

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 5th November 1975

The Council met at half past two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, KCVO, MBE
THE HONOURABLE THE COLONIAL SECRETARY
SIR DENYS TUDOR EMIL ROBERTS, KBE, 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, CVO, JP
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP
SECRETARY FOR THE ENVIRONMENT
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, CMG, 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, OBE, 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 THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES (*Acting*)
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, 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 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
THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

ABSENT

THE HONOURABLE LEE QUO-WEI, OBE, JP
 THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
 MR GERALD AIDIAN HIGGINSON

Papers

The following papers were laid pursuant to Standing Order 14(2):—

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:—	
Public Health and Urban Services Ordinance. Hawker (Permitted Area) (Amendment) (No 2) Declaration 1975	238
Companies Ordinance. Companies (Fees) Order 1975	239
Companies Ordinance. Companies (Forms) (Amendment) Order 1975	240
Peak Tramway Ordinance. Peak Tramway (Tolls) Order 1975	241
Coroners Ordinance. Places for Post-Mortem Examination (Amendment) Order 1975.....	243
Sessional Papers 1975-76:	
No. 12—Annual Report of the Urban Council for the year 1974-75 (published on 5.11.75).	
No. 13 — Statement of Assets and Statement of Revenue and Expenditure of the Urban Council for the year	

ended 31st March 1975 (published on 5.11.75).

No. 14—Supplementary Provisions approved by the Urban Council during the Second Quarter of 1975/76 (published on 5.11.75).

Government business

Motions

Address of thanks

Resumption of debate on motion (22nd/23rd October 1975)

DR THONG:—Sir, I am most grateful to my honourable Friends Mr LOBO and Dr FANG for drawing the attention of this Council to the various subjects relevant to my department and on which I should be glad to comment.

Firstly, in regard to the methadone maintenance scheme, honourable Members will no doubt recall that three methadone maintenance clinics were opened in December 1974 while the clinic established in connection with the pilot maintenance scheme was used as a fourth. This was in response to the highly successful work of the police and the preventive service which then severely limited the availability of heroin resulting in fears of a marked deterioration in the crime situation. The regimen adopted in these clinics called for dispensing of a constant dose of methadone daily to an addict without hospitalization and for an indeterminate period. This proved successful in that addicts turned up voluntarily to these clinics in considerable numbers. As time progresses, however, the numbers of attendances tend to decrease. At the end of October there was a total of 5,313 addicts registered with our clinics. Of these, 2,526 or 48% are still returning for their methadone.

There are various factors which have contributed to the decreased attendance. Aside from the fact that heroin may be more readily available on the market despite the good efforts of the law enforcement authorities, one reason is that the regimen adopted in any one type of treatment scheme cannot be suitable for all those who wish to undergo treatment. In his speech before this Council on 2nd April 1975, Dr CHOA mentioned that different types of treatment programmes should run concurrently, and that the next step would be detoxification treatment to cater for those who at present are either not able or not motivated to accept long-term treatment.

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I should like to explain briefly the meaning and objectives of a detoxification treatment programme. Such treatment involves the use of methadone for the detoxification of addicts over the course of a few weeks. The regimen, if adhered to, will be able to eliminate the addict's current dependence on narcotics through the administration of gradually decreasing doses of methadone. It may also, by familiarizing the addict with the treatment programme and use of methadone, eventually help to create or reinforce motivation for him to seek longer term treatment such as offered in a methadone maintenance clinic. Above all the scheme will provide yet another safe, effective and legal alternative to addicts who would otherwise take to illicit narcotics. It is therefore essentially directed at a group of addicts who are not yet ready for long term methadone maintenance.

We are now planning to use one of the four maintenance clinics to introduce detoxification, and I must emphasize that this does not really constitute a reduction in the provision of maintenance service in view of the decreasing attendance in the present scheme, but it is hoped that with another new programme more addicts in fact will come forward to seek treatment.

In this connection it may be relevant to mention to honourable Members that at this very moment Dr CHOA is attending a Multi-Regional Seminar in the United States on the subject of narcotics. Part of his schedule will be to investigate at first hand the actual operation of such a detoxification clinic. We hope to derive much benefit from his experience on his return soon.

Turning to the implementation of the Pharmacy and Poisons Regulations, I would like to say that since the approval of these regulations by this Council on July 16th 1975, my department has submitted a request for what we consider adequate professional staff for the Government Chemist and the Chief Pharmacist who are directly involved in the implementation and enforcement of the regulations. If experience so dictates, then further staff will be sought. Consequently, every endeavour will be made to ensure efficient enforcement of the regulations. I am, however, confident of receiving the fullest cooperation from those engaged in trading and dealing in pharmaceutical products.

The Pharmacy and Poisons Board has received representations from interested parties concerning certain provisions in the regulations. These representations are now being considered in detail by committees

set up by the board, and the committees' recommendations will subsequently be deliberated upon by the board itself. I hope this will assure all concerned that the representations will be fully and carefully examined. Naturally, at this stage, I am unable to say what the outcome of this examination will be.

Further, I should like to emphasize that no date has been set for the implementation of the regulations and this will not be done until all representations have been dealt with.

Next, I would like to thank my honourable Friend Dr FANG for raising the point about the need for a dental school, and to recall that the dental needs of the Colony were outlined in the Medical White Paper published in 1974, in which the Government acknowledged the importance of dental health in our community. In the provision of dental health care the White Paper indicated that two steps should be taken, namely, the development of a school dental care service for schoolchildren and the establishment of a dental school to provide more dentists for Hong Kong. It is thought that the appropriate place to start is with the development of a school dental care service for schoolchildren. This is because they are a priority group for the introduction of dental health care in the community and are amenable to dental health education as well as effective preventive measures in this field. Good habits inculcated at primary school level might be expected to establish a responsible attitude to dental care which would last a life-time. The scheme is to provide participants at primary school level with regular examination and simple conservative treatment and this could be carried out by trained dental nurses under the supervision of qualified dentists. This is a modern, effective and economical approach to the provision of dental services on a wide scale, which has very much proven its worth in other countries. Such a scheme, involving the use of dental nurses as the nucleus, will have the additional advantage of ensuring the maximum utilization of precious manpower in regard to qualified dentists who will be able to devote their time to more complicated dental problems. Plans are in hand for the construction of the school for the training of dental nurses and for a schoolchildren's dental clinic in the Morrison Hill area. With the introduction of this service a major step will have been taken towards improving the dental health of the community.

At the same time I am given to understand that the University and Polytechnic Grants Committee has initiated the preliminary moves for the planning of the dental school. To complement the school a dental clinic is planned to serve the equivalent purpose of a teaching hospital

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for medical students. This project has been entered into Category B of the Public Works Programme.

This planning process will inevitably take some time but I am sure the Medical Development Advisory Committee will wish to keep closely under review progress in this field, bearing in mind the overall priorities in the development of medical and health services and dental health in particular.

Finally, Sir, I would like to comment very briefly on the general development of the medical and health services in relation to available resources.

My department, in step with others, has made every effort to exercise extreme care and prudence in expenditure. I must add that this has been done very carefully with the objective of ensuring that available resources are effectively and efficiently utilized to their utmost extent, bearing in mind that no serious deterioration in the standard and quality of the medical and health services can be allowed to occur.

Sir, in the circumstances I am therefore grateful for the appreciation expressed of the efforts that my department has made to maintain the quantity and quality of the service and at the same time proceed with the development of services during a particularly difficult period. However, I should like to assure you, Sir, that the difficulties ahead have not been under-estimated. We shall keep up our efforts but are well aware of the limitations that must inevitably come about in spite of our good intentions. Given the resources further progress in the development of the medical and health services will proceed as mentioned by Your Excellency. We shall, Sir, continue to exert our utmost in serving the public.

Sir, I beg to support the motion.

SECRETARY FOR SOCIAL SERVICES:—Sir, in your reference to social welfare you noted that in this year the emphasis has been on the provision of social security measures. Indeed the Government is paying out approximately three-quarters of a million dollars each day in public assistance and in infirmity and disability allowances. This is even more remarkable when one realizes that the original five-year plan for social welfare development published in 1973 envisaged that these two schemes would cost only about eighty million dollars in this current

financial year. The actual cost is now likely to be over three times that. I would like to draw these facts to honourable Members' attention because it does, in part, answer those critics who say that we are not helping the people in our community who are worst off financially and those who have suffered greatest during the present recession. Despite the slow down in the growth of public revenue, these assistance schemes have not suffered, and I consider that this is an achievement worth emphasizing.

I am therefore pleased to be able to assure my honourable Friend Mr LOBO that the Government fully accepts the heavy financial commitment involved in the public assistance scheme. May I also assure Mr LOBO that the criteria for assistance under the scheme is strictly controlled despite the ever growing workload placed upon the staff of the Social Welfare Department. I am conscious that we must be alert to counter abuses and the Director of Social Welfare accordingly has the machinery within his Social Security Division continuously to review and inspect the scheme.

My honourable Friend Dr FANG stated that an additional 1,000 people a month are being assisted by the public assistance scheme. The number is in fact greater than that. In recent months the caseload has been increasing at the rate of about 1,000 each month, half of which are singletons, the balance comprising families which on average have five members. On this basis, a caseload increase of 1,000 represents about 3,000 additional eligible people being assisted each month. I should perhaps mention that the great majority of new applicants continues to come from the elderly, the sick and disabled, and widows with young children, while the number from unemployed families has fallen quite substantially in the last two months.

Despite the heavy financial commitment on the public assistance scheme and the disability and infirmity allowances scheme, we have made some progress in expanding our social welfare programmes, though development in other areas has suffered from the economic downturn. I would like now to deal with those mentioned by honourable Members in this Chamber.

Sir, you stated that funds are lacking to implement the Child Care Centres Ordinance enacted by this Council in February. My honourable Friends Miss Ko, Mr WILLIAMS, and Mr LOBO have all noted this with regret. It is, of course, a question of priorities and I shall discuss this with the Director of Social Welfare to see whether or not the ordinance might be implemented some time next year with minimum

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additional staff. Meanwhile, we have not been standing still as the regulations have been prepared and the Code of Practice is almost ready.

I would like to ensure my honourable Friend, Miss Ko, that the encouragement and training of volunteers is, and has been, an essential element in the provision of social welfare services in Hong Kong. Indeed it is the essence of the community and youth officer scheme in which volunteers are given training and then provided with opportunities to participate.

Recent examples where volunteers have played a prominent part in projects include the Kwun Tong Industrial Youth Week which involved about 100 volunteers in running an exhibition, seminar and fashion show for youth working in industry at Cheung Sha Wan licensed area and in the Kau U Fong play street scheme where volunteers regularly assist in organizing games and other activities for the children of these areas; and in Yau Ma Tei where about 30 volunteers are involved in planning an old peoples centre. In addition most districts have established emergency service corps manned by young people and ready to be mobilized in the event of a natural disaster or other emergency.

It should perhaps be added that an essential part in the training of volunteers is the provision of leadership training. This is accorded a high priority and the development of leaders, especially youth leaders, remains a major task of our group and community workers.

The strength of the voluntary social welfare sector in Hong Kong is such that it is essential for there to be effective co-ordination machinery in existence to link the public and voluntary sectors. The partnership established between the Hong Kong Council of Social Service and the Social Welfare Department continues to flourish. This is best demonstrated in the combined efforts to produce the annual review of the five year plan and is also seen in the several joint working parties which now exist to examine a whole spectrum of social welfare needs. An excellent example is the evaluation machinery which has been set up under the Social Welfare Advisory Committee.

My honourable Friend Miss Ko has rightly stated that co-ordination at the district level is necessary. Community and youth officers are aware of the need for this and play their part through such activities as summer programmes, liaison with voluntary agencies in each district,

working closely with the city district officer and other district staff, and with area committees and mutual aid committees. I am sure that this pioneer work will in years to come bear fruit at the district level.

Sir, I should now like to say something about school social work. We are all, I am sure, agreed on its value in helping to spot potential social and family problems at the earliest possible moment. In November 1974 the Social Welfare Department and the Education Department commenced a pilot project in school social work which was restricted initially to five schools. It was reviewed in September of this year and extended to embrace on a referral basis a total of 11 schools. The Education Department co-ordinates the scheme and referrals from schools other than the selected 11 are also encouraged. In addition, school social work in a further 46 schools is also undertaken by seven voluntary agencies. But this coverage is relatively small and I agree with my honourable Friend Miss Ko that we should aim to expand this service. However, available resources, including trained social workers, are limiting factors and one possible method is to provide teachers with clearer guidance on how to anticipate and deal with problems among their students. This would achieve more efficient use of resources and improve the balance of responsibilities between teachers and social workers.

I have previously mentioned the annual review machinery of the five year plan as an example of the close co-operation which exists between the public and the voluntary sector. This review machinery is an invaluable part of our planning process, and I agree with my honourable Friends Mr LOBO and Miss KO that it is essential to adjust priorities in the light of what resources are available. In this way what we can afford is aligned to what ought to be done.

Sir, the newly established evaluation machinery formed under the direction of the Social Welfare Advisory Committee has so far evaluated six agencies. These evaluations were aimed primarily at establishing realistic criteria and procedures. The Social Welfare Advisory Committee will shortly discuss how evaluation can be made more effective in the light of the lessons learnt from the preliminary exercises and from informative literature received from the Commonwealth Secretariat. This, I believe, may form the basis on which my honourable Friend Miss Ko can pursue her idea of setting up an evaluation workshop.

In her comments on law and order, Miss KO emphasized the need for expanding certain social welfare services in the fight against crime. I have already covered the aspects relating to youth leadership training

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and school social work and would now like to say a few words on the out-reach programmes.

A two-year experimental youth guidance scheme designed to include school dropouts between the ages of 11 and 15 and those with behavioural and emotional problems was launched at the beginning of this year. This scheme is being carried out by four voluntary agencies in Sau Mau Ping, Sham Shui Po, Chai Wan and Wong Tai Sin. If successful, this scheme might in due course be extended to other areas. In addition, a play leadership scheme primarily for 8-14 year olds is operating at 26 parks and playgrounds in the urban areas and New Territories districts. A survey to determine the suitability of other parks for the purpose of extending the programme will soon be undertaken.

Turning now to the problems of severely and multiple handicapped children and young adults, raised by my honourable Friend Dr FANG, the Rehabilitation Planning Group is examining carefully the services and facilities needed by this most unfortunate section of our community. We are very conscious of the difficulties that face their families in particular. Many of these people are severely mentally retarded and require constant attention. Siu Lam Hospital is one of the very few hospitals in the whole of Asia designed solely for the care of such persons and 144 out of the 200 beds there are occupied by children with multiple handicaps. In addition, various voluntary agencies provide residential care facilities for 125 such children between the ages of 3 and 17. And these facilities do not include those provided for the less severely handicapped or the many day care centres. Nevertheless, I agree with Dr FANG that at present there is a gap in the provision for this group but the rehabilitation planning team is considering the ways in which both the short and long term requirements might be met.

Finally, Sir, I would like to say a few words in response to the "plea" by my honourable Friend Mr T. S. LO that sympathetic consideration should be given to the request by the universities for funds to expand their joint research project in Chinese traditional cures. I confirm that this item has been included in the five year expenditure forecast of the universities and Polytechnic programmes and I agree with Mr Lo that the work outlined in the request for funds has merit and that this is a field in which progress might be desirable. But with the continuing and necessary restraint on the growth of public expenditure

and having regard to the competing claims for expenditure in other areas, I am afraid I have to disappoint my honourable Friend once more in saying that the additional Government funds sought are unlikely to be allocated next year. I would however naturally welcome the proposed expansion if the necessary funds could be secured from other sources or found within the universities' resources. (*laughter*)

Sir, I have much pleasure in supporting the motion.

SECRETARY FOR HOUSING:—Sir, a number of points have been raised in the course of this debate which are highly relevant to a proper consideration of our housing problems. As you have pointed out yourself, Sir, circumstances beyond anyone's control have forced on us a slower build-up in the production of new housing, private as well as public, than our situation demands. It is against this background that we have in recent months set in train studies of our housing policies and programmes to see if we can get better results from the various resources already being applied in housing, and what scope there might be for bringing new and as yet untapped resources to bear. In particular we have to do everything we can to encourage private developers to enlarge their output of new housing, and the primary requirement here is to make more land available—much more land; this can be done on the scale required only in the new towns, and a significant step in this direction was the recent purchase of a 40-acre lot by a group of prominent property developers.

As we are currently building less public housing than we need, we must then be reasonably sure that what is available is being allocated to those in genuine need. My honourable Friend Mrs SYMONS has very properly asked for an assurance that it goes to those who are worst off "in financial and human terms", and I can assure her that this question is regularly considered by the Housing Authority to see whether any change should be made in the various categories eligible for rehousing, and how many of the flats becoming available each year should be earmarked for each category. These priorities, Sir, have stood the test of time for some years, and their application seems to be broadly accepted by the public as fair and reasonable in a field in which simplicity and certainty are better than spurious preciseness. In practice, a large part of the Authority's production goes to families made homeless by redevelopment of squatter areas and old tenement buildings or by typhoons, rainstorms or other emergencies; there are no income limits at present for such cases because the bulk of these families will be in the lowest income groups. Then we have a quota—

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an annual quota—for hardship cases recommended by the Director of Social Welfare and the Director of Medical and Health Services, a category with which I think no one would quarrel. For the other categories, principally applicants on the Housing Authority's waiting list who usually have to wait for many years, there are income limits, and such families must be currently housed in sub-standard conditions to be eligible for public housing. All families, whatever category they are in, are carefully screened and I would assert that they qualify by any standard for public housing since they have already lost or are going to lose their homes, or they are living in squalid conditions and lack the means to buy better accommodation in the private sector. We obviously cannot compare families one with another to ensure that the very lowest income families get priority—this I think would be counter-productive and give too much scope for delay and misrepresentation.

Perhaps at this point, Sir, I could deal with my honourable Friend Dr FANG's contention that there is a lack of communication between the Housing Department and the community at large. He bases this assertion on the fact that a substantial percentage of Urban Council Ward, City District Office and UMELCO cases concern housing matters but I would rather suggest that this demonstrates not a lack of communication on the department's part but rather the fact that the greatest single good that any low-income family can hope for in Hong Kong is a public housing flat, or additional public housing accommodation, particularly at the very modest rents charged. Is it surprising that the unsuccessful applicant should refuse to take "no" for an answer and pursue his claim through all the available channels? I think that in this situation it is very unfair to the Housing Department, which does a most difficult and thankless job with marked competence and dedication, and I think it is unfair to assert that all these complaints imply a failure of some sort on their part. This is not to claim of course that relations with Housing Department clients cannot be improved—there is always some room for improvement in any organization.

My honourable Friend went on to underline his comments on the need for a reappraisal of housing policies by stating that there are about 500,000 people in squatter structures, both tolerated, that is pre-1964, and untolerated, that is post-1964, plus 300,000 in the New Territories. The best estimate we have is that the former categories, that is squatters in the metropolitan areas, which include Tsuen Wan, total about 350,000 rather than 500,000. As to the 300,000 which he ascribes to

the New Territories, many of these have some sort of attachment to the land and are not necessarily as keen as urban-area hut-dwellers to forsake their present life for a move to public housing. In a recent survey of a large group of temporary structures in the area between Castle Peak and Yuen Long a majority of the residents—many on private leased land or on Crown land permit—expressed a strong preference to be left alone. In short, it is not easy to forecast demand for public housing; you can identify conditions that are sub-standard in the eyes of the Government but which are very much home to those concerned. No doubt these families will be candidates for public housing sooner or later, but meantime, and unless the land they occupy is required for development, we would not wish to disturb them unless they create problems in other directions. But none of all this should be regarded as in any way implying that our housing shortage is any less formidable than it is, and has been for years.

This is probably a good point, Sir, at which to deal with my honourable Friend Mr LOBO's comments on the need to provide electricity and mains water to squatter areas as well as to licensed areas run by the Housing Authority. To take electricity first, most squatter areas do in fact have this, but the trouble is that most of it is on an illegal basis and often leaves much to be desired on safety standards. The practical problems in providing a legitimate supply in these areas are substantial but I am glad to say that a working party has recently been set up jointly with the China Light and Power Company to study these problems and find solutions to them, in the first instance by focussing on a pilot area. The situation as regards electricity in licensed areas is well in hand, and the Housing Authority last year secured the promise of funds from Government to allow a start to be made on a programme for electrifying all licensed areas—all thirty of them. So far, 19 of the 30 have been provided with electricity and we hope to continue with this programme in the coming financial year. All new licensed areas of course are automatically provided with legal electrical supply.

As regards the provision of mains water in these areas, I can assure my honourable Friend that this is already provided in squatter areas, albeit on a public standpipe basis, the scale for which is kept under review. In licensed areas all have mains water standpipes, and all new licensed areas moreover have individual tap supplies. In the older licensed areas the policy is to install individual taps as and when an area is cleared for re-allocation and, to date, seven old licensed areas have been modernized in this way.

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My honourable Friend Mr CHEONG-LEEN felt rather gloomy about the tempo of the Housing Authority's programme for redeveloping the Mark I and II estates. We would all like to be rid of these offensive old blocks and everyone of any sensitivity will join him in wishing for their early disappearance. In fact, the pace of redevelopment is gathering momentum; in 1974 Shek Kip Mei was the only estate undergoing modernization, but this year work is going ahead at Shek Kip Mei and the first phase of Tai Hang Tung Estates redevelopment. Next year the Authority will let further contracts at Tai Hang Tung and work will start on the actual clearance of tenants from several other estates which are scheduled for redevelopment. Even so, many of these dilapidated blocks will be with us for more than ten years, and we are bound to ask the sort of question that my honourable Friend has put, is there any way—and he suggested involving private enterprise—in which we can speed up this process? Redevelopment is of course a process with long lead times, because the first step is to build new reception estates, preferably not too far from the old estate, and only then can work begin on demolishing the vacated blocks. And please note that the new accommodation used for this redevelopment process is lost to the many other categories of persons who are patiently waiting for public housing. These moves require the most careful handling and the staff concerned take great pains to identify problems and to help overcome them all of which adds to the time scale. Then there is the problem of finding land elsewhere, because the replanning of the old estates, and the provision of schools and other facilities in the redeveloped estate means that a considerable proportion of the original tenants must be rehoused elsewhere, and cannot hope to move back to the estate—the old estate—once it has been redeveloped. This search for other sites often involves re-zoning other areas to allow a more rational layout.

Coming back, Sir, to the possibility of obtaining assistance from private developers in these schemes, it seems to me that such an involvement would be possible (given the overriding shortage of public funds) if the redevelopment process allowed us to concentrate the new accommodation in a reduced land area, so releasing part of the old estate sites to be assigned to the private developer in exchange for the construction at his expense of part or whole of the new estate. But as I have explained, the reverse is the case, and the need to reduce densities requires more, not less land. This is how we see the situation today but I can assure my honourable Friend that we will keep an open

mind and look for ways of gaining our ends more quickly with less demands on the public purse.

My honourable Friend Dr FANG was right to underline the need to cut our coat according to our cloth but I believe that he is on less secure ground in suggesting that our public housing obligations will be adequately discharged by providing utility flats with nothing more than leisure space, welfare agencies and food stores. This approach would give us ghetto-type dormitories and we have sufficient of these already without adding to them. It is certainly not easy to decide where to draw the line in matters of standards and amenities in public housing estates, but I can assure my honourable friend that they do receive the very close attention of the Housing Authority, which has to take these decisions, and recognizes that what it builds today must go some way towards meeting rising public expectations in the future. The sort of facilities which my honourable Friend decries in the domestic blocks in estates are regarded by the residents as essential items, not frills, and if the Authority doesn't provide them (and the costs are included in the rent) then the tenants will, often causing troublesome side effects in the process. As for improved commercial facilities, these complexes are popular both with the shopkeepers and the residents—not from the estate alone but from the whole surrounding district—and the premia and rents they generate make a considerable contribution to the authority's funds. In short, they are very profitable as well as very desirable.

Finally, Sir, I must compliment my honourable Friend Dr FANG on his very interesting contribution on the subject of home ownership, and I wish to assure him that he is not in the position of trying to breathe life into a cold corpse. Like him, I am always conscious of the gap between ambitions and resources and we are as one in believing that the sheer scale of our housing shortages compels us to examine new ideas, particularly where these offer some prospect of applying privatesector funds to the housing needs of the lower income groups. The Housing Authority's available funds for new estates are now fully absorbed in housing the lowest income groups on a rental basis, up to a family-income limit of \$1,500 for families of up to six persons, and then by a sliding scale to a limit of \$2,200 for a 9-person or larger family. It would scarcely be practicable for such families to buy their own flats, remembering that extras like insurance, rates and management charges can add up to 25% to the monthly mortgage payment. But proceeding a little way up the income scale we find a group which does have very real housing problems, namely those with an income between, say, \$1,500 and \$3,000 who are not eligible for the Housing Authority's

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rented flats and whose various family commitments preclude them from buying a flat in the private sector. The smallest flat available now costs about \$100,000 and if a 20% downpayment were made the monthly outgoings on such a flat for mortgage repayments and other charges would be about \$1,200. Here then is a group which needs help to satisfy its legitimate housing ambitions, a group which makes an important contribution to the economy, and for my own part I would wish to search out ways of helping them; and if we can marshal the private sector's resources in the process, so much the better. My honourable Friend has pointed to the possibility of killing two birds with one stone here, by devising a sales scheme aimed at better-off families in the Authority's own estates; in this way the overcrowded family could acquire a new more spacious flat and release an older flat for re-allocation by the authority to a less well-off family within the income-eligibility limits. The principal factors in any such scheme— and we are studying them closely now—are mortgage loan terms; the land-value component in any sales price which is specially determined for a group such as I have described; and the availability of funds for construction. We have recently held discussions with the Hong Kong Building and Loan Agency on mortgage loan terms, and I am hopeful that it may prove possible to devise terms for such a scheme rather more favourable than are normally available. As to the land charge for such a scheme, this does raise very real problems since any substantial subsidy given in this direction could easily be abused unless very tight management control over subsequent sales is maintained. One possibility would be to allocate land at the reserve price, in which event we could perhaps contemplate imposing no restrictions on subsequent resale; the justification for this would be that a new flat has been added to the housing stock and an old flat has been recovered for re-allocation by the Housing Authority. I should add, however, that not everyone would go along with the idea of home-ownership if it involves a public subsidy in land or otherwise; some would argue that the needs of this higher income group should be met by the Housing Authority on a rental basis, the rents to be very much higher of course than those now charged.

I hope I have said enough, Sir, to show that the question of the sale of flats to suitable categories of families who can't afford to make their own way in the private sector is very much a live issue. We will keep it under very close study.

Sir, I have pleasure in supporting the motion.

MR PRICE:—Your Excellency, I shall not dwell on labour legislation because you, Sir, have outlined the main items in this field. I wish to say something about plans for future progress and development in some services provided by the Labour Department.

Expansion

The basis of the Labour Department's service to the public is its staff. Ten years ago the establishment of the department was 183; today it is 745. This is an increase of over 400%, against an increase over the same period of some 77% in the Civil Service as a whole. The reasons for our large increase include the enforcement of new labour legislation, the expansion of the Labour Relations Service, the provision of the infra-structure for the Hong Kong Training Council, and the increased emphasis on industrial safety requiring a rapid growth in the Factory Inspectorate.

An expansion at this rate produces strains, and the sheer diversion of energy in absorbing and training new young staff has been considerable. Virtually all our training is undertaken internally, by and for local officers. I believe that by doing this the department sets an example of "industrial" training to the private sector. But such a rapid expansion, if not carefully guided, can lead to occasional misdirection of effort. Therefore I have taken the opportunity, provided by the current financial pause, to take a hard look at our use of resources and the proper direction of effort.

Inspectorate

Industrial safety legislation can achieve its purpose only when administered by an efficient and effective inspectorate. Initially therefore I have focussed attention on the work of the Factory Inspectorate, drawing heavily on the services of the Labour Adviser, and the Organization and Methods Division of the Government.

I have examined particularly the recruitment and training of inspectors, their organization, structure and working procedures. As a result, I hope to recruit in due course more candidates with relevant industrial experience. In addition, I propose a radical change in the basic training of inspectors, with more emphasis on the practical aspects of their work. Procedures are also being re-organized to provide for more time to be spent in factories and less in the office. Because of the possibility of the introduction of new industries with complex and highly technical problems of industrial safety, I am also examining the

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possibility of obtaining the services of consultants to ensure that those who work in such industries are afforded adequate protection.

But what will all this mean in practical terms? For a start, I aim to move away from the concept of a visit from a factory inspector being an exercise in fault finding. I hope to produce an inspection *service* for industry, with officers who will not only discover where things are going wrong, but who will have the ability, and the time, to offer practical advice on how to put matters right. This service will be supplemented by booklets illustrating simple and inexpensive methods of guarding machinery. These should prove particularly helpful to the proprietors of smaller businesses.

I also propose in the next few months to weld together into one comprehensive plan of action for a total attack on industrial safety, the Labour Adviser's recommendations and the five-year industrial safety programme which I mentioned in this Council last year. The five-year programme is largely concerned with the promotional and publicity aspect of safety, and although essential to promote safety consciousness, is incomplete in itself.

Much remains to be done in the difficult and technical area of occupational health, and I welcome the positive reference to this field in the Medical and Health Services 10-year plan which provides a necessary springboard for increased efforts to improve and safeguard the health of workers.

Prosecutions Unit

The creation on 1st March 1975 of a centralized prosecution unit has already produced improved results by bringing a more co-ordinated approach to prosecutions and by taking over from the officer discovering an offence the responsibility for deciding whether or not to prosecute.

Employment

Sir, employment this year has been dominated by some economic gloom but I can say that reported redundancies have dropped markedly since the first quarter of the year: and the timely enactment of the severance payment amendment to the Employment Ordinance has greatly helped redundant workers over this difficult period. In the year since the enactment of the amendment, the Labour Relations Service has contributed directly to the settlement, and prompt payment,

of severance pay amounting to nearly seven million dollars. This sum of course greatly understates the total amount of severance payments, because often agreement is reached directly between employers and employees. Such cases go unrecorded.

In general the new legislation has worked smoothly and equitably, although the two-year qualification rule may apply harshly on occasions, and I am not entirely satisfied with the quantum of payment. I shall review this legislation, but am unlikely to propose changes before the next session of this Council.

Labour Relations

The Labour Relations Service, with a strengthened staff, has contributed much this year in maintaining industrial peace, by becoming more quickly involved in disputes, and by dealing promptly with the 35,000 enquiries made to it during the first ten months of this year.

Last year, I spoke of the very low record of working days lost by industrial action and of the remarkable degree of understanding between employers and employees which had made this excellent record possible: and I expected that employers and employees would generally continue to extend to each other their traditional goodwill and concern. The events of the past ten months have proved my conviction, in that the number of disputes dealt with by the Labour Relations Service has declined steadily since January. This is indicative of continued industrial harmony.

Liaison with Legal Aid Department

The Labour Relations Service works closely with the Legal Aid Department which does much unsung work in helping employees seek their rights, particularly in the perplexing wilderness of company bankruptcy or insolvency. To obtain priority of payment under relevant legislation, legal proceedings must be instituted—and this cannot be done without legal aid and advice. It is a tribute to the sympathetic and considerate approach of the Director of Legal Aid and his staff that more and more workers are now turning to them for help in this respect.

Insolvency

I am still concerned about the position of workers in insolvency cases, because the inescapable fact is that however much the priority of their claims can be improved—and I hope to take a further step in this

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direction—in many cases there is only a small amount of money, or none at all, to share among claimants. There is no simple solution to this problem, which I intend to re-examine.

Youth Employment Advisory Service

It is not easy for young people in our complex society to make the right decision in choosing a career, and the Youth Employment Advisory Service was created to help them do just this.

Since September, the methods of disseminating careers information have been improved by the use of a special vehicle generously donated to the department by the Rotary Club of Kowloon. The sides of this lorry can be unfolded to provide a large roofed area and this enables the service to stage "mini-careers" exhibitions in different parts of Hong Kong and so take the message of careers to young people at their schools, and living in the more remote areas.

A major careers exhibition will be staged at the City Hall in December. This annual function must, I believe, be maintained as such, because each year a new crop of potential school-leavers needs to have its eyes opened to future careers possibilities.

The Youth Employment Advisory Service can expand only by entering the labour-intensive field of individual careers guidance. Such work is costly in trained staff, and the additional resources required are likely, for some time, to be outside financial restraints. Nonetheless there is a need for individual guidance on careers. Initially, I propose to examine the sparse resources already existing in this field, and then assess whether the creation of a small trained nucleus within the Youth Employment Advisory Service, could have an impact, by working through the multiplicity of agencies in contact with young people.

International Labour Conventions

Progress is steadily being made in improving Hong Kong's position relative to the application of the more fundamental conventions of the International Labour Organization. In the last two years Hong Kong's position has been improved in respect of two conventions (Nos 12 and 17) concerning Workmen's Compensation. In addition Convention 124, which deals with the prohibition of young persons working underground, has been applied without modification, and so has the

important Convention 98 dealing with the right to organize, and collective bargaining.

Requests have been made for improved declarations in respect of rest days in industry and protection of wages: and I shall continue to seek additional improved declarations whenever possible.

From my attendances at the International Labour Conference, I am certain that such improvements, if sustained, contribute considerably to a more favourable view being taken by our trading partners, because as internationally accepted standards they indicate our progress in improving labour conditions. They are important too in combating the scathing and unfounded attacks made from time to time by illdisposed persons who resent Hong Kong's economic progress, or who are trying to protect their own narrow interests against our trading competitiveness. Hong Kong has nothing to fear in an overall comparison of its labour standards in the international arena in which we must be prepared to be judged. Indeed, Hong Kong is in the top half of the world league table with 31 conventions applied.

Other matters

You, Sir, have outlined the more immediate legislative programme but I would also like to indicate two other matters which I am currently considering with the aim of improving labour standards.

First, Hong Kong lags behind other South East Asian countries in the provision of paid statutory holidays. At present there are only six. I would like to see these increased to ten, and the Labour Advisory Board has recently given its support to this. However, I realize that this modest advance will need to be studied further in the light of the current economic situation.

Second, the maximum yearly permissible overtime for young persons, as well as for women, has been reduced from 300 hours to 250 hours from 1st January 1975, and will be reduced from 1st January 1976 to 200 hours. However, it is socially undesirable for young persons to work overtime because many of them strongly desire to further their education in their spare time. The Labour Advisory Board supports this view and indeed was largely instrumental in pressing for the abolition of all overtime for young people. But both its members and I realize that this will take some time if we are to avoid causing disruption in some industries. Therefore, I am continuing to study the economic consequences of such a move.

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Apprenticeship Bill

Finally, I support and fully endorse all that my honourable Friend Mr TIEN has said about the need for an Apprenticeship Bill.

I am glad to report that the Executive Council has advised that the bill should be introduced into this Council and I assure my honourable Friend that I shall move as rapidly as possible in this matter.

Sir, I beg to support the motion.

MR TOPLEY:—Sir, the key question about education posed in this debate is that of quantity against quality, but in a fresh form. Not why do we neglect quality but dare we in present circumstances posit our plans for educational expansion at a standard where our immediate available resources would run very little distance. Should we not relax our standards temporarily so we can help the maximum number of pupils with their education with whatever resources we are able to muster? I personally think the answer is a careful yes but I must describe the problem more fully.

The principal element which makes for difficulty is real uncertainty about financial resources—ready money—available for spending by Government departments. How will the world economy perform and how, under its influence, will the Hong Kong economy perform and then, nearer to our present purpose, how will these performances be reflected in Hong Kong Government revenues at tax rates then in force? And of this additional revenue how much can reasonably be turned over for education? If we can expect a lot rather quickly we should hardly modify our educational plans at all but wait for the revenue upturn. If, at the other extreme, there were really sound reasons for pessimism—a little and late—then we should thoroughly restructure our expansion plans to suit our assumed resources. Otherwise we would be waiting for a day that was never coming. All this should be much clearer by the time the Financial Secretary brings in his budget. Meanwhile neither he, nor in consequence I, can tell you how the financial situation will evolve.

I am therefore planning for various contingencies. First of all it would be quite unjustified to take a pessimistic view for the medium term, and it follows from this that we should not throw away or completely revamp our concepts and plans for secondary education

expansion arrived at with so much pain and sweat and enshrined at last in the White Paper.

If the situation develops favourably, as we all devoutly hope, we may be able to make a start next year, as it stands.

However if the situation fails to develop as favourably as this, there are a variety of ways of expanding secondary education, all with different price tags, all with different characteristics carrying different degrees of advantage depending on circumstances, which could be used to keep things moving until the White Paper can be implemented in full. That is to say until we can afford to go for extended day in all aided and Government schools, buying as many good places as are available in the private schools, meanwhile building as hard as we can.

At the bottom of the scale the first and minimum thing we need to concern ourselves with is that at least as high a proportion of candidates as in former years will receive an aided place as a result of taking the secondary school entrance examination. This aim requires an addition of some 4,000 to the number of Form 1 places. The quickest way of doing this is as my honourable Friend Mr Q. W. LEE rightly points out to permit a temporary increase in class size wherever this is possible. That will cost practically nothing to the Treasury.

I can also hope to redeploy some Government primary school teachers to achieve a measure of flotation—meaning extra classes—in Government schools.

These two measures together should enable me to keep up the proportion of SSEE successes so that competition for places if not made milder at least becomes no more fierce. At the worst these proposals can be placed before the Board of Education as emergency measures which provide additional places, all of them aided and in good schools.

This does not mean that I believe it a good thing to increase class size, but if we are really up against it this may be better than leaving more children without a school place in the public sector. But temporary measures easily become encrusted with an unintended permanence. We all have had hard experience of this and we have to be very watchful here.

But I am pretty confident by budget time we will have resources for rather more than this. In this case a possible additional option is to improve and extend three and five year evening secondary courses

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for primary school leavers unable to find a place in a day school. These would be new places. They would also be less expensive than a bought place so we should get good value for money here; but unless we are able to improve the places a great deal and until they gain substantial public approval it will not be possible to regard these as places in the public sector.

We are also studying critically plans to convert surplus primary schools for use within secondary education, as suggested by my honourable Friend Mr Q. W. LEE.

I am sure that the White Paper has set out more or less the line we should follow, and in the medium term will be able to follow. The expedients I have outlined above should only be adopted if, and only if, in the short term we have not the resources; we must not ignore the claims of the present generation, because they must not be allowed to become lost. Please do not misunderstand me. These would be tactical movements. I emphatically do not think it appropriate to consider a change of strategy and abandon the White Paper. I sense there is general agreement on this in this Council. What is more we must not forget the teachers both serving and in training upon whom the front-line work of education falls and on whom we rely in the last analysis to carry all our plans to fruition. We must take account of their reasonable expectation of a working career and it must always be a matter of concern that their enthusiasm is not blunted before they have had a chance to bring it fully to bear.

Against this background let me consider the suggestions of my honourable Friends. I have already indicated my substantial agreement with my Friend, Mr Q. W. LEE. And I will not deny our duty to educate our children which both Mrs SYMONS and Miss Ko Siu-wah underscore.

Mr CHEONG-LEEN offers me an economy version of a scheme which he presented a few months ago for subsidizing children wherever they sit. His economies are real but they are made at the expense of administrative simplicity. It is of course still a purely money transfer. No extra school places would be created.

His proposals for financing are interesting. He wishes to modify the scheme for subsidizing student fares in order to subsidize an overlapping population of school fee payers. It is, as I have indicated, more of an income redistribution scheme than an educational one. My

honourable colleague, the Financial Secretary is, moreover, resolutely opposed to what he calls the hypothecation of revenue. What we save here we cannot by any means, necessarily spend there. And the proposals do imply a lot of additional administrative effort for not very much output. It is not just robbing Peter to pay Paul but tearing branches off one Christmas tree to stick on to another. (*laughter*)

But as I remarked on a previous occasion we could in the event be forced to adopt measures which have some family resemblance to Mr CHEONG-LEEN's ideas and I do not wish to be scathing for that reason alone.

My honourable Friend Mr Alex WU asks me to deepen the cultural content of education in order to enrich and stabilize society by the development of self-directing individuals. It is a profound business.

President John Adams of the United States said, I am told: "I must study politics and war that my sons may have liberty to study mathematics and philosophy, navigation, commerce and agriculture in order to give their children a right to study painting, poetry, music, architecture, statuary, tapestry and porcelain." His vision was noble but his timetable went instantly awry: his son grew up to be President too. (*laughter*)

I am still brooding over that story. In the meantime, I shall lose no opportunity to deepen the educational experience whenever I can. Like Mr Wu I am concerned that we may be too dominated by short term concerns. I am anxious lest we produce many good role-players but few if any role creators.

And I will on an appropriate occasion discuss at greater length our doings in the field of education through arts and crafts and how we are preparing the teachers of tomorrow for their role in this.

Sir, I support the motion.

SECRETARY FOR THE NEW TERRITORIES:—Sir, when my honourable Friend—and neighbour—Mr CHEUNG began his speech I felt rather like the country bumpkin in the schoolroom of Goldsmith's *Deserted Village* seeking "to trace the day's disasters in his morning face"! It was a pleasant surprise therefore to be told that now and again our sums were right! I share his nostalgia for the New Territories as they were; I share his distaste for the ugly processes of development which have to be endured to fulfil that broader vision of which he spoke—the building of a "balanced and greater metropolis".

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It will interest honourable Members to know just what has been going on recently to turn this vision into reality. The magnitude and variety of development make it difficult to believe that there is a recession elsewhere; it is certainly boom-time in the New Territories! Since I spoke last November 66 acres of land have been sold or granted for industry, realizing revenue of \$82 million. This excludes the reclamation of a further 65 acres of sea bed to extend the container port at Kwai Chung which is proceeding at an unbelievable pace so that the additional berths are expected to be ready in about twelve months. Work on the first stage of the Tai Po industrial estate of 120 acres will start at the end of this month and should be completed by the end of 1977.

I have previously expressed concern about the slow build-up of industry at Tuen Mun: now there are more encouraging signs. Seven flatted factories are under construction, and I was delighted to learn recently that two toy manufacturers, who together will employ over two thousand people, will start building within the next few weeks and hope to be in production by the end of next year.

A total of 340 acres of land for residential and commercial use have also been exchanged, granted or sold since November last, at a premium of \$182 million. This includes the large site at Yuen Long of 285 acres to provide housing for 25,000 people in individual houses. At Sha Tin the recent sale of the right to reclaim and develop part of the sea bed provides an opportunity to the developer to build houses, shops and schools for a community of 30,000 people. Next year there will be an additional area of sea bed for sale at Sha Tin, and I hope that forty acres of land in the hills above Kwai Chung, now being terraced by the developers of the container terminals, will also become available for private development at the end of the year. During the course of 1976 some 400,000 square feet of commercial and residential land will be offered to holders of land exchange entitlements and, in addition, there are areas of industrial and low density residential land which also may be exchanged.

Land for the first resort area at Yi Long Wan on Lantau opposite Cheung Chau has been granted and work is expected to start soon; negotiations for another resort at Tai Long Wan also on Lantau and for the vast project at Discovery Bay are nearly complete. These projects will provide employment, they will be an attraction to tourists and offer new recreational outlets to the people of Hong Kong.

In the last year we have been handling proposals to build a 40-storey warehouse, an aerial ropeway, a 200 foot-high Buddha, a safari park, and, if we can find a suitable area of land, I do not see why we cannot cope with a zoo if that is thought to be a useful and interesting addition to the scope of life in Hong Kong.

Sir, it is amusing thought, and a point not made by my honourable colleague the Financial Secretary, that the first Asian Development Bank loan was to provide a plant to take water from the sea and to make it drinkable and that the new loan is to take dirty water and make it fit to discharge into the sea! (*laughter*). However the importance of the treatment works at Sha Tin is that it is evidence of the serious view being taken by Government of the danger of the further pollution of Tolo Harbour. When this treatment works, and that to be built at Tai Po, are in operation, perhaps we may even reduce the present pollution levels around Tai Po and in Sha Tin cove. In the meantime it is most necessary to continue the close watch on this vulnerable area of inland water, to monitor the levels of pollution and to continue to study the effects of the land-fill on marine life and micro-organisms.

While speaking of the sea I would like to draw the attention of honourable Members to the increasing use being made of ferry services. 3.9 million people travelled by ferry to the outlying islands during the first half of this year and about half of these were on recreational trips; in addition 270,000 people were carried on purely recreational trips during the same period. On the Tsuen Wan route 3.4 million people were carried, an increase of 400,000 people over the same period last year. I am sure that travel by sea both for recreation and for daily commuting is to be encouraged but the travel explosion that has taken place in the last eighteen months has outstripped the ability of many ferry piers to cope with the volume of traffic and for the services on shore to withstand the number of visitors.

Sir, much has been said in this debate about crime. By and large the New Territories, apart from Tsuen Wan, have not been infested with this problem and the people of the market towns and villages are determined to keep it that way. So much so, that from time to time press reports say that I am organizing posses of vigilantes. This is an unnecessary and alarming exaggeration. The Heung Yee Kuk, the District Fight Violent Crime Committees, the police and my administration are re-examining the functioning of the well-established rural system of village guards, which has all along been and is still maintained in the New Territories, to see how the system can be adapted and improved

[SECRETARY FOR THE NEW TERRITORIES] **Motions**

to help in present circumstances. The new towns need a different approach and in Tsuen Wan there are now about one hundred mutual aid committees and more are being formed every week. In town and country the people are organizing themselves to assist the police to drive out this threat to our society and we will do so.

Sir, it is only possible on these occasions for me to give a glimpse of life and work in the New Territories: the rate of growth is spectacular, the list of new undertakings and fresh ventures is remarkable evidence of our dynamic community. I have my moments of nostalgia too, and there are some days that I wish I could say with Dryden "How blessed is he who leads a country life, Unvex'd with anxious cares and void of strife!"

Sir, I support the motion.

Motion made. That the debate on the motion be adjourned—THE COLONIAL SECRETARY.

Question put and agreed to.

3.50 p.m.

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

4.10 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

"STAR" FERRY COMPANY (SERVICES) ORDINANCE

THE SECRETARY FOR THE ENVIRONMENT moved the following motion:—

With the consent of the company, that with effect from 1st December 1975 the schedule to the ordinance be amended—

- (1) in paragraph 5 by—
 - (a) deleting "The" where it first occurs in subparagraph (1) and substituting the following—

"Subject to sub-paragraph (6), the"; and

(b) inserting the following new sub-paragraph—

"(6) Notwithstanding sub-paragraph (1), no royalty shall be paid by the Company in respect of the years ending 31st December 1974, 31st December 1975 and 31st December 1976."; and

(2) by deleting Appendix I and substituting the following—

"APPENDIX I

FARES AND CHARGES

(a)	First class passenger—	<i>per trip</i>
	with effect from 1st December 1975:	
	Adult	30 cents
	Child under 16 years (other than a child under 3 years accompanied).....	20 cents
	Child (accompanied) under 3 years.....	free
(b)	Second class passenger—	
(i)	from 1st December 1975 to 31st December 1976 (both days inclusive):	
	Adult or child (other than a child under 3 years accompanied).....	15 cents
	Child (accompanied) under 3 years.....	free
(ii)	with effect from 1st January 1977:	
	Adult or child (other than a child under 3 years accompanied).....	20 cents
	Child (accompanied) under 3 years.....	free

[THE SECRETARY FOR THE ENVIRONMENT] **"Star" Ferry Company (Services)
Ordinance**

- (c) Monthly tickets (valid for current calendar month only) — with effect from 1st December 1975:
- | | |
|----------------------------|-------------------|
| | <i>per ticket</i> |
| Adult | \$12 |
| Child under 16 years | \$ 6." |

He said:—Sir, I rise to introduce a resolution to amend the Schedule to the "Star" Ferry Company (Services) Ordinance (Chapter 274) as set out in the paper before honourable Members. The purpose of this resolution is:—

- (1) to waive royalty for the years 1974, 1975 and 1976; and
- (2) to increase the fares set out in Appendix I of the schedule to the ordinance.

The proposed fare increases would, with effect from 1st December 1975, raise first class fares from 25 cents to 30 cents for adults and from 10 cents to 20 cents for children, and raise second class fares (adults and children) from 10 cents to 15 cents. Also from 1st December 1975 monthly tickets would rise from \$10 to \$12 for adults and from \$4 to \$6 for children. There will be no charge for accompanied children under three years. Additionally, with effect from 1st January 1977 second class fares (adults and children) would be raised from 15 cents to 20 cents.

Sir, when the company applied for an increase in fares and a waiver of royalty it made projections, based on its existing fare structure, indicating that, even before the payment of royalty and tax, it would lose money on its operations over the years 1975 to 1978 and progressively thereafter. Increased operational costs and the commencement of the cross-harbour bus services have been significant in determining the company's financial position.

If the increased fares proposed in the resolution were introduced, the company would still make a loss of some \$264,000 in 1975, assuming it paid no royalty. In 1976 the company would be reasonably financially viable and with the 1st January 1977 fare increase, profits, as percentages of average net fixed assets, would be well above the accepted norm of about 15% return on assets for efficiently run public transport companies. But the "Star" Ferry Company differs from other transport companies in that its assets are basically the ferries

which it owns and these, due to past depreciation, have a very low asset value. Moreover this value is diminishing rapidly and there is no need at this moment in time for further capital investment as the services provided by the company are perfectly adequate. In such a situation it is inappropriate to assess a fair return to this company based upon a percentage of fixed assets as this would limit the allowable profit to lower and lower levels hardly justifying the managerial effort required to run the company.

A profit bearing some relation to the average profits over the previous five year period is probably a more realistic means of assessing fair returns for a company in this exceptional position. Assuming the proposed new fare structure and no payment of royalty a projection of the profits expected over the five years 1974-1978 indicates an average annual profit of less than \$800,000. This may be considered low when compared with the previous five years 1969-1973 when profits averaged \$1.4 million *per annum* after payment of royalty.

The Transport Advisory Committee's advice on this matter was that the company should be permitted to charge 30 cents for first class and 15 cents for second class travel, that no royalty should be payable for 1974, 1975 and 1976 and that fares should be reviewed in nine to twelve months' time. The present resolution is founded on that advice but goes further in that it goes firm on the necessary fare increase foreseen by the Transport Advisory Committee by allowing a further increase in the second class fares with effect from 1st January 1977. In this way the company can plan its future operations with more certainty and the travelling public knows where it stands regarding prospects for fare increases over the next three years.

The "Star" Ferry Company, Sir, has consented to the terms of the resolution.

Motion made. That the debate on the motion be adjourned— SECRETARY FOR THE ENVIRONMENT.

Question put and agreed to.

First reading of bills

PENSIONS (INCREASE) BILL 1975

DEPOSIT-TAKING COMPANIES BILL 1975

BANKING (AMENDMENT) (NO 2) BILL 1975

INLAND REVENUE (AMENDMENT) (NO 6) BILL 1975
PEAK TRAMWAY (AMENDMENT) BILL 1975
TRAMWAY (AMENDMENT) BILL 1975

Bills read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).

Second reading of bills

PENSIONS (INCREASE) BILL 1975

THE COLONIAL SECRETARY moved the second reading of:—"A bill to authorize the grant of increases in pensions."

He said:—Sir, it has been the practice since the end of the second war for Public Service pensions to be increased in conjunction with each revision of salaries.

Before 1959, these increases were granted on a sliding scale, the general effect of which was that the percentage of increase became less as the size of the basic pension grew.

Since 1965, however, all basic pensions have been increased by the same percentage. This has usually been related to the percentage awarded to serving members of the service in revisions of salaries.

The bill seeks to give legislative authority for the payment in the future of pension increases which have been granted administratively in the past, subject in each case, of course, to the approval of the Finance Committee of this Council. It is felt that such increases should now be embodied in and protected by the law, not least because they constitute a substantial item in public expenditure amounting to about \$25 million in the present financial year.

Clause 3 of the bill sets out the categories of persons to whom pensions increases may be paid under the bill. Generally a retired public officer will not qualify for them unless he is not less than 55 years old or has retired on medical grounds or become incapable of earning a living.

Clause 4 provides that the increase in pension shall be in accordance with the appropriate part of the Second Schedule.

Clause 5 excludes pensions increases payable under the bill from the operation of section 9 of the Pensions Ordinance, which limits the amount of a pension to two thirds of the highest pensionable emoluments drawn by an officer during his service.

Clause 6 provides for pension increases to be paid from the general revenue, although the amount necessary to cover these increases will be submitted to the Finance Committee of this Council for approval in the annual Estimates in the usual manner.

Clause 7 empowers this Council, by resolution, to amend any of the schedules. All that will be necessary, if an increase in pensions is approved in the future, is for an extra paragraph to be added to each of the parts of the schedule, and for another part to be added to the schedule.

The Second Schedule is divided into eight parts, each listing the increases which are to be added to the basic pension.

Because of the varying bases which governed the calculation of increases before 1965, paragraph 1 of Part I and Part II have been framed in such a way as to make it unnecessary to include in the schedule the very complicated pre-1965 provisions.

There will be no fresh financial implications involved, because the bill merely embodies in legislative form increases which are already being paid.

I take this opportunity to give two assurances to pensioners to remove any possible misunderstanding. First, that all previous and existing increases have been properly approved and paid. Secondly, that legislation to make similar provision for increases to pensions under the Widows' and Orphans' Pension Ordinance will be introduced shortly.

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

Question put and agreed to.

DEPOSIT-TAKING COMPANIES BILL 1975

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to regulate the taking of money on deposit and to make provision for the protection of persons who deposit money."

[THE FINANCIAL SECRETARY] **Deposit-taking Companies Bill—second reading**

He said:—Sir, on 8th January this year I made a statement in this Council* about the Government's intentions in the related areas of bank licensing policy, protection of depositors and the control of finance companies. I said that I had decided not to proceed for the present with a package of proposals which would have included the introduction of a new form of limited banking licence. But I proposed to seek the advice of Your Excellency in Council on a Deposit-taking Companies Bill which would contain measures for the protection of small depositors and the registration of deposit-taking companies. The bill brought before honourable Members today is the result. I offer my apologies that I was unable to realize my expectation of publishing it within a few weeks of making my earlier statement. This was because the drafting, and certainly the associated consultations, proved to be more complicated and time-consuming than I had anticipated.

Before dealing with the bill I should stress once again that the proposal for a form of limited banking licence, which I described in January, has not been abandoned. We shall be keeping the position under review; and the information about finance companies which will become available to us if the Deposit-taking Companies Bill is enacted will help in that process. For the present, I still think it is right that there should be no enlargement of the licensed banking sector by the issue of new licences, ordinary licences or limited licences.

The bill follows closely the lines foreshadowed in my statement of 8th January. It has two main purposes. The first is to ensure that the risks to small depositors among the general public are minimized by requiring that small deposits be held only with those financial institutions which are subject to close supervision and control by the Government. The second is to ensure that other financial institutions accepting deposits from the public are of reasonable substance, that their annual accounts should be open to their depositors, and that their assets backing the deposits are not unduly concentrated with any one borrower.

The bill mainly bears on the taking of deposits by way of carrying on a business. I think it will normally be clear whether a person or a company is carrying on a business of accepting deposits, although the courts—with some guidance given in clause 6(3)—will be free to decide

* Hansard 1974-75 pages 338-343.

in individual cases. The taking of deposits by a company from its own shareholders or from related companies, or by a firm from its partners, for employment in the ordinary business of the company or firm, would clearly not constitute the carrying on of a business of accepting deposits. Certain provisions, however, such as those dealing with advertising for deposits or inducing persons by misrepresentation to make deposits, would apply to single acts, whether or not a business was being carried on.

Licensed banks, which are regulated by the Banking Ordinance, are exempted from the provisions of the bill by clause 3, as are other organizations already subject to specific ordinances or which take deposits in special circumstances which are identical to their main activity. Clause 3 also provides that loans from banks and others lending money in the normal course shall not be treated as deposits in the hands of the borrowers.

For all other organizations the bill's main provisions apply: thus clause 6 provides that a business of taking deposits may be carried on only by a company which has registered with the Commissioner of Banking and, clause 8 together with the First Schedule, provides that companies so registered shall not accept deposits smaller than \$50,000.

The conditions for registration, and for remaining registered, are set out in part IV of the bill, with the Second Schedule. Companies must have a minimum issued capital of \$5 million, of which at least $\$2\frac{1}{2}$ million must have been paid up. Businesses already in existence at the commencement date are to be allowed two years to meet this provision. Companies must provide the Commissioner annually with their latest accounts and these are to be available for public inspection, whether or not they are required to be published under the Companies Ordinance. The Commissioner is also empowered to require companies to provide him with other information relating to their affairs. Companies must pay a fee of \$10,000 on registration and annually thereafter: this is the same amount as the fee payable in respect of branch offices of banks under the Banking Ordinance.

The provisions to guard against risks to depositors from the undue concentration of a company's assets with any one borrower, and particularly with the company's own directors, or their relatives or related concerns, are in clauses 22 and 23. These are virtually identical in form with sections 23 and 24 of the Banking Ordinance as amended by the Banking (Amendment) (No 2) Bill on which I shall be speaking later.

[THE FINANCIAL SECRETARY]

Deposit-taking Companies Bill — second reading

There are also some additional provisions which were not among those foreseen in my statement earlier this year. First, it is proposed that only licensed banks and registered deposit-taking companies should be allowed to advertize in Hong Kong for deposits. This is mainly directed against the soliciting of deposits by overseas concerns which are not otherwise subject to our supervision. I would not suggest that all such overseas concerns are fly-by-night operations; but the Companies Law Revision Committee did point to the high failure rate of overseas companies which had advertized in Hong Kong for deposits. Secondly, following another recommendation by the Companies Law Revision Committee, there are provisions against the soliciting of deposits by fraudulent, reckless or negligent misrepresentation. Thirdly, the bill proposes the establishment of a Deposit-taking Companies Advisory Committee, with functions similar to those of the Banking Advisory Committee under the Banking Ordinance.

In this bill, Sir, we are feeling our way in uncharted ground. One important outcome will be that we shall obtain information about the number of deposit-taking companies and the scale of their activities. This information is almost entirely lacking at present. Once it is available, the need for more comprehensive controls and supervision can be assessed. But the bill will not, and is not intended to, put us in a position to ensure that deposit-taking companies conduct their businesses with complete safety for depositors. As my honourable Friend Mr BREMERIDGE said in this Chamber recently, the extent to which any Government should legislate to prevent a fool and his money from being easily parted is open to a wide ranging philosophical debate. We are not via this bill trying to legislate for the complete protection of all fools.

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

Question put and agreed to.

BANKING (AMENDMENT) (NO 2) BILL 1975

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to amend the Banking Ordinance."

He said:—Sir, the principal ordinance was last amended substantially in December 1971. Since that time a number of changes

have come to appear desirable; but none was urgent or, individually, worth troubling honourable Members with and so they have accumulated, and are now presented in this omnibus bill.

Clause 3 provides for the fee payable in respect of each branch of a licensed bank, under section 12B of the principal ordinance, to be variable in future by order of Your Excellency in Council, as is already the case in respect of the main licence fees specified in sections 12(1) and 44(1). The annual branch fee was raised from \$1,000 to \$10,000 earlier this year by the Banking (Amendment) Ordinance 1975, and no further increase is immediately in prospect; but it is sensible to have greater flexibility for the future.

Clause 4 seeks to remove, in sub-paragraphs (a), (b) and (c), an unintended effect of section 18 of the principal ordinance which has at times required banks to maintain excessive liquid assets and might at other times have allowed them to maintain inadequate liquid assets. This is because the specified liquidity ratio relates liquid assets during one month to the amount of deposit liabilities at the end of the previous month—which amount might be abnormal as, for example, when there has been heavy over-subscription to a share issue. It is proposed that, in future, liquid assets, averaged over a month, should be related in the specified minimum ratio to deposit liabilities averaged over the same period.

Clause 4(d) proposes to remove the automatic qualification as a liquid asset of treasury bills and certain securities issued or guaranteed by overseas Governments other than the United Kingdom Government. This is because there have been recently unwelcome proposals that foreign Governments might issue or guarantee such paper on the Hong Kong market, in which case qualification as a liquid asset would appear to give the borrower an unwarranted advantage in finer rates. There seems little doubt that the original intention must have been to allow banks to employ liquid funds in paper issued by overseas governments in their own markets; and the bill would allow me to specify assets of this kind as liquid at my discretion.

Clause 4(e) makes provision for the specified liquidity ratio to be raised. The existing ordinance gives Your Excellency in Council power to reduce the required ratio in exceptional circumstances. It is felt that exceptional circumstances could also arise in which, for prudential reasons, the ratio might need to be raised for individual banks or for all banks. The amendment is purely precautionary: there is no present intention to raise the ratio: and it is not envisaged that the ratio would ever be varied for monetary control purposes. Opportunity is also

[THE FINANCIAL SECRETARY] **Banking (Amendment) (No 2) Bill—second reading**

taken to transfer from Your Excellency in Council to the Financial Secretary the power to vary the ratio, this being in accordance with the degree of delegation now generally practised in comparable matters.

Clause 5 proposes to allow a bank's lending to any one customer to exceed the limit of 25% of the bank's capital and reserves, at present imposed by section 23 of the principal ordinance, where the excess is covered by a form of guarantee acceptable to the Commissioner of Banking. By this amendment, the similar provisions in this area of the Banking Ordinance and the Deposit-taking Companies Bill 1975, about which I have just spoken would be kept in line.

Other proposed amendments are of a more formal, and minor nature. Clause 2 removes an anomaly between the Banking Ordinance and the Professional Accountants Ordinance. Clause 6(a) removes some superfluous words; and clause 6(b) extends provisions requiring certain persons to maintain secrecy to cover also employees and assistants of such persons. Clauses 7 and 8 amend certain penalties so as to make them more realistic in today's circumstances.

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

Question put and agreed to.

INLAND REVENUE (AMENDMENT) (NO 6) BILL 1975

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to amend the Inland Revenue Ordinance."

He said:—Sir, in paragraph 192 of my budget speech*, I gave notice of my intention to provide for property tax values to be assessed independently of the rating valuation lists with effect from the year of assessment 1976-77. The main purpose of the bill before Council is to give effect to this proposal. The proposed changes will enable property tax values to be fixed in line with current market rental values and not on a "tone of the list" basis. The justification for this departure is that, whereas rates are basically a tax on occupiers of premises, property tax is intended to be a tax on income derived from ownership of property. Re-assessments will generally be timed to coincide with

* Hansard 1974-75 page 525.

reevaluations for rating but, whenever these are carried out less frequently than, say, every two years and rents take, meanwhile, an upward ward course, fresh assessable values for property tax purposes can be provided in advance of a revaluation for rating.

The new concept of "assessable value" of property and its determination is introduced in clause 4 of the bill. Whilst still based on a valuation prepared by the Commissioner of Rating and Valuation, it nevertheless departs from the concept of "rateable value" in two important aspects. First, it takes into account that rent might be restricted by Parts I and II of the Landlord and Tenant (Consolidated) Ordinance. As a consequence, the concessionary property tax charge of one-half the standard rate on rent restricted pre-war buildings is no longer necessary. Secondly, it ignores the "tone of the list" so that any property becoming subject to property tax for the first time will have an assessable value which has been estimated on the basis of rents ruling at that date. Provision is made to retain the existing allowance of 20 *per cent* for repairs and outgoings, and for this allowance to be varied in future in the interest of flexibility by resolution of this Council.

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

Question put and agreed to.

PEAK TRAMWAY (AMENDMENT) BILL 1975

SECRETARY FOR THE ENVIRONMENT moved the second reading of:— "A bill to amend the Peak Tramway Ordinance."

He said:—Sir, the Peak Tramway (Amendment) Bill 1975 seeks to provide:

first, that any resolution by this Council to vary the rate of permit fee payable by the company for the use of the Crown land over which the Peak Tramway is constructed, may be given retrospective effect to the 1st of January of the year preceding that in which it is passed; and

second, that the rate of the permit fee payable in respect of the calendar years 1974 and 1975 should be \$25,000 for each year.

Section 21(5) of the principal ordinance has, hitherto, provided that any resolution by the Legislative Council to amend the rate of permit fee may have retrospective effect to the 1st of January of the year in which the resolution is passed. The effect of this is that the

[SECRETARY FOR THE ENVIRONMENT] **Peak Tramway (Amendment) Bill—second reading**

resolution must be passed in the accounting year to which it relates but, at that time no proper assessment can be made of the year's profit of the company as the financial accounts of the company are not received until some months after the end of the accounting year and obviously any recommendation to vary the permit fee should be based on the company's accounts for the full accounting year. The proposed amendment to section 21(5) of the principal ordinance is to do just this and provides that a resolution to vary the permit fee has retrospective effect to the 1st of January of the year preceding that in which the resolution is passed.

Before dealing with the second purpose of the bill, namely, the rate of permit fee to be charged for the calendar years 1974 and 1975, I should like to say a few words about the general financial situation of the Peak Tramway Company. The company's fares were last increased on 1st November 1972. Since then, however, in common with other public transport undertakings in Hong Kong, its operating costs have been steadily increasing. This is especially so for wages and power costs: the latter having increased considerably as a result of the substantial increase in fuel oil prices in 1974. These increased costs, together with only a marginal increase in traffic revenue and increasing competition from public light buses and omnibuses, have led to the company's deteriorating financial position.

Since the fare increase in 1972 the company's net return on fixed assets in 1972 and 1973 were 17.6% and 16.78% respectively. Assuming that full permit fee remains payable the return for 1974 would be only 9.35% and for 1975 the forecast is only 3.29%. There is no doubt that if nothing were done to assist the company this low profitability position would deteriorate into a loss early in 1977 and to make matters worse the company has had to embark on a relatively costly capital replacement programme to meet the high safety standards which must be maintained for a funicular system. In these circumstances the company sought a fare increase and a waiver of permit fee in order to improve its profitability and to enable it to acquire the necessary cash for its capital replacement programme.

Very careful consideration was given to the company's request for a fare revision before submitting it for agreement by the Transport Advisory Committee. On their advice the Governor in Council has ordered that with effect from the 1st December 1975 the adult full distance fare will be increased from \$1 to \$1.50 while the fare from the

lower or upper terminus to May Road or vice versa will be increased from 50 cents to \$1. The existing children's fare of 50 cents for any distance will not be altered. Monthly tickets for students will be \$35 for the full distance and \$25 between May Road and any terminus.

At the suggestion of the Transport Advisory Committee the company has agreed to reintroduce monthly tickets for adult commuters at monthly rates of \$60 for the full distance and \$40 from May Road.

I turn now, Sir, to the question of the level of the permit fee. To allow the company a reasonable profit for the years 1974 and 1975 it is necessary to reduce the permit fee payable for these years. Honourable Members may recall that prior to the last fare increase in 1972, in somewhat similar circumstances to the present situation, this Council agreed not to remit the fee entirely but to charge the company a nominal permit fee of \$25,000 for that year, on the grounds that the permit fee is not wholly a royalty but is, in part, a charge for the exclusive use of the Crown land over which the tramway is constructed. The proposed amendment to section 21A of the principal ordinance provides for the same nominal permit fee to be charged for the years 1974 and 1975.

Assuming that the bill before honourable Members is passed into law, the company's net return on assets employed in 1974 would improve from 9.35% to 13.79% and, given the fare increase on 1st December of this year, the return for 1975 would increase from 3.29% to 6.86%. Assuming payment of the full permit fee in the following years it is forecast that the company would obtain a return on net assets of 17.77% in 1976, 14.01% in 1977 and 10.81% in 1978. I suggest that these figures are reasonable as 15% return has normally been regarded as a fair rate of return for an efficiently run transport company.

Finally, Sir, I would mention that:

first, statistics show that between 80% and 90% of the passengers on the Peak Tram are either tourists or local residents on recreational trips; and

second, commuters from the Peak have the choice of travelling by either the Peak Tram or, alternatively, the China Motor Bus Company's buses or public light buses which are cheaper.

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

Question put and agreed to.

RAILWAYS (AMENDMENT) BILL 1975**Resumption of debate on second reading (23rd October 1975)**

Question proposed.

MR CHEUNG:—Sir, I am not sure whether the British section of the Kowloon-Canton Railway is to be classified as a suburban line, a main line, or an intercontinental line. If one has regard to the lack of toilet facilities, one would be inclined to classify it as a suburban line. On the other hand alcoholic drinks are not supplied on suburban lines but only on main lines, and the present proposal therefore puts the railway firmly in the latter category. I hope, however, that the licensed vendors may be induced to offer something better than a drink through a straw out of a can. Indeed I recall with some nostalgia a very sleek train called the *Taiipo Belle* which had a proper bar against which one could lean in comfort all the way from Fanling to Kowloon.

I am slightly disappointed, Sir, that advantage has not been taken of the opportunity this bill has afforded by asking for permission to be given to the administrator to grant licences to persons who wish to sell intoxicating liquor at railway stations. As far as I know that practice is also illegal. On the other hand I congratulate the draftsman on his far-sightedness: what he asks for in this bill is to confer authority on the administrator, that is the General Manager, to grant licences to vendors of intoxicating liquor in any train—any train would include a goods train—and I am very gratified that we shall be able to see to it that cattle, which have been fattened on beer, may continue their journey into Hong Kong properly looked after. Looking at it in that way the KCR is an intercontinental railway.

In another way it is possible to regard the KCR as the beginning of a great intercontinental iron carriageway, traversing the Central Kingdom and the heartless European hinterland before bringing us finally to the flower gardens of the western world. Conceived as such it will behove us to modernize it by double tracking it all the way to Lo Wu as soon as possible. Perhaps some kind of the same meticulous research that went into another project, and some of the same aplomb, might go into the Kowloon-Canton Railway. As a railwayman myself, I do not like to see a sister system starved of funds and resources.

But coming back, Sir, to the issue as to which category in which the KCR should be placed, I suggest it is important that it should be decided which image we want to project, so that the proper policies might be formulated accordingly. Otherwise we shall end up with a

railway that is neither fish, fowl nor what these remarks might be thought to be, a good red herring.

In case my remarks may have left Members confused as to my position on this bill I wish to declare categorically, Sir, that I support the motion.

THE FINANCIAL SECRETARY:— Sir, licensed vendors on the Kowloon-Canton Railway are likely to sell only beer and spirits, but as one would expect from a connoisseur of fine wines, that speech, Sir, was vintage Cheung.

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).

TRAMWAY (AMENDMENT) BILL 1975

SECRETARY FOR THE ENVIRONMENT moved the second reading of:— "A bill to amend the Tramway Ordinance."

He said:—Sir, the Tramway (Amendment) Bill 1975 seeks:

- (a) to repeal, with effect from 1st January 1974, section 49 of the principal ordinance which provides for the payment of royalty; and
- (b) to increase the authorized fare, which may be charged by the Hong Kong Tramways Company Limited, from 20 cents to 30 cents with effect from 1st December 1975.

Before going into details of the proposals to waive the royalty and increase fares, I must inform honourable Members that it is proposed that these two forms of financial relief for the company should be coupled with a requirement that the company establishes a profit equalization fund into which would be paid profits in excess of 15% *per annum* earned on the fixed assets employed and from which funds could be drawn, when necessary, to bring the company's profits up to 15%. For it is the Government's view that, whilst public transport undertakings need a reasonable rate of return on the fixed assets employed, this return should not normally exceed 15% and that any profits in excess of 15% should be used to delay any increases in fares.

[SECRETARY FOR THE ENVIRONMENT] **Tramway (Amendment) Bill — second reading**

I have been in correspondence with the company and it has accepted the principle of a profit equalization fund and agreed to the 15% rate which is proposed, subject, of course, to the basis upon which this calculation is to be made being acceptable to both sides. Negotiations between the Government and the company on the form of the profit equalization fund, the valuation of the assets, etc., will take place if the bill before this Council is approved.

Reverting to the Tramway (Amendment) Bill 1975, may I now explain, in some detail, why it is felt that the waiving of royalty from the year 1974 and onwards, and a fare increase to 30 cents from 1st December 1975 are necessary? Following the company's application for a fare increase, the Transport Advisory Committee examined the company's financial position and accepted the calculation that if royalty were paid, the rate of return on the fixed assets as calculated by the Government would be only 8.83% in 1974. Even if fares were increased to 30 cents from 1st December 1975, with the payment of royalty, the company's rate of return on net fixed assets in 1975 would be only 7.04%. The Transport Advisory Committee accordingly advised that royalty be waived for 1974 and 1975 thereby bringing the company's rate of return for each of these years to 13.24% and 10.73% respectively.

As for the next three years 1976, 1977 and 1978, on the assumption that of fares would be raised to 30 cents, but without the benefit of Government waiving the royalty, the rate of return for each year has been estimated to be:

1976—23.31%
1977—16.54%
1978—8.18%

The decline in profits which is predicted between 1976 and 1978 reflects the higher costs which the company is expected to suffer in these years. Bearing this in mind and to avoid further fare increases in the foreseeable future, it is proposed that the royalty in respect of the years 1974 and 1975 and for the future should be waived by repealing the Tramway Ordinance's requirement for royalty with retrospective effect. The effect of waiving the royalty on the company's rate of return for 1976, 1977 and 1978 would be:

1976—32.11%
1977—23.49%
1978—12.96%

Clearly, this rate of return is too high and this brings me back to the requirement for a profit equalization fund into which excess profits could be paid and which could be tapped to add to profits when the rate fell below 15% thus delaying any future fare increases.

Sir, I think that I need make only two additional points:

first, monthly tickets will be increased from \$18 to \$27 *pro rata* with the standard fare increase but no change is proposed for the children's and students' fares of 10 cents;

second, the Hong Kong Tramway Company's last fare increase was in 1972 when separate third class accommodation was abolished and the first class fare of 20 cents adopted for all passengers. The old fares of 20 cents on the upper deck and 10 cents on the lower deck had a history going back to 1946. Before then, stretching back to 1902, the tram fare was 15 cents and without wishing to play down the effect of the proposed fare increase on those who regularly use the trams, I hope honourable Members agree that the increase is necessary and that the history of no more than modest fare increases on Hong Kong's trams is something about which the company has no reason to be ashamed.

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

Question put and agreed to.

COMPANIES (AMENDMENT) (NO 3) BILL 1975

Resumption of debate on second reading (23rd October 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).

SMALL CLAIMS TRIBUNAL BILL 1975**Resumption of debate on second reading (23rd October 1975)**

Question proposed.

MR CHEUNG:—Sir, I have to confess I regret that Government has found it necessary to create this new tribunal. The District Court was established in 1953 particularly for the purpose of dealing with small claims: it took over the summary jurisdiction of the Supreme Court, and was intended to be a layman's court, as far as its civil jurisdiction was concerned, and its rules of procedure were of the simplest kind. However, with the passing of years there came demands to increase the monetary limit of its jurisdiction, which was done in two stages, until today it may entertain claims up to \$20,000. When the first move was made to increase its jurisdiction in the early 1960's, I resisted it as strongly as I could, together with most members of the Bar, for we foresaw that with the increase in the limit of its jurisdiction there would come elaboration and sophistication in its rules of procedure, which would soon make it anything but a grass roots court, and that of course is what has happened. Every kind of argument was deployed to make the contrary view prevail, and unfortunately, its protagonists succeeded; that, however, is water under the bridge. I recognize that there is a present need to establish this tribunal, and I have put on record my previous standing on that issue only as a warning that future tendencies at increasing the jurisdiction of any court ought to be scrutinized with extraordinary care.

I am also personally unhappy that exclusive jurisdiction has been given to the new tribunal within the limits set out in the bill; I should have thought it would have been sound to follow the precedent of the District Court, and give this tribunal concurrent jurisdiction with our existing courts, but making it punitive on the litigant who resorted to the other courts when he could quite plainly have brought his claim in the new tribunal. However my Unofficial colleagues do not share my misgivings; and out of respect to their views and the Government view I do not press mine to the point of dissent.

For these reasons I find welcome and reassuring the honourable Attorney General's remarks that there will be no further creation of courts or creatures of this nature. I do not like the proliferation of courts, and, as for the exclusion of lawyers from courts, I can only say others have trod that path; the first plush carpeted steps beckon them on, but they will find that the next steps are of bare concrete, below

them will be flag stones set in crumbling mortar and in the end they will find a total shambles.

Nonetheless I think it will be prudent if we follow the precedent set by the Labour Tribunal Ordinance which is to provide expressly that this ordinance should have a life of three years, unless the tribunal indeed turns out to be a resounding success, in which case, of course, we will provide for it to go on. With this view my Unofficial colleagues agree, and at the committee stage, I will table an amendment to give effect to it. I shall be happy to hear that it will also have the support of Official Members.

MR CHEONG-LEEN:—Sir, I would like to comment on this Small Claims Tribunal Bill which will have jurisdiction to deal with monetary claims involving sums of not over \$3,000.

As the proceedings of the tribunal will be in either Chinese or English, it should be possible for those who do not speak English to bring their claims before the tribunal without much difficulty. However, it has been suggested that the Small Claims Tribunal could all too easily become, in the eyes of the small man, just another tool for Government agencies and business companies to extract every cent that is due from the lower income sections of the community. We shall therefore have to follow the manner in which the public accept this tribunal most carefully. Hopefully, the Small Claims Tribunal should be recognized as being for the benefit of the community as a whole, and not to be thought of as being used predominantly to oppress the small man.

It has also been suggested that the tribunal could strengthen the effectiveness and usefulness of registered multi-storey management groups in collecting overdue amounts incurred in the course of management from dissident flat-owners or tenants. If such is the case, I hope that the CDOs will give every assistance in assisting multi-storey management committees to use the Small Claims Tribunal to enforce reasonable discipline and co-operation in multi-storey buildings for the good of all residents concerned.

I would go even further by saying that with the passage of this bill the CDOs should now redouble their efforts to have all large multistorey buildings which have little or no management to set up management committees with the least possible delay.

In the light of these reservations and in the light of the remarks made by the honourable Oswald CHEUNG, I will support the bill.

Small Claims Tribunal Bill—resumption of debate on second reading (23.10.75)

THE ATTORNEY GENERAL:—Sir, may I just acknowledge the wisdom, as I see it, Sir, of the honourable Mr CHEUNG's suggestion that the small claims tribunal should be established initially for a three-year period. This will ensure a thorough review of its functioning after a reasonable trial period when its future will come before this Council for consideration.

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).

SUPREME COURT BILL 1975**Resumption of debate on second reading (23rd October 1975)**

Question proposed.

MR CHEUNG:—This time, Sir, I will be very brief. I welcome the establishment of the Court of Appeal, and indeed on several occasions in recent years I have pressed for early implementation of that concept.

I should like between now and the committee stage to consider various provisions of the bill of a technical legal nature, and consult with some of my colleagues at the Bar on them, and it may be that we may have some useful suggestions to offer at that stage.

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 bills

Council went into Committee.

RAILWAYS (AMENDMENT) BILL 1975

Clauses 1 and 2 were agreed to.

COMPANIES (AMENDMENT) (NO 3) BILL 1975

Clauses 1 and 2 were agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that the
Railways (Amendment) Bill 1975 and the
Companies (Amendment) (No 3) Bill 1975

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

Question put on each bill and agreed to.

Bills read the third time and passed.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 p.m. tomorrow.

Suspended accordingly at five minutes past five o'clock.