporting sector of our community cannot continue to bear the burden imposed on them by increasing disparity between US dollars and Hong Kong dollars, especially when our close competitors have taken steps to close the gap between the value of their currency and that of the US dollar. Sir, I hope that in the not too distant future, the Hong Kong Government will be able to consider fixing a parity for the Hong Kong dollar which would provide some degree of certainty to the financial community, and even more important, the value of the Hong Kong dollar should be established at a level which would not affect Hong Kong industries too adversely in terms of our competition in foreign markets. In the shorter term, I feel some measure should be adopted to stop the inflow, and perhaps encourage the outflow, of unwanted US dollars. One such measure would be to lower the prime lending rate for industry *still further*. Here I have chosen the word "still" carefully and deliberately. I am aware of course that the prime lending rate has already been reduced from 11½% to 6½%. This is by any standard a substantial movement. But one must also bear in mind the historical facts: the rate was 6½% in 1966, and 7% in March 1973 before the oil crisis. A further reduction in lending rates, at least for the industrial sector, would also give some alleviation to this hard-pressed sector by providing them with a cheaper supply of cash.

My honourable Friend, the Financial Secretary, is taking steps to ensure that the deficit in 1975-76 is kept within manageable levels

[MR TIEN]      **Appropriation Bill—resumption of debate on second reading  
(19.3.75)**

by cutting expenditure of various Government departments. It is only prudent that he should adopt this conservative and cautious policy.

However, these are but short term measures. In the long term, the only way the Government can obtain more money is by ensuring that economic activities are stepped up; that we earn more money in our export markets; which in turn demands that the short term shortage of money does not prevent us from embarking on projects from which will accrue long term returns. What I am leading to is that this is the time to invest in industrial promotion so as to widen the range of products we have to sell, so that when things get better, and I have no doubt they will, we are in a position to take advantage of the upturn.

The establishment of industrial estates would be a concrete step in this direction; and I hope both the Government and the private sector will pursue the project with vigour and determination. But we must not neglect the fact that the estates will need industries to fill them up: they need customers. How do we attract these customers? I am sorry to say that the financial provision made for promoting industrial development and investment is totally inadequate given their objectives. I understand that a meagre sum of only two hundred thousand dollars has been earmarked for industrial promotion. We must remember that what we get out of the investment depends to a large extent on what we put in. I would have thought that a sum ten times that has been proposed by the Financial Secretary under subhead 351 could be well spent. Industrial investment promotion is an expensive business; but the returns can be very handsome. I would strongly urge that the approach to industrial investment promotion be reappraised and, if further financial support is needed, we should not be stringent in this sector.

I should now like to turn to the Financial Secretary's projection that there will likely be a revival in growth of our economy in the latter half of 1975 and the first half of 1976. This revival will of course be largely dependent on our export performance; which in turn depends on access to markets. In this connection, I would like to make reference to four subjects of particular concern to Hong Kong: our treatment in the US GSP; the EEC GSP; the textile negotiations with the EEC and the new restrictions on textiles introduced by Australia.

Whether or not Hong Kong will be admitted into the US scheme still hangs in the balance; and I am confident that my honourable Friend, the Director of Commerce and Industry, will do everything he can to ensure that the outcome is a satisfactory one for Hong Kong. Given the size of the US market, this is probably the most important single scheme. Exclusion from it, or discrimination under it, could have very serious effects, probably worse than those we have experienced in the European markets.

On the European front, I am very encouraged by the visit to Hong Kong of a EEC delegation led by Mr TRAN Van Thinh. Mr TRAN is, of course, the chief architect of the EEC Generalized System of Preferences, under which Hong Kong now enjoys preferential tariff benefits except for textiles. The exclusion of Hong Kong's textile from benefits has an element of discrimination against Hong Kong in favour of our neighbours and competitors, most of whom are enjoying the full benefits of the EEC scheme.

That EEC officials have taken the trouble of coming to Hong Kong to undertake an on-the-spot investigation of Hong Kong's position in relation to the EEC GSP gives ground for hoping that the Commission may be moving towards the reduction and eventual elimination of discrimination against Hong Kong. Sir, Her Majesty's Government's efforts on our behalf in the European Community, and those of our own officials in Brussels, and in other member state capitals, and now the visit by key Commission officials, have built up a momentum which must be kept up. The next step should be to invite officials from EEC member state capitals to visit Hong Kong. They are the people who must eventually approve any proposals made by Mr TRAN and his colleagues. I am aware of course that such ventures cost money, but the benefits, and I should say immediate benefits, that will accrue will be no less, if not a lot more, than those accruing from the visits to Hong Kong of, for example, our MPs from London. I would like the Financial Secretary to give my point his sympathetic consideration.

I would wish to touch on the current negotiations with the EEC for a new textile agreement. We are traders and not theologians in international law on trade negotiations. The European Economic Community should be aware that as long as their demands are reasonable, and by that I mean that they will enable Hong Kong to continue to trade and to improve on its position, we would not be averse to introducing temporary restraints on our exports. But the conditions must be right before we are willing to put restrictions on ourselves.

[MR TIEN]      **Appropriation Bill—resumption of debate on second reading  
(19.3.75)**

I am sure my honourable Friend, the Director of Commerce and Industry, and his colleagues in his department will be vigorous and pragmatic in their negotiations; and I would like to wish them the best of Hong Kong luck in undertaking this arduous task.

The Australian Government has taken action against imports of a wide range of Hong Kong textile items. The Hong Kong textile industry knows that Hong Kong and Australia participate in the International Arrangement Regarding Trade in Textiles and that, in accordance with the provisions of that Arrangement, Hong Kong restrains exports of five groups of clothing which represented about 20% of Hong Kong's total domestic exports to Australia in the first half of 1974. In January and March this year, however, we were surprised to see the Australian Government taking additional measures outside the scope of the International Arrangement to reduce further the volume of textile and garment imports by introducing tariff quotas on a wide range of additional items in which Hong Kong was either the principal or one of major suppliers. The volume of imports to be admitted under these quotas at normal duty rate is very small. Imports in excess of the quotas attract exceedingly high tariff rates.

Inevitably, trade between Hong Kong and Australia has been disrupted and, in many cases, orders have been cancelled by Australian importers. This can only have unfortunate repercussions for our industry in what was a developing market into which we were successfully diversifying from our traditional major markets in America and Europe. I hope that the Government will press to have the tariff quotas removed as soon as possible.

MR LO: —Thank you, Your Excellency. Few of us will find fault with the honourable Financial Secretary's strategy of cutting from departmental bids without drastically reducing existing services or deferring capital projects of increasing fiscal revenue from a wide cross section of the community—and without a turnover tax—of raising offshore loans and at long last of accepting a deficit budget. What he hasn't said, however, is whether he hopes he will improve efficiency in the use of our limited funds. It is this aspect that I would like to discuss today.

Government's expenditure has never been adequately assessed because no costs benefits analysis have ever been made systematically or

explicitly. This is a well-known and well-tried method of evaluating the costs and benefits including particularly hidden costs and hidden benefits of proposed projects. To the best of my knowledge no such analysis was ever made to the proposed construction, for example, of the mass transit railway or to the preparation of any of our town plans. This simply means that the total cost to Hong Kong for these projects is unknown and so, of course, are their total benefits unknown. No one can scientifically say whether they are worthwhile.

I would like to draw attention to the fact that out of a total planned expenditure of \$6,150 million for 1975-76 \$1,400 million will be spent by bodies not directly under the financial supervision of the Government. These bodies include UMELCO, all the schools receiving Government subvention, hospitals run independently of Government, the Tourist Association, the Trade Development Council, the Consumer Council, various social welfare agencies, the universities and the Polytechnic. \$1,400 million or 22.67% of total Government expenditure is a substantial amount and I think members of the public are entitled to an assurance from Government on two points: first, that a proper assessment of priorities in the sense of relative value for money has been made by the Government before making its decision. Second, adequate control and checks exist to ensure that the money decided to be spent will be spent wisely.

Has the relative value for the money to be spent next year been properly assessed? Some indication to the answer may be found by looking at the cuts which were made by the Financial Secretary to departmental bids. He said that a total of \$1,400 million was excised from what they had originally asked for. I have no way of knowing how much was surgically removed by his scalpel from direct Government expenditure and how much from subvented bodies. However, after the operation, subvented bodies will still be spending \$180 million more in 1975-76 than in the previous year but Government itself will be spending \$24 million less. It may be that Government has reassessed the position and has decided that the proposed ratio is the correct one.

The difficulty in accepting this lies in the fact it is wrong to assess the priorities of expenditure or relative value for money merely in terms of general fields of activity. Assessment of priorities must be made in terms of specific activities within a field. For example, although tertiary education merits high priority in principle this high priority cannot be given to all activities in this field such as a highly specialised and expensive university course which may only be attended by less than, say, a handful of students. Another example: the Chinese University is costing twice as much administratively as Hong Kong University

[Mr Lo] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

although its teaching costs are comparatively less than those of Hong Kong University. It is true that these high administrative costs arise mostly from the fact that it is a federal university offering 4 years of elective courses. However, are these costs all justifiable in terms of relative value for money? Despite the enormous amount of money we spend indirectly on services through subventions, one line votes, the Government has failed to set up a central body to process applications for funds, a central body with the stature which will permit it to overcome any petty, personal or departmental interests affecting the allocation of funds to particular agencies.

Next, I think the public is entitled to an assurance from the Government that money spent by the subvented bodies is not only well spent in the sense that the area of activity concerned deserves subvention, but also in the sense that in spending it the proper economic principles are observed. Subvented organisations are subjected to different Government checks which we rely on and which vary in efficiency and depth. The Social Welfare Department and the Social Welfare Advisory Committee check the subventions for social welfare agencies. The University and Polytechnic Grants Committee deals with the two universities and the Polytechnic. The Education Department covers subvention for secondary school places. The list is long and I shall not bore Members with it. Suffice it to say, however, that as different bodies check different subventions their standards and their effectiveness must vary. This again must lead to anomalies in the spending of public funds.

I fully accept that excessive financial control over what is essentially an independent area of activity may conceivably stifle development and growth. However, reduction of financial control leads to ignorance for it is natural for those who relinquish control of the purse strings to wash their hands of the matter altogether and this absence of detailed knowledge is dangerous and will get increasingly more dangerous if the proportionate amount of public funds spent in this way increases. Many of us have encountered situations of subvented bodies searching for ways to spend excess funds at the end of a financial year to prevent an equivalent cut in their subvention for the next year. This is merely one of many possible forms of abuse arising from delegated expenditure without central analysis or control.

This leads me to my next and connected point. I have often heard it advanced that Government would be more efficient if it could hive

off certain fairly independent departments and establish them as statutory bodies instead.

The main advantages, I have heard it alleged, are that firstly independent bodies would allow adoption of independent accounting methods which it turn would allow cost accounting exercises to be undertaken and the services provided by the statutory bodies could then more easily be measured in terms of cost, leading to an increase in efficiency. Secondly, it is also alleged, an independent statutory body can compete on an equal footing with commercial organizations. Neither argument appears to me to be convincing: whilst I entirely agree that cost accounting methods are necessary for efficiency, I do not agree that they can only be introduced if one sets up an independent statutory body. As regards the question of competition, it appears to me that a statutory body should not be set up for the purpose of competing with any other body in providing any service that it renders.

Far from advocating a proliferation of statutory bodies performing necessary aspects of Government service I wish to advocate that we should be chary of making new ones and indeed perhaps even reverse the trend. The chief objection that I have to the establishment of statutory bodies to perform essential services for the public is that I oppose the principle of fragmentation of financial control. I have already made clear that such fragmentation makes it impossible for any integrated assessment of overall priorities in Government expenditure.

I do not know whether it is wise to skate on political thin ice in the Year of the Rabbit but by way of illustration it seems to me that if the Urban Council had not been hived off as a separate independent statutory body but had remained as a part of the Government I would be surprised if the Financial Secretary would not reduce in his budget the item of four million dollars to campaign for a cleaner Hong Kong. To fail to do so in the face of all the substantial cuts that he has made to the Medical and Health Department will surely tempt one of my more flippant Friends to remark that the clean rabbit might catch myxomatosis.

Whether these statutory bodies obtain funds for the service they provide by direct Government subvention or by charging fees or rates payable by members of the public is immaterial. Ultimately, the cost for their service falls upon the people of Hong Kong, who are entitled to look to their Government to ensure that proper economies are observed.

[MR LO] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

In this connection, I would like to refer to the various publicly owned utilities. Superficially, they apparently have nothing to do with the Government and nothing to do with the budget as they are organized as public companies where instead of waving at royalty, royalties are waived. However, they all provide services which are both monopolistic and, in varying degrees, important to everyday needs. What is even more germane is that like the statutory bodies mentioned earlier they are all paid for by the public. To the man in the street it is no comfort to him that utility company charges are not taxes collected by the Government. He has to pay them and he has no way of knowing whether or not the utility companies are profiteering or wasteful. He feels they are both and it is up to us to protect him.

I realize that over the years Government has come to accept that it has to play a more active role in the affairs of the utilities. For example, I understand that it has more or less accepted that ideally all publicly owned utilities should

- (1) have Government directors on the board to look after the interests of the consumer; and
- (2) have a scheme of paying into a pool excessive profits earned in one year to hold as a reserve against future development costs of the utility and as a buffer against future cost increases.

To accept this in principle is one thing. To put it into effect is quite another. Indeed, if one looks at the general picture the impression is that of a many-coloured patchwork of half-hearted attempts. I am given to understand that reserve profits pool concept has been implemented in the case of China Light and Power Company and that efforts are being made to introduce it into the bus companies. But what steps have been taken with the others?

The position is even more inadequately followed through with regard to the appointment of Government directors. I note that this has now been done to the Telephone Company but what about the other utilities? To echo Bernard SHAW's plaintive cry in St Joan "Must we have a crisis in every utility?" (*Laughter*)

After the painful operation which the Financial Secretary has performed on departmental bids, the public has still to pay \$4,750 million for direct Government expenditure, \$1,400 million for Government subventions, \$210 million to the Urban Council and more than

\$1,500 million for public utilities. Except for Government and the Urban Council the public does not even get to see how much the staff in subvented bodies or statutory bodies or public utilities are paid nor does it get to know how many expatriate staff are employed in them. There is also a growing public feeling that salary costs have been unnecessarily inflated in some of the utilities and statutory bodies by their competition for upper level staff, with a tendency to create an elite, outside Government, an elite whose conditions of service are far superior to those holding similar levels of responsibility in Government.

I do not wish in any way to interfere with Sir Alastair BLAIRKERR'S Commission on the Hong Kong Telephone Company but I certainly hope that it will be asked to make an analysis of the number of expatriate staff employed by the company, their cost, and their necessity, for I do stress that if the public can pay less for their utilities they will be able to afford more for other Government costs. As the total cost is their burden, fully integrated costing should be the Government's aim. The lack of such a system is a serious deficiency in management. There are other equally obvious areas of management deficiency but they are outside the scope of this speech. All of this makes it clearly essential for Government to form, as a matter of priority, a high-powered central team whose job will be constantly to diagnose management deficiencies of the administration and to prescribe remedies therefor. The Secretaries system is no answer to this. Indeed, in my view, if anything, it has weakened management.

Other specific remedial measures that Government should take are as follows:

- (i) Require all subvented bodies and utility companies annually to produce
  - (a) accounts showing recurrent and capital receipts and expenditures
  - (b) budgets for the next year and
  - (c) staff lists with details of remuneration and fringe benefits.
- (ii) Require all utility companies to institute a scheme acceptable to Government for the limitation of dividend distributions as well as the establishment of development funds.
- (iii) Obtain the right to appoint a Government director to the board of any utility company whose job will be to look after the public interest.

[MR LO] **Appropriation Bill—resumption of debate on second reading (19.3.75)**

Your Excellency, I have been unable to help my honourable Friend the Financial Secretary analyse what he calls the macro-economic impact of his deficit budget in relation to the expansionary swing on the economy limited by certain high leakages but I hope I have offered useful suggestions as to how he may reduce leakages from his micro-resources (*laughter*).

I support his budget proposals.

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

*Question put and agreed to.*

**PUBLIC ORDER (AMENDMENT) BILL 1975**

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

He said:—Sir, I move the second reading of the Public Order (Amendment) Bill 1975; and if after the afternoon's eloquence I seem even more dreary than usual I can only ask for forgiveness.

As honourable Members know, section 33 of the Public Order Ordinance makes it an offence to have an offensive weapon in a public place without reasonable excuse. The ordinance already gives a wide meaning to the expression "public place", and some places which would normally be thought of as private premises are "public places" for legal purposes. The ambit of the expression "public place" has been further extended by other legislation, of which the main example is the Housing Ordinance. Section 32 of that ordinance provides that all parts of public housing estates which are not the subject of a tenancy are to be regarded as "public places" for the purposes of the Public Order Ordinance. This means that the offence created by section 33 extends to the common or shared parts of such estates, including, staircases, corridors, lifts and lobbies.

Nonetheless, there are many parts of private premises which, though essentially public places in the sense that the public has ready access to them, are not "public places" for legal purposes. In particular, in contrast with the position in public housing estates, the common or shared parts of privately-owned buildings, whether residential or otherwise, are not normally "public places".

There are sound reasons why that should not generally be so but that does not hold good with respect to the offence of possession of an offensive weapon under section 33 of the Public Order Ordinance.

Over the past year or so, the number of robberies, involving the use of weapons, committed inside buildings has increased, whilst there has been some reduction in the number committed in the street. In 1974, about 20% of all robberies were committed on staircases and 10% were committed in lifts. A further 8% were committed inside private residential premises and 10% were committed inside other buildings. These figures include robberies committed in public housing estates where common parts are already regarded as public places, but it is a fact that a significant number of robberies took place in the common parts of other buildings.

In these circumstances, Sir, it is considered that the common parts of all buildings should be regarded for the purposes of section 33 of the Public Order Ordinance as public places and this bill provides accordingly. It removes an increasingly indefensible distinction hitherto drawn by the law between buildings in public housing estates and other buildings.

The proposed extension of the ambit of section 33 means, as honourable Members will appreciate, that more offences of this kind will carry the mandatory custodial sentence required by the section. I have no doubt, Sir, that this is justified in the circumstances.

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

*Question put and agreed to.*

### **SUMMARY OFFENCES (AMENDMENT) BILL 1975**

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

He said:—Sir, I move the second reading of the Summary Offences (Amendment) Bill 1975.

Its main purpose is to increase substantially the maximum penalty which may be imposed on conviction for an offence under section 17 of the Summary Offences Ordinance. The offence relates to possession of offensive weapons and is similar to the offence under section 33 of the Public Order Ordinance about which I have just spoken. The

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

essential difference between the two offences is that the one under section 17 of the Summary Offences Ordinance may be committed anywhere. Because of the widely differing circumstances under which section 17 may therefore be contravened, it would be inappropriate to require the imposition of a mandatory custodial sentence, but the existing maximum penalty is, nonetheless, much too low in some cases. The proposed amendment will, as I have said, substantially increase the maximum penalty which the courts may impose without affecting their discretion to deal leniently with offenders in appropriate cases.

Sir, the bill will also transfer from the Commissioner of Police to the Director of Social Welfare responsibility for the grant of permits for public collections of money, such as flag days. This is in accordance with the Government's policy of freeing the Police Force from functions which are no longer essential for the proper discharge of its duty.

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

*Question put and agreed to.*

**CORONERS (AMENDMENT) BILL 1975**

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

He said:—Sir, I move the second reading of the Coroners (Amendment) Bill 1975 and that the debate on the motion be adjourned. The purposes of the bill are adequately explained in the Explanatory Memorandum.

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

*Question put and agreed to.*

**TRUSTEE (AMENDMENT) BILL 1975**

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

He said: —Sir, I move the second reading of the Trustee (Amendment) Bill 1975.

It seeks to revise the financial requirements which are to be complied with by trust companies. The proposals are—

First, that the issued share capital must be at least \$1 million.

Second, that the fully paid-up capital must also be at least \$1 million.

Third, that specified investments valued at not less than \$½ million must be deposited with the Accountant General or a deposit of not less than \$½ million in cash must be made with a finance company that is a subsidiary of a licensed bank.

These proposals represent a substantial strengthening of the existing requirements which were set many years ago. In addition to reflecting changes in the value of money, the proposals raise the minimum financial requirements for trust company status.

The proposed introduction of provision for a cash deposit with a finance company as an alternative to the deposit of investments with the Accountant General calls for a number of consequential amendments to the principal ordinance.

Sir, the bill also raises from £ 1 million to £ 5 million the minimum capital requirement for a United Kingdom company whose debentures constitute a trustee investment.

Sir, clause 4 will, by statute, place a trust company which, though not named executor in a will, has been granted probate or letters of administration, in the same position as if the company had been appointed executor by the testator. This provision is designed and is included at the request of trust companies to assist them when it becomes necessary in the course of administration to reseal a grant in another country. In some cases, it appears the authorities in other countries have, notwithstanding the grant by the Hong Kong court, required new authority in favour of the trust company from the persons who are primarily entitled to the grant under the law. It is hoped that this proposed statutory authority in favour of trust companies will satisfy the requirements of authorities outside Hong Kong.

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

*Question put and agreed to.*

**CHINA FLEET CLUB INCORPORATION (AMENDMENT)  
BILL 1975**

SECRETARY FOR SECURITY moved the second reading of:—"A bill to amend the China Fleet Club Incorporation Ordinance."

He said:—Sir, I move that the China Fleet Club Incorporation (Amendment) Bill 1975 be read a second time. Behind this somewhat grandiose title rests a modest bill. The objects of it are set out in the explanatory memorandum and I have nothing to add to it.

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

*Question put and agreed to.*

**FIRE SERVICES (AMENDMENT) BILL 1975**

SECRETARY FOR SECURITY moved the second reading of:—"A bill to amend the Fire Services Ordinance."

He said:—Sir, the explanatory memorandum sets out the reasons for the bill which in summary has three main aims:

first, to tighten up fire safety requirements;

second, to streamline disciplinary procedures within the Fire Services, and

third, to update the legislation in a number of relatively minor ways.

I would like to expand briefly on two of these three aims. On the fire safety aspects, I have two comments:

the first is, the definitions of certain terms used in the Ordinance, especially relating to staircases, are amended to overcome difficulties which the Fire Prevention Bureau has in the past experienced in their efforts to enforce adequate and timely abatement of fire hazards;

secondly, the fines for fire hazard offences (and also incidentally for the offences of obstructing and impersonating Fire Services officers) are to be increased to a more realistic level in order to provide a greater deterrent.

Turning now to the disciplinary procedures proposed. The main effect of these amendments is to give the Director greater powers of punishment than he currently possesses and which under the existing

law can only be awarded by the Governor. The revised powers conform generally with the disciplinary powers available to heads of other uniformed services. Accordingly the amended Third Schedule empowers the Director to dismiss members of other ranks found guilty of disciplinary offences and punish subordinate officers by reduction in rank and stoppage or deferment of increment.

Because of the Director's increased powers of punishment, a comprehensive appeal system is introduced in the new section 14B and in the Fourth Schedule to allow members of the Fire Services who are aggrieved by any disciplinary finding or punishment the opportunity to make representations.

The new Part II of the Second Schedule effectively delegates the power of punishment of members of other ranks to the Director in cases in which they have already been found guilty of a criminal offence. Senior officers continue to be dealt with under Colonial Regulations and regulations of the Government.

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

*Question put and agreed to.*

### **Unofficial Member's bill**

#### **Second reading of bill**

#### **BOY SCOUTS ASSOCIATION (AMENDMENT) BILL 1975**

#### **Resumption of debate on second reading (26th February 1975)**

*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 43(1).*

#### **Committee stage of bill**

Council went into Committee.

**BOY SCOUTS ASSOCIATION (AMENDMENT) BILL 1975**

Clauses 1 to 13 were agreed to.

Council then resumed.

**Third reading of bill**

MR CHEUNG reported that the

Boy Scouts Association (Amendment) Bill 1975

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 sitting**

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 2nd of April.

*Adjourned accordingly at ten minutes past five o'clock.*