

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 7th April 1976****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-COVE, CMG, JP
THE HONOURABLE THE ATTORNEY GENERAL (*Acting*)
MR GARTH CECIL THORNTON, QC
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, CVO, JP
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP
SECRETARY FOR THE ENVIRONMENT
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, 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, CMG, JP
DIRECTOR OF EDUCATION
THE HONOURABLE IAN ROBERT PRICE, TD, JP
COMMISSIONER FOR LABOUR
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP
THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP
THE HONOURABLE JAMES WU MAN-HON, OBE, JP
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP
THE HONOURABLE LI FOOK-WO, OBE, JP
THE HONOURABLE JOHN HENRY BREMRIDGE, OBE, JP
DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP
THE HONOURABLE MRS KWAN KO SIU-WAH, MBE, JP
THE HONOURABLE LO TAK-SHING, OBE, JP
THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP
THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR KENNETH HARRY WHEELER

Papers

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

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First reading of bills

**HONG KONG INDUSTRIAL ESTATES PROVISIONAL
AUTHORITY BILL 1976**
DISTRICT COURT (AMENDMENT) BILL 1976
LABOUR TRIBUNAL (AMENDMENT) BILL 1976
AERIAL ROPEWAYS (SAFETY) BILL 1976
**LIFTS AND ESCALATORS (SAFETY) (AMENDMENT)
BILL 1976**

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

Second reading of bills

APPROPRIATION BILL 1976

Resumption of debate on second reading (24th/25th March 1976)

Question proposed.

MR TOPLEY:—Sir, my honourable Friend the Financial Secretary stated in his budget speech, among other things, that I would explain the implications of the programme for expanding secondary education including the implications for the employment of teachers. This I will do. I share the satisfaction of Members of this Council and of the Hong Kong community generally that we now have the agreed financial backing to provide nine years of education in the public sector for everyone who wants it and, what is more, that we shall be providing this one year earlier than originally planned. I too would like to congratulate the Financial Secretary on his wisdom, thank him and members of his staff for their support and indeed thank all concerned including Members of this Council and the educators of Hong Kong for their encouragement and, finally, the staff of my department for their work in the realization of this plan.

We find ourselves with a body of tasks to be performed which I will list and then describe in detail. The first job is to float classes in Government and aided schools and to buy the large number of additional places in private schools necessary to meet our aim. Then we must decide and make arrangements for the replacement of the Secondary School Entrance Examination. These two tasks I must complete by 1978. As for my longer-term commitments, we must plan the number, location and type of schools to be built to phase out the educational expedients I have described, while making adequate provision of teachers. We must continue to develop the secondary curriculum and plan the introduction of the technical/practical element which we need. We must consider options for "further" education for the much increased number of Form 3 leavers who will be with us by 1980 or thereabouts. Finally and very important, I must organize my department for the execution of these major tasks. I will spell out these tasks in more detail and analyse their inter-relations.

The Memorandum Note on Head 34 of the printed Estimates adequately describes our initial plan for expanding secondary education and assures financial support for it. That it is a plan for social retrieval as much as for education I readily agree. It has been brought to this point of fruition by meticulous attention to priorities. Only in this way I believe can we rescue ourselves from our present *impasse*. The first priority is to get everyone into secondary schools and this first priority implies painful posteriorities like the development of the careers service, to name but one example. But present financial circumstances describe sharply the limits of what we can do now. Trying to do everything at once when you haven't got the money is bad planning and leads to confusion and drift.

Lest I should give honourable Members the impression that I am sacrificing the quality of secondary education in order to get everyone of the right age into schools, I should reiterate that there are 43 new schools either in the course of construction or for which funds are assured and which we will begin building this year. And 36 private assisted schools are moving a further big step toward full-aided status. In addition to this we have decided that we can no longer delay the introduction of educational television into secondary schools. If it is humanly possible we will make a start on a selective basis in September 1976—that means we will do it—and I shall accordingly be seeking funds for this purpose. Together these major measures represent a considerable injection of quality into the secondary education system.

My next task is to act on the White Paper recommendation to abolish the Secondary School Entrance Exam. As honourable Members must be aware this exam decides who among the Primary 6 population gets a Form 1 place, and where. By abolition, then, I mean the disposal of the first question. This still leaves me with how Primary 6 children should be allocated Form 1 places in which secondary schools. As is well known the working party on measures to replace the Secondary School Entrance Exam has reported and its proposals have been widely discussed. This debate has brought out clearly the conflict between the desire to retain and develop excellent education for the benefit of some pupils and also for the community through the production of effective leaders and trained professionals on the one hand, and on the other the desire to give a fair chance for everyone through mixed ability intake. The debate is not yet finished and clearly we must steer carefully to avoid either injustice, or chaos resulting from a too rapid and doctrinaire rearrangement of our system. The guidance given by the White Paper suggests that we must give the fairest possible chance to everyone, but we must not in the process destroy or undermine the good work of the past.

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I have outlined my immediate tasks. Turning to my long-term commitments we must now re-examine our schools building programme in the light of financial forecasts, the probable rate of development of the new towns and their forecast demographic characteristics in order to determine how many schools can and should be built where. These forecasts together with the guidelines laid down in the White Paper for the appropriate mix of schools will decide what will be the proportions of asymmetric, grammar and technical schools. This will be the mechanism by which we first phase out bought places and, second, reduce extended day and flotation to a reasonable minimum. It will be a long and difficult job but, in the long run, we must rely on the schools building programme, for a sufficient stock of purpose-built schools provides the right educational environment for improving standards and for introducing constructive change into the educational system.

We have made considerable progress with the development of a new curriculum for Forms 1-3 in our secondary schools. Parts of this curriculum have already been introduced into schools on an experimental basis and we are now committed to a programme of continuous adjustment and improvement of this curriculum to meet the proven needs of schools. But, like the schools building programme comprehensive application of these improvements and adjustments, required to achieve a basic junior secondary education for all, will take time and resources. And it is of course vital to win the support of the schools. Much work has been done in establishing the range of choices we have for introducing the technical/practical element into schools. It is now clear that an effective solution will be expensive by any route. We have now moreover three costly technical institutes and are building two more and it is emerging, in my mind at least, that we should as a priority in technical education make the maximum use of these institutes so their facilities are used to the uttermost for the benefit of the host of young school leavers who need to equip themselves to earn a living. The recent enactment of the Apprenticeship Ordinance ensures that I am continually reminded of the need to provide the right day-release course for the young apprentices whose employers will soon be sending them to the technical institutes, which were after all specially designed for this purpose.

I should turn aside briefly to examine the educational landscape as it may appear to the army of young people finishing Form 3 in the 1980s. First, not all will be able to proceed to further education in the school system and some will not wish it. We have undertaken to

provide places in Forms 4 and 5 in the public sector for 40% of the 15-16 age group for those most capable of benefiting. But there will be a substantial proportion of Form 3 leavers who will enter employment but who want to advance themselves through educational means. It is also important to fix our eyes on these and provide for them the right kind of vocationally oriented education or training. Here again the further development of the technical institutes and the need to make them attractive and exciting places spring to mind. Much thought is being given to this whole area in considering the scale, nature and degree of selectivity which we should apply to the education to be provided in the public sector after Form 3. We should surely in the future avoid if we can provision by arbitrary percentages of the age group but attempt rather to devise objective measures, albeit crude, of our needs in this area.

Earlier on I said that one of my long-term tasks is to make adequate provision for teachers. We have always recognized that the backbone of the educational system must be the body of trained teachers working in it and over the years very substantial efforts have been made to build and staff colleges of education and to provide the appropriate number of teachers to man the system. In 1972, when a huge programme of secondary expansion was already in view, steps were taken to calculate the right output of teachers to meet this demand. What was not known at the time was precisely how the secondary expansion was to be effected. Now it is plain that our initial, I repeat initial, thrust must be through the buying of places in private schools, and we are faced with a real difficulty. Teachers trained in our colleges of education entered these colleges in the expectation that they would gain teaching posts in the Government and aided sectors either in primary or in secondary schools; but demographic developments have told against us. The number of children entering primary schools has dropped further than could be predicted at the time when decisions were made and our financial circumstances do not permit primary classes to shrink permanently to a size which would enable all graduating teachers to be easily and immediately absorbed. Thus, we are faced this year with a surplus of serving teachers and of graduates from colleges of education. The serving teachers we can confidently absorb into the primary system through retirements and wastage, and into the secondary system *via* expansion. Some of the graduates of colleges of education will also find jobs in aided primary schools and in aided secondary schools but there will be a substantial body of others for whom there will be no place in aided schools. I am offering to 250 of these graduates a third year course in the colleges which will enable them to improve their

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qualifications but not all will feel able to take up this offer and I could well be faced with a surplus of three or four hundred teachers—it is impossible to be more exact—who will be required to seek work in private schools or on the general labour market. That this is not satisfactory I readily agree but the Government has never accepted an obligation to find jobs in the aided sector for all graduating teachers; other school, Polytechnic or university graduates might well ask for a similar guarantee. Nevertheless, the present situation of surplus is temporary only and we do not want this valuable body of trained manpower dispersed and lost to teaching. It makes sense to take action which will have the effect of keeping as many as possible in the teaching force. A placement service will be organized by the Education Department to see that as many as possible get jobs in teaching, with clear priority being given to these graduates over unqualified seekers of teaching posts in all schools. Those who cannot find a teaching job will first be relieved of their obligation to teach, implicit in the maintenance grant which they have received, and generous arrangements will be made to phase loan repayments. These measures will not be adequate of themselves to meet the situation in reasonable degree, and many possibilities have been considered. Finally it has been agreed that the most appropriate additional measure is to maintain the complement of primary classes at a level such that another 220 graduating teachers will find the opportunity of securing posts in aided primary schools. These measures taken as a whole should reduce the surplus to a reasonable size, giving a fair chance to the teacher graduates without according them privileges denied to the rest of the community. This means that the number of graduates unable to get posts in aided schools would no longer be of the order of 300 or 400 and, dependent on the success of various measures, could be very much less. There will also, as I have indicated, be posts available in the private sector in addition. I shall accordingly be seeking funds for this purpose from the Finance Committee of this Council. I should add that the problem is not likely to recur; new teaching opportunities will open up as our secondary education programme gets under way.

To carry out all these tasks in a co-ordinated manner we will require a degree of central planning within the Education Department which is quite unexampled. I have therefore taken steps to set up a small central planning unit which will collect and analyse information and draw together, but without entanglement, the threads from the separate divisions of this department so that each planning element

can be measured and judged in the light of related educational themes. In addition I must also consider, in the light of our immediate experience, whether a measure of reorganization will be required in the department itself.

I now come to answer directly the specific points raised by my honourable Friends the Unofficial Members. I have taken serious note of my honourable Friend Mrs SYMONS' call for a wider and more inclusive conception of accountability within the educational system and I hope that what I have said on various key topics will reassure her, at least of my good intentions. My honourable Friend Mr Alex WU has called for a more scrupulous examination of our arrangements for technical education; in particular he makes a strong plea for pre-vocational schools. The fact is that we shall be moving from a total of 11,000 to a total of 18,000 places in pre-vocational schools by 1980 and we shall soon be seeking the approval of the Finance Committee of this Council for this facet of our plans for expanding secondary education. The further development of pre-vocational schools must depend on a continuous assessment of their true value to the community in competition with other forms of technical education. It is exceedingly true that we must aim for the right balance of general and technical education and must co-ordinate our efforts, so that there is an economical progress from technical education in the schools to the technical institutes, the Polytechnic and the universities; and in response to my honourable Friend Dr S. Y. CHUNG's call on a recent occasion for a co-ordinating body to examine and progress technical education as a whole we are moving towards the establishment of a technical education steering group in association with the Board of Education. To my honourable Friend Dr Harry FANG I must admit frankly to my failure to carry through on time the programme of special education approved by the Finance Committee of this Council and I must further state that I cannot give him the assurance for which he has quite properly asked. The position is that we have a target but lack some tools essential to meet it; in particular we need a pay and career structure for teachers in special education. A comprehensive Code of Aid, the instrument of such a structure, has been drafted but has not yet been brought to the point of approval. Matching arrangements are needed for government schools. I must add that this is an intrinsically difficult field to cultivate. The work is taxing and particularly tricky to organize; and effective incentives must be provided to the cultivators. A very special motivation is needed and there may always be difficulties in getting the right people to do the work. I will, however, give personal attention to this field, in which I believe, and hope that next year I will have better things to report.

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Finally I must respond to my honourable Friend Mr Peter WILLIAMS' demand that I account seriously for my time. I hope that I have held his attention while I have described our educational tasks and intentions. If he ripostes that I spent too much time opening schools my rejoinder must be that I hope to open many more.

With these remarks, Sir, I beg to support the motion.

DR CHOA:—Sir, while I cannot promise my honourable Friend Mr LOBO that the ladies in white at the Kai Tak Airport will from now on smile at him every time he approaches their counter, I accede to his request to review the developments in the Medical and Health Services for the past six years though I will be very brief.

With regard to hospital beds, at the beginning of April 1971 there were 4.07 beds per thousand population. By the end of 1973, it was clear that the target of 4.25 beds per thousand set by the previous Medical Development Plan Standing Committee could be achieved, because all contributing hospital building projects had been approved. During the period under review, we have seen the opening of the psychiatric unit of the Queen Mary Hospital and the 200-bed Siu Lam Hospital for the mentally retarded, and started to open the 1,300-bed general wing of the Princess Margaret Hospital. In the Government-subsidized section, additional beds have been gained by the opening of the Yan Chai Hospital, 100 beds, the United Christian Hospital, 549 beds, and the Centenary Block of the Tung Wah Hospital, 166 beds, besides 162 beds have been added to the Pok Oi Hospital. As a result of the completion of these projects, including the full occupancy of the Princess Margaret Hospital, the bed: population ratio will be increased to 4.3 beds per thousand.

In the provision of clinic services, we have, in the past six years, opened the North Kwai Chung Clinic, the South Kwai Chung Polyclinic Phase I, the Wu York Yu Clinic at Tse Wan Shan, and the Sha Tau Kok Clinic. Two more will be brought into operation soon: the Tang Chi Ngong Specialist Clinic on Morrison Hill and the South Kwai Chung Polyclinic Phase II, both having been completed last year. The Kowloon East Polyclinic Phase I is also expected to be brought into operation in January 1977.

Other important additions to the services include the Institute of Immunology on Victoria Road, the laundry in Chai Wan, and the

Clinical Pathology Building in the Queen Mary Hospital. Two projects have just been completed: the extension of the Casualty Department of the Queen Elizabeth Hospital and the conversion of an area on the top floor of that hospital into a training school for midwives.

In the next four years, as my honourable Friend pointed out, \$430 million has been earmarked for capital works. These include items on which work has already started or will start soon, namely the psychiatric wing of the Princess Margaret Hospital of 1,300 beds, and additions and improvements to existing institutions, such as the Castle Peak and Queen Mary Hospitals. Meanwhile approval for inclusion in the public works programme with financial commitment has been given for a number of projects, for instance, a health centre and a polyclinic in East Kowloon, a standard clinic in Ngau Tau Kok, a hospital, a polyclinic and a general clinic in Sha Tin, a polyclinic in Tuen Mun, a general clinic in Lei Muk Shu, a second laundry, the MacLehose Dental Centre and a dental teaching clinic to be used by the proposed dental school.

It is true that the recommendations contained in the Medical White Paper have been shelved for one year. For the department 1974-75 was a year of consolidation while in 1975-76 much commissioning work was done on newly completed projects. The Medical Development Advisory Committee will hold several meetings over the next two months to review further developments and to up date the programmes foreshadowed in the White Paper in the light of the ability to finance and service the various projects.

In response to the honourable Mr F. W. LI's plea to heads of departments to keep a close watch on expenditure, I wish to assure him that strict financial control is maintained in the Medical and Health Department to ensure that expenditure is within the provision made. Every month a statement is prepared in the many institutions within the department showing expenditure against individual votes. These are consolidated in headquarters and an overall statement is prepared which I see and scrutinize every month. There are certain areas to which I pay particular attention, for instance, drugs, supplies and fuel. In these areas, in addition to normal control, there are special monitoring committees examining wastage, economies and effective use of resources, and from time to time sub-committees are appointed to look at particular areas.

Sir, in last year's budget debate I explained in some detail the difficulties of giving effect to that part of the Hartwell Report which recommended the employment of private doctors on a part-time basis. In the Medical and Health Department there is an establishment for

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838 permanent posts and 46 supernumerary posts for doctors. It must be expected that there will be at any time numbers of medical officers leaving for a variety of reasons and numbers coming into the service. The resignation rate fluctuates from time to time over the years. I would like to take this opportunity to clarify the recent situation. Since January this year, 83 medical and health officers of all grades have given notice that they will be leaving the service, of these 18 are proceeding on normal retirement, 14 on completion of agreement, 23 are emigrating, 12 are going into private practice, 5 are taking up other employment and 11 for no stated reasons. These departures take effect over a period of a few months. On the other hand, during this period, 36 doctors have been recruited. At the end of June this year, 118 interns will finish their internship and normally 70-80% of them can be expected to join Government service. Of the 83 doctors who have left or are leaving, 10 are either consultants or senior medical officers with higher qualifications. There is no difficulty to replace them by promoting others with similar qualifications.

I do not accept that lack of opportunity for training and research inhibits a medical career in the public service because opportunities exist for Government Medical Officers who have the required aptitude and capacity to undertake post-graduate training with a view to specialization. I have dealt on previous occasions with our continuous training programme which has provided the service with many specialists, and I do not intend to quote the figures again. I have found that the complaint that training facilities in the Government medical service are lacking is usually an excuse and not a reason for leaving. Nor, as it has often been alleged, are prospects for promotion lacking, though for those who are impatient advancement never comes soon enough. In the commissioning of the Princess Margaret Hospital alone, there are 31 posts in the middle and top ranks, as Senior Medical Officers and Consultants have been respectively called, to be filled by promotion. I do not deny that the volume of work in Government hospitals has greatly increased, in fact, I have often openly expressed my appreciation to the staff for shouldering the heavy load and I do so again now. I would not like to think that either work or pay would deter anyone who is set on making a career in Government medical service. As regards pay, we all know that it is common for a doctor in private practice to get many times the salary of Government staff. I should make it quite clear that in my view the engagement of private doctors on a part-time basis, and especially the engagement of specialists,

would not contribute significantly to a solution of our staffing problems. There is, of course, nothing to prevent the honourable Dr FANG from putting forward his suggestion to the Medical Development Advisory Committee, of which he is himself a member, when that committee considers the future development of the programmes foreshadowed in the White Paper.

It has been suggested that in order to relieve pressure upon hospital space a community nursing service should be developed. The idea *per se* is of course commendable but I must point out that our policy is largely influenced by two important existing factors which will continue to prevail for this decade; firstly, to relieve the overcrowding of our hospitals which reflects that there are still many disease conditions to be treated in hospital and not at home; and secondly, to provide complementary hospital services parallel with the development of new towns. Also, because of the shortage of nurses, the priority must be adequately to man existing institutions and those being constructed under the development programme. It should not be forgotten however that some of the functions which would be provided under the community nursing service are already undertaken by the health visiting service and the maternal and child health service. Incidentally I would like to mention that strictly speaking nurses require special training before they are qualified for this type of work; the period recommended is at least 12 weeks. The question whether those services now provided by the non-Government sector should be subvented and extended will be discussed during the current session of the Medical Development Advisory Committee.

Sir, I beg to support the motion.

SECRETARY FOR SOCIAL SERVICES:—Sir, when I spoke at the beginning of this current session of the Legislative Council I drew honourable Members' attention to the very large growth in social security payments in recent years, in particular when measured against the growth envisaged in the 1973 Five Year Plan for social welfare development. In paragraph 158 of his budget speech* my honourable colleague the Financial Secretary has suggested that in view of the considerable growth in social security payments, we should now rethink and establish where our priorities lie in the expansion of social welfare services apart from cash payments.

It may be useful if I give a brief picture of what laid behind the original assumptions and projections of growth of public assistance and

* Hansard 1975-76 page 545.

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disability and infirmity allowance caseloads which appeared in the 1973 social welfare plan.

In 1970 under the old and restricted public assistance scheme the caseload was around 7,500. The expanded scheme introduced in 1971 saw an initial rapid rise in the caseload as more people became eligible. However, this rise slackened towards the end of 1971 so that by early 1972 the caseload was slightly below the original planning figure of 15,000. This situation led the Director of Social Welfare to the opinion that the maximum projected caseload might eventually be 30,000. In February this year the caseload was over 55,000.

The disability and infirmity allowance scheme commenced on 1st April 1973. It was estimated that the total caseload would be about 38,000 rising thereafter fairly slowly. This projection was based on the best possible information available at the time but clearly has not been borne out in the event because in February 1976 the total caseload was over 65,000. This caseload now seems to have stabilized and will increase only marginally in the future.

On present information then, the Director of Social Welfare estimates that the public assistance caseload is likely to expand to about 72,000 in about two years' time and thereafter increase slowly in line with the population trend. The difference between the 1973 estimate of a maximum caseload of 30,000 and the present estimate of 72,000 is due to social rather than economic reasons, as explained in paragraphs 157 and 158 of the Financial Secretary's budget speech*. In this connection, I might add that one other reason, in my opinion, is the break-down of the traditional reluctance to claim welfare assistance seems to have been more pronounced than was estimated. To a lesser extent, two other factors also contribute; when rates are raised, as they have been on three occasions, more applicants become marginally eligible for assistance and secondly more people might now decide that it is worth their while claiming whereas before they did not bother.

Sir, I must emphasize that Government is fully committed to the social security schemes and I fully agree with my honourable Friend Miss Ko that there is a need for the provision of social welfare services apart from direct cash payments. The one cannot be regarded as a satisfactory replacement for the other. But when we embarked on the

* Hansard 1975-76 page 544.

social security schemes certain basic assumptions regarding take-up rates had to be made. This was about the same time that the general frame-work of the Five Year Plan was being drawn up and these broad assumptions were carried over into the provision of services under the plan. But it seems as if some of these assumptions need to be modified in the light of events. It is written in the Five Year Plan itself that it should be reviewed annually. So far these reviews, including this year's review which is almost completed, have mainly concentrated on developing projects along guide-lines laid down in the original plan. What seems to be necessary is that the next review should be a study in greater depth not only into projects which have already been included within the planning process but also into the underlying policy on which the future development of social welfare services will take place. Accordingly, I shall be discussing with the Director of Social Welfare to decide how such a review might best be conducted.

Having established our needs, we then have to determine whether our resources are being used in the best way to meet them. This brings me to the subject of evaluation and I agree with my honourable Friend Miss KO that the main objectives for evaluation should aim both to develop sound and better social services and to measure the extent to which expenditure of resources upon a particular programme is justified by its results.

There is no intention on Government's part to use evaluation as a means of reducing subventions and curtailing essential services in the voluntary sector. Indeed it may well be that a proper evaluation will throw up the need for increased subventions in certain spheres perhaps at the expense of others. In this connection, my honourable Friend, Mr LOBO's suggestion of merging welfare organizations will be borne in mind although this will not be easy to achieve nor am I confident that the objectives he has in mind, that is raising standards and reducing costs, will be achieved by such a process.

My honourable Friend Miss KO has mentioned the resources going into the provision of youth services. This is perhaps an area where evaluation of the kind I have just described can be carried out profitably. This Council has recognized that law and order must be Government's first priority. And it may well be that evaluation of youth services will indicate that greater emphasis should be placed on preventive programmes such as school social work and less on those young people who are able to look after themselves.

As to where we go on evaluation from here on I hope, in the light of the experience of the Evaluation Sub-Committee of the Social Welfare Advisory Committee over the last 18 months, that it will now be

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possible to define our objectives realistically, decide where our priorities lie, and set about our task as quickly as possible. I shall also be discussing with the Director of Social Welfare in what ways the existing evaluation machinery might be strengthened to achieve our goals.

I must, however, point out that the social welfare subvention one-line-vote, as allocated on the advice of the Social Welfare Advisory Committee, must be subject to the same constraints in growth as other heads of expenditure. My honourable colleague, the Financial Secretary, has referred to the dramatic increase in social welfare subventions in recent years and I must echo his warning that the voluntary social welfare sector cannot go on expanding at this rate *ad infinitum*. With this reservation, I can, nevertheless, assure my honourable Friends, Dr FANG and Miss KO that funds will be forth-coming for services which are accepted by Government as meeting a recognized and defined social need, provided that public funds are used effectively and efficiently.

My honourable colleague the Financial Secretary mentioned in paragraph 153 of his budget speech* that the provision sought for 1976-77 will allow the Child Care Centres Ordinance to be implemented from 1st June. I am pleased to announce that regulations made under the ordinance will be published in the *Government Gazette* on Friday. The Social Welfare Department will now mount a publicity campaign aimed not only at operators of these centres for whom a code of practice will be issued but also at the parents of children who attend these centres for whom a pamphlet has been prepared explaining what should be expected in the way of services at these centres.

Sir, may I now turn to my honourable Friend Mr LOBO's comments concerning the employment of the disabled. Eighteen months ago employment prospects for the disabled were distinctly unfavourable, as was indeed the case for the able-bodied. In 1974, only 160 disabled were found jobs through the Social Welfare Department. In 1975 the figure rose to 200. In the first three months of 1976, 133 disabled were successfully placed in employment including an all-time record of 55 placed in March this year. I am confident that this better situation is not only a consequence of our improving economy, but also a recognition by employers that the disabled can be a viable and hard working segment of our workforce. In this respect, may I add that it continues to be Government's policy to employ disabled persons in appropriate

* Hansard 1975-76 page 543.

jobs wherever possible. Disabled persons who apply for Government posts are considered on equal terms with other applicants, provided they are fully capable of doing the particular work in question. An example is the employment of blind telephone operators on exchanges which have been specially adapted to cope with their disability.

Finally, Sir, my honourable Friends Dr FANG and Mr CHEUNG asked about the progress being made with the proposed establishment of a dental school at the University of Hong Kong, as recommended in the 1974 White Paper on the Medical and Health Services. I can assure my honourable Friends that the establishment of the dental school remains an important Government priority. The first step however is the appointment of the Dental Academic Advisory Committee, and the University and Polytechnic Grants Committee has started discussions with the University of Hong Kong on the terms of reference for this committee, on the procedure for the appointment of members and about the appointment of the Dean of the School. It is expected that the membership of this committee will be completed by June of this year. It is hoped, however, that subject to planning and other restraints, it will be possible for the dental teaching clinic to be completed by the summer of 1980, which would enable the first pre-clinical intake to be admitted to the dental school in September 1979. The first dentists trained at the school would then graduate in 1983. If this timetable is confirmed by the Dental Academic Advisory Committee, a recommendation will be made for the upgrading of the dental teaching clinic item in the Public Works Programme, and I am grateful to my honourable Friend Mr CHEUNG for his support.

Sir, I support the motion.

SECRETARY FOR THE ENVIRONMENT:—Sir, in his speech my honourable Friend Mr LOBO said that a large proportion of the many motor-cycles which now use our roads are in the hands of suicidal maniacs. He proposed raising the annual registration fees for these machines from the present \$175 to "a more realistic figure" and, at the same time, introducing controls on the hiring out of motor-cycles. His remarks received support from my honourable Friends Mr Oswald CHEUNG and Mr WILLIAMS.

I must say that I share their concern. In 1975 the number of reported fatal or injury accidents involving motor-cycles was, as stated by my honourable Friend, 2,271. This represents 20% of the total figure, although only 9% of all licensed vehicles are motor-cycles. These figures indicate the bad driving of motor-cyclists and how vulnerable

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they are in the event of an accident—when they are far more likely to be injured than the occupants of other vehicles. To give emphasis to this I might add that I have been driving for over 37 years and consider myself reasonably competent with most classes of vehicles including buses (*laughter*). During this time I have had few accidents and was only injured in two. You'll have guessed that on both of these occasions I was driving a motor-cycle.

As regards the behaviour of motor-cyclists the police, last year, summonsed 22,400 of them—an increase of 3,300 over the 1974 figure. There was also a big increase in their speeding offences. But more alarming is the fact that over this period the number of motor-cyclists prosecuted for dangerous and careless driving almost doubled: an indication that, as a class, motor-cyclists are becoming increasingly irresponsible. The rise in the number of prosecutions is, however, also a measure of greater police effort against errant motor-cyclists as it is realised that there is a need to improve the situation.

Nevertheless I don't think my honourable Friend's proposal for increasing the annual licence fee for motor-cycles would help very much as it is unlikely to be much of a deterrent to the youngsters who cause most of the trouble because, with few other commitments, they could afford the higher fees. On the other hand, an increase could impose a needless burden on those motor-cyclists who behave sensibly and care-fully, and whose machines are economic users of road and parking space. An increase in licence fees would also have a negligible effect on the rates charged for hiring motor-cycles and would provide no restraint on their use—but I will return later to the question of motor-cycles for hire. The advantage to the revenue of even a doubling of the present fee would not be great and as this would put the fee at the same level as that for a small motor car it might not be desirable.

Another possibility might be to increase the fee charged for a motor-cycle driving licence which is \$100 *per annum* for a provisional licence and \$50 *per annum* for a regular licence. But this again is unlikely to curb the activities of our kami-kazi drivers.

I feel that, rather than trying to reduce the number of motor-cycles by fiscal means or by making it more difficult to obtain a motor-cycle driving licence, a more fruitful line of action would be the provision of better learner facilities and the requirement that no learner should be allowed on the street, on a motor-cycle, until he had passed a basic test.

I understand that the Commissioner for Transport is already looking for a suitable off-street site for this purpose and I hope that such arrangements can be made. With such facilities it might be possible to inculcate some sense of responsibility into learner drivers during their training period.

On the question of hiring out motor-cycles I find that this is not an offence provided they are covered by third party insurance which does not contain a hire or reward exclusion clause;

the rider is licensed; and finally

the vehicle is not being used for an illegal purpose.

According to a police survey, last year there were 33 motor-cycle hire shops in operation which had 311 motor-cycles for hire. Although I agree that it would be desirable to have legislation to control the operation of such shops it is difficult to see how this could be enforced as, usually, these shops also sell motor-cycles and it would be simple to hire motor-cycles under cover of making them available for test-driving with a view to purchase.

In his speech my honourable Friend, Mr CHEUNG also referred to the behaviour of drivers of other classes of vehicles, and called for stricter enforcement of the traffic laws. Any police effort in this direction must obviously be related to the manpower available and their other important duty commitments, but there were nevertheless over a quarter of a million prosecutions for traffic offences in 1975—and that figure does not include parking infringements.

My honourable Friend singled out taxis, enfranchised buses and public light buses as being conspicuous traffic violators. I must confess that, as a casual observer, this is also my impression, but in fact the number of prosecutions for traffic offences against these during 1975 was only:—

| | |
|--------------------------|--------|
| Public light buses | 53,888 |
| Taxis..... | 17,866 |
| Enfranchised buses..... | 489 |

It is, however, acknowledged that public light buses figure prominently in the accident statistics. Of the 4,300 or so registered, 1,200 were involved in accidents in 1975. Comparative figures for enfranchised buses show that 3,400 were registered, and 990 were involved in accidents. But it has to be recognized that these classes of vehicles

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are operating almost continuously for approximately 18 hours a day and if figures were available it would be more meaningful to relate the incidence of accidents to vehicle mileages.

The police are aware that there has been an increasing tendency on the part of some drivers to disobey traffic lights. Greater attention has therefore been directed towards this offence leading to 2,146 prosecutions in the first two months of this year. This is almost double the rate at which prosecutions were brought for the same offence during 1975.

My honourable Friend, Mr T. S. LO's suggestion regarding our red-plate public cars is an interesting one and I was not surprised by the support given to it by Mr Oswald CHEUNG. I agree with Mr LO that the majority of our public cars look and behave like taxis, and would add in support of his argument that members of the public often refer to these public cars as "red-plate" taxis!

It has been clear to the Government for some time that the present situation should not be allowed to continue. The forces which cause public cars to act as illegal taxis obviously demonstrate the public's requirement for additional tax facilities. But, in meeting this requirement, I feel that we should still preserve the facility provided by public cars whereby it is possible to pre-book chauffeur-driven passenger cars.

The Transport Advisory Committee has made a package of proposals regarding additional taxis, red-plate public cars; taxis for outlying districts, and contract hire cars of a rather different hue from present public cars. When I say that these proposals are contained in a memorandum which is at present under consideration by Executive Council my honourable Friend will realize that it would be presumptuous for me to elaborate further on what has been proposed. Nevertheless, I hope to be in a position to do so, very soon.

From road traffic, which apparently lacks sufficient control, may I now turn to rail traffic, which we are told suffers from too much control.

My honourable Friend, Mr BREMRIDGE, in a reference to the McKinsey recommendations, cited the Kowloon-Canton Railway as an example of the "quill pen syndrome" asserting that "the state of affairs there ... would be out-of-date in 1876 for a horse-drawn tram company". I agree, but perhaps for a different reason.

My Friend may not recollect those days very clearly (*laughter*). But I am a little older and would remind him that it was when private enterprise in Britain, unfettered by Government restrictions, was at its peak. It goes without saying, therefore, that management then must have been very efficient indeed.

It was also when Britain was about to embark upon the building of the railways of the world, and, having viewed many of them with professional interest, I think the job was done very well. Certainly, to this day, only minor improvements in alignment could be made to many of them and they can therefore be equipped with modern rolling stock and signalling systems at minimum cost.

A case in point is the Kowloon-Canton Railway which, it is worth remembering, has adequately met demand until quite recently. The railway was designed for future double-track operations and the land reserved accordingly. Only one track was laid because that was all that was needed for the traffic to be carried.

The time has now arrived for double tracking and a faster train service and the Government has put this work in hand. A report has been received from consultants which indicates that with a second tunnel under Beacon Hill and double tracking within the present land reserve, a fast electric service can operate to Lo Wu which will provide all the capacity which can be foreseen for the future—both for passengers and for freight. We are, therefore, in the fortunate position of being able to capitalise on the investment and foresight of our predecessors.

This will require a review of the staffing and management of the railway and, for future operations, I think there probably are basic deficiencies in the present institutional arrangements between the Kowloon-Canton Railway and the Colonial Secretariat. But deficiencies can be identified and a view taken on what should be done to improve the situation. To this end I am, at present, chairing a KCR Programme Plan Steering Group and, before we had the benefit of my honourable Friend's views, the group had decided to set up a small sub-committee of representatives from the KCR, the Finance Branch, the Management Unit and the Environment Branch of the Colonial Secretariat, to examine ways in which the railway might be given more freedom of manoeuvre than at present.

There seems to be no doubt, however, that flexibility in the railway's management must be encouraged if the KCR is to meet the challenge presented by the development of the new towns and the demand for the carriage of freight from China.

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Finally, my honourable Friend, Mr CHEUNG-LEEN, suggested ways in which Government might deal with industrial undertakings displaced under the programme of action which is under way against those such undertakings which exist in non-industrial buildings. His suggestions are most welcome and will be carefully considered before action is taken against any offending industrial undertaking which existed before the 1st of March this year. He appreciates that the problem is a complex one which will require considerable ingenuity to solve. It will also require careful handling—and one thing is certain, these will have to be full co-operation between the private sector and the Government. It is, however, too early to say what the final solution will be.

But in order that there is no misunderstanding of the position, let me emphasize that what I am discussing here is the future, and as yet unplanned, stages of the programme of action which has already started. This programme was publicized when the Factories and Industrial Undertakings (Amendment) Ordinance was introduced into this Council on 21st January this year. Stage I began with effect from the 1st of March; and action is now being taken against those dangerous and obnoxious undertakings which operate in non-industrial buildings, against any industrial undertakings which operate in purely residential buildings and against any such undertaking which attempts to start up in new non-industrial buildings. It will, of course, be necessary to assess and take into account the success of Stage I when subsequent stages are planned.

Sir, with these words, I have pleasure in supporting the motion before Council.

SECRETARY FOR HOUSING:—Sir, one of the most satisfying features of the budget is undoubtedly the proposal to provide up to \$300 million in a revolving fund to enable the Housing Authority to build flats for sale. This has drawn a number of helpful suggestions from my Unofficial colleagues, and I would like to indicate how we propose to use these funds. Basically, the scheme recognizes that we must speed up the output of public housing, and that the Housing Authority can help many families who cannot afford a private sector flat but who can pay considerably more for housing than those who qualify for the Housing Authority's low-rent flats. By selling flats to such families at a price within their means, rather than rent and have the capital outstanding over many years, we can turn over our funds quickly and generate a

significant addition to our public housing output. What we have in mind is to sell these flats to better-off families now living in the Authority's low-rent estates; the time has come for them to give up their flats for re-allocation to the less well-off who are still anxiously awaiting decent housing at a rent they can afford. Every flat recovered in this way is a clear gain and a step towards fulfilment of our public housing targets. We will therefore invite our better-off tenants to buy these flats, and this will require an attractive selling price, combined with some pressure to vacate. The Housing Authority has recently authorized surveys of tenants' income to start in a number of estates, and this will become an on-going process. The selling price should of course reflect building and land costs and should be related to market selling prices; but ultimately the scheme only makes sense if the selling price is within the means of the intended beneficiaries of the scheme.

Meantime, a sizeable site in north-eastern Kowloon is being processed for the first of these projects, and the contract should be let this year.

Several Unofficial Members urged that it was necessary and advantageous to involve private developers in these schemes. I recently met the representatives of the Real Estate Developers' Association, both to reassure them that this scheme was aimed at a special group of persons already living in the Housing Authority's estates and so was not in competition with private developers, and also to consider in what way private developers might contribute to this scheme. The Association has promised to give further thought to their possible involvement, and I await their considered views. Basically, however, such involvement imports a profit element and raises the production cost, and moreover weakens the Authority's control over construction standards; and it is by no means certain that these disadvantages will be offset by lower building costs. So it is not a self-evident truth, when we are trying to keep the final selling price down, that the scheme must involve private developers. Even so, because of staff shortages in the Housing Department in the initial stages, and the general desirability of letting private developers demonstrate in a practical way the economics of their involvement, it would be sensible, I think, to invite tenders from selected private developers for the design and construction of one or more of these schemes, to laid-down specifications and standards. The Housing Authority will certainly consider this method of building flats for sale, and I hope that as we go along we will be able to find new ways in which private developers can help to make the scheme a success.

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My honourable Friend Mr James WU suggested private treaty land sales to private developers at a fraction of the full value. The difficulty here is that a public body like the Housing Authority would have serious problems in choosing a developer to undertake the scheme, in the absence of competitive bids. Nor indeed is there any reason for selling the land to the developer, at whatever price, if all the flats are to be sold at a price fixed by the Authority to households chosen by the Authority. If any land concession does prove necessary it should be kept to the justifiable minimum, not least because any large concession in this direction would oblige us to think seriously about controlling re-sale.

This scheme could be made even more attractive if it were backed up by more liberal mortgage terms than are now generally available; indeed, looking at the housing market as a whole, I believe that the demand for flats for owner occupation in the private sector could be significantly enlarged if mortgage terms were easier. These terms have, I know, been improved over the years gradually, but it is a slow process and I would like to see it speeded up, both as regards the length of the repayment term and the amount of the downpayment. We will continue to search for ways of bringing this about.

It has been suggested that the rents in new housing estates are "unduly high". However, the rents at Oi Man Estate were cited and I must point out that these were deliberately set above the normal levels because of the excellent location; despite this, the acceptance rate quickly reached the levels experienced in earlier estates as applicants realised the true value of these flats. As to rents in the new estates generally, they are certainly higher than those set, say, three years ago, but they reflect—as they must—current costs. However, the Authority does not fix rents in an arbitrary way, and is at all times aware that they must not run beyond the means of the majority of the occupants. For example, the upper income limit for a 5-person household is \$1,500 a month while a suitable flat in a new estate rents at about \$200. However, even this modest rent could cause difficulties for some families at the lower end of the income scale, and for them the Authority tries to recover older, lower-rent flats by inviting the families occupying them to opt for new estate accommodation. This is a sensible way of tackling the problem and the scale of this transfer process is being extended.

Sir, I support the motion.

SECRETARY FOR THE NEW TERRITORIES:—Sir, my honourable Friend Mr Oswald CHEUNG with his customary interest in the New Territories and usual tongue-in-the-cheek good humour, has asked how I propose to deploy the resources available to me in the coming year. I was tempted to make the fashionable and slick reply "I only wish I knew".

But, perhaps he was referring to the financial resources of my department, and here, too, for the sake of brevity, I was tempted to say "I have no resources whatsoever". While this would not be strictly true, it would not be far from it! The New Territories Administration is not a big spender: apart from some small provision for local public works, refuse collection compounds and village lavatories—sharply reduced in the last two years in order to economise—my resources consist entirely of staff. And, here I will, Sir, if I may, digress to say how devotedly these slender staff resources work in the public interest. Many of the tasks they perform require great patience and understanding; they work long hours: they show great concern. Success is sometimes crowned by the smooth passage of some great design: a reservoir built, a reclamation started, a mountain moved; other tasks arise from the multifarious problems of administering 36,000 acres of private land, most of it held in small lots, and more than a million people. I am sure my honourable Friends would wish to associate themselves with these words of thanks to those work is unsung, but well done.

Vast sums of money, public and private, are being spent in the New Territories. Expenditure on the three towns of Sha Tin, Tsuen Wan and Tuen Mun is gathering momentum: \$100 million in 1973, \$260 million in 1974, \$450 million last year and \$600 million this year. But it is important that areas other than the new towns are not left behind; and in 1974 my honourable Friend Mr Q. W. LEE spoke about this very thing. Engineering reports on these other towns and large villages are now coming in, and a programme of development for Tai Po, Yuen Long, Lantau and Sai Kung is being drawn up which will lead to individual projects being submitted for public works expenditure. Indeed some proposals for a reclamation at Tai Po and roads and other works at Sai Kung will be put forward for urgent consideration during the next few months. At Tai Po it is important to proceed quickly with urban development to match the growth of the industrial estate, to clear up the shameful conditions of the boat squatters at Yuen Chau Tsai, and to provide land for private development in which there is a very keen interest.

In 1974 we were worried about the slow rate of industrial development at Tuen Mun. Now it is tending to get ahead of housing! There

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are at present ten factories being built, and more than thirty applications for the 200,000 square feet of land not yet in the hands of industrial developers.

At Sha Tin, the first part of the industrial zone at Fo Tan, 268,000 square feet, has been sold. The remainder involves clearance of a cultivated and inhabited valley and will be a fairly lengthy process. Other areas are therefore being looked at to see if they can be brought into use more quickly.

Development at Tsuen Wan is spectacular and breathtaking. Stand on the Tsing Yi bridge and look around at the container port doubled in size in a year, at the factories on Tsing Yi, the housing estates going up all around you, and you cannot fail to be impressed with the magnitude of the effort and the scale of development. And here again so numerous have been the applications for industrial land that I expect that nearly a million square feet will be disposed of in Kwai Chung in the next eighteen months.

My honourable colleague the Director of Public Works when speaking in this Council in 1974 in support of the Water Bill pointed out the impracticability of providing a water supply to all areas of the New Territories. He hoped to draw up proposals for a realistic programme of water supply development so as not to frustrate worthwhile development schemes. Since then data has been collected on the extent of likely development throughout the New Territories. I believe the time has come when we must get on with some of these water extension schemes, failure to do so is inhibiting development and preventing us from realizing the full potential of the land resources available to us. It is absurd that Sai Kung should be short of water next door to our biggest reservoir, particularly because there is no doubt about the great interest and willingness to invest in Sai Kung being shown by private developers. There has been an item in the public works programme giving promise of a supply for Lamma Island for eighteen years, surely this proposal has been long enough in incubation to be hatched! Given a water supply, I have absolutely no doubt land could be sold on Lamma like hot cakes if we need to make the scheme pay for itself. Similarly South Lantau where, as I have said previously in this Council, the provision of land in carefully planned locations for private residential use could provide a positive cash flow to balance expenditure on the public facilities so clearly needed by the tens of thousands of visitors to that island and, not least, by those who live there.

Last year in this debate I spoke of the need to update our land compensation policies, and of the search for a cash alternative to the offer of land exchange for land resumed. It is gratifying to know that a cash alternative is now available for those who want it, although landowners continue to prefer the exchange system. Honourable Members will be interested to know that since the inception of the scheme in 1960, 51 million square feet have been resumed and 38 million square feet of land exchange entitlements have been redeemed. There remains a fluctuating outstanding commitment which has tended to grow in the last year because of the scale of resumptions taking place in the new towns; however I hope to make available about 2 million square feet of development land over the next eighteen months which will account for some 5 million square feet of exchange entitlements. Meanwhile I am continuing to examine other aspects of the scheme.

Sir, the economy and development of Hong Kong cannot be treated in separate territorial parcels; the needs and provision of facilities in the New Territories should not fall behind that of the rest of Hong Kong. The New Territories provided something like \$150 million in land revenue last year; this year householders and property owners in the towns of the New Territories will in addition contribute rates and taxes, this is a step forward the far-reaching significance of which should not be underestimated.

Having been somewhat tangential, even downright evasive in my reply to Mr Oswald CHEUNG, let me say now that the resources available to me in the coming year will be stretched to the limit. Indeed, I begin to feel like one of those jugglers seen on our local stages spinning plates on the end of a stick, a great many plates have been added to the act in the last two years, and I must warn that it may be necessary to take on one or two assistants shortly (*laughter*) unless we are to avoid breaking the crockery!

Sir, I support the motion.

SECRETARY FOR SECURITY:—Sir, in moving this motion, the honourable Financial Secretary gave first priority, in his list of measurable advances in expenditure for expanded and new services, to law and order. Three other honourable Members have referred to the programmes which are the particular concern of the Security Branch and the honourable Oswald CHEUNG in winding up the debate for Unofficial Members said that all of us are concerned with the state of law and order—and of course indeed we are.

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So, first of all, I turn to the police force, on which my honourable Friend Mr Hilton CHEONG-LEEN suggested that the general level of education of new recruits has to be further upgraded, and the police terms of service should be regularly reviewed.

The educational qualifications of police recruits have improved dramatically over the past three years. In 1973, for example, only 2% of recruits had completed secondary school to form V or VI level, whilst 64% were drawn from secondary I—IV, and 34% had never achieved entry to a secondary school at all. But last year 62% of recruits had completed secondary education, 26% from secondary I—IV, and only 12% were from the primary level. I hope the ground which has been gained can be maintained, despite the wider employment opportunities which arise from the more buoyant economic conditions which now exist.

Police terms of service are also kept under review, and I quote some figures relating to retention of police officers to illustrate the effect of better terms. In 1973 there were 540 rank and file resignations. In spite of the considerable expansion of the force over the last two years, there were only 184 resignations in 1974 and 178 in 1975.

The indicators which I have quoted reflect well on the Commissioner's vigorous and efficient recruiting campaign, and on the police conditions of service as a whole. And as we have already heard, Sir, the force will be maintaining and increasing this campaign during the forthcoming year, to achieve a police force that is fully staffed and is properly equipped to deal with the serious level of crime with which it is confronted.

Mr Oswald CHEUNG wondered whether the arrangements for voting funds for rewards enable provision to be made on a sufficiently generous scale. I can assure him, as he has already been informed in Finance Committee, that the Commissioner of Police is satisfied with the present arrangements. I can also assure him that, if circumstances change, we shall be quick to react to them and it is reassuring to know that he, for his part, would be ready to go further.

My honourable Friend Mr Hilton CHEONG-LEEN has drawn attention to the large number of drug addicts in prisons. He has also mentioned the reported 80,000 to 100,000 addicts and suggested that possible links between crime and addiction should be closely monitored

and he asked for measures to be taken to anticipate and counter the potential danger.

The figure of 100,000 addicts in Hong Kong is a well publicized estimate which it has not as yet been possible to confirm by any satisfactory fact-based data. The only hard facts we have are that there are about 35,000 unduplicated names on the Central Register maintained by my branch, and that there are about 10,000 addicts receiving treatment in either Government or voluntary institutions, in clinics and in after-care: this is about 700 more than for the corresponding period last year. To help us to get a more accurate picture of the number of addicts and to improve our methods of data-collection and analysis in this field, we have secured the services of a leading international expert and he will arrive this month and during the course of his consultancy he will advise us on means of evaluating success-rates between the different types of treatment programmes now available.

Actually in prison (that is excluding drug addiction treatment centres, detention and training centres) experience has shown that about 40% of the inmates are confirmed addicts who are inside for non-drug offences, whilst between 20% and 25% are undergoing sentences for minor drug offences. This means that at any one time approximately 60%-65% of the prison population—and I would stress that the figure fluctuates—are confirmed addicts. From such figures we can obviously assume some connection between narcotics addiction and crime, although at present we lack more specific and detailed background data on which to base policy decisions. To remedy this deficiency, we are pursuing two lines of thought; first the police are at present investigating the feasibility of a study of recidivism, which will include the relationship between drug addiction and crime; and secondly a working party chaired by the Commissioner for Narcotics is finalizing its report on the treatment of minor drug offenders, after studying what alternatives may be available for dealing with them other than imprisonment. The report should be available for study by the Government within the next few months.

In speaking about the Prison Department and its institutions one needs to distinguish between the various types of institutions and their objects. There is a tendency to lump all inmates together and refer to "imprisonment" when in fact the 8,600 persons detained in one sort of institution or another are divided into prisons, detention centres, training centres, treatment centres and remand centres where about 900 of the total are accommodated.

On this occasion I want to refer briefly to two of these categories. First detention centres. Mr CHEONG-LEEN has referred to the Prisons

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Department providing a service for young people. Any individual who is detained in a detention centre is, I think, unlikely, in the short term at least, to regard the Prisons Department as providing him with a service, personal although undoubtedly it is. Since the first detention centre was opened in June 1972, this method of dealing with younger criminals has proved its worth. Sufficient time has accrued to measure success based on the completion of a 3-year period after release from the centre. This involves 111 discharges. The pure success rate for this group stands at 72%. This is most encouraging and indicates that provided the individual is sentenced to this sort of institution there is a very good chance that he may not be convicted of another criminal offence.

My second category is prisons and I want to refer especially to triad and narcotics activities.

Triads

The majority of offenders, not only in prisons but also in other penal institutions, have had triad affiliations of various degrees. In 1975 72% of convicted males and 7% of convicted females claimed triad affiliation on entry. After entry, more do eventually confess to being triad or gang members and in a recent survey at Stanley Prison, there were 90% self-confessed members. Despite this situation, every effort is made to minimise triad activity in institutions and I believe the honourable Member to be exaggerating when he claims that triad members exercise a second level of command. Those who were triad members before going to prison don't resign their membership on admission. But the intelligence gathering system in the institutions has achieved major success in identifying prisoners attempting to exert a subversive influence on other inmates. This enables the department to act against them either by segregation or, where there is evidence of specific criminal activity, by reference to the police or the ICAC as appropriate.

Narcotics

The Prisons Department has three laboratories for urine testing and in all institutions random samples are constantly being taken for checking. This task is tackled with vigour and determination. For instance more than 50% of the prison population in Stanley were sampled in January and again in February and in addition special

searching units are constantly conducting random searches in the prison and especially in the cells. This, coupled with the spot checks involving urine testing, has greatly reduced the problem, though constant vigilance is maintained.

Finally, Sir, I would like to refer to prison industries. There is an English saying that the devil finds work for idle hands to do and obviously we must avoid such a situation in the Prisons Department institutions. With the increased prison population we must expand prison industries and I am grateful to my honourable Friend Mr P. G. WILLIAMS for a number of thoughtful proposals as to how this should be done and organized.

Some expansion along traditional lines has already occurred; for instance, the estimated value of manufactured goods rose from \$8.6 million in 1973-74 to about \$12 million in 1975-76: roughly a 40% increase in two years. Of course, all institutions are self servicing and by being so employ a proportion of the inmates in servicing the institution, cleaning, cooking, grass cutting and so on. This work is not costed. The Prisons Department also carries out a range of minor development work and maintenance work on its own account including, for example, the substantial work involved in developing Hei Ling Chau into a drug addiction treatment centre.

The Working Party's report to which my honourable Friend referred was an internal document submitted to the Commissioner of Prisons at the end of 1974. Such documents are not usually published and the Commissioner of Prisons and I do not feel that we should make an exception in this case. Honourable Members will see that provision has been included in the 1976-77 Estimates for \$1 $\frac{1}{2}$ million for equipment and \$ $\frac{1}{2}$ million for staff. We are now in the process of working up proposals for submission to Finance Committee. In doing so we shall most certainly take into account the suggestion that we might draw on the expertise of businessmen and other governments to help in formulating the plans and we have already been in contact with the Singapore authorities about their plans. The main needs are a strengthened management structure in the prison industries coupled with additional equipment and more workshop and storage space. I cannot say at this stage whether we should attempt to procure private investment for the development of such industries but my own feeling is that we should probably not do so. The Prisons Department under the energetic leadership of its Commissioner has made much progress in providing improved security and additional accommodation in its institutions. More accommodation will undoubtedly be needed and

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that, together with additional and expanded prison industries, is the next priority.

I support the motion.

MR JORDAN:—Sir, my honourable Friend Dr CHUNG suggested that the Financial Secretary may have been a bit over-optimistic in forecasting 9% real growth of GDP this year.

I shouldn't dream of interfering as they slug this one out between them but I thought honourable Members might be interested in an opinion survey we conducted in February, which certainly seems to me to reinforce the view that there should be a considerable growth in GDP this year. We selected one hundred and twenty factories across the range of products and of size of factories and asked them how they were getting on this January as compared with last January, what was the state of their order-books and, in the light of that, whether they expected their sales to improve, to decline or to remain steady in the first half of 1976, the second half of 1976 and the first half of 1977.

Two thirds of these 120 factories had taken on more labour during the past year. Ninety two of them had increased the value of their production in the past three months as compared with the corresponding period of last year.

So far as order books were concerned, the majority of course said that their total orders on hand and the average value of orders were both higher than a year ago, and only a handful said they were in a worse position than a year ago.

There is, I agree, nothing surprising in that, but we asked these questions really as the lead-in to the next ones in which we asked for opinions on future prospects.

Just over 50% of those we asked were expecting demand to increase in both the first and second halves of 1976 and just under 50% predicted a further increase in 1977.

Of course the clothing industry is leading the way—clothing exports in January were worth \$1,238 million, 48% of our total exports for that month. And that figure of 1,238 million compares with 744 million in January 1975.

This remarkable increase in clothing exports diverts attention away from the cheerful figures in other sectors but in fact the signs of renewed growth are present there also. Just under half the factories in our survey were clothing manufacturers but the belief that sales will continue to improve through the year was by no means confined to this sector.

Quite a few people have been shaking their heads over the "denim boom", which undoubtedly is one of the principal factors in the current improvement.

They remind us of the collapse of the wig industry, and darkly predict a similar occurrence. The fashion will undoubtedly change again but I am confident that our well-established, efficient and flexible textile and clothing industry will supply the next fashion too.

There are big differences between the wig story and the denim story. Firstly, the denim boom cannot get completely out of hand because of the quota restrictions which put a ceiling on it. Secondly, while the alternative to wearing a wig is reversion to one's natural appearance, the alternative to wearing denim is not (*laughter*). Well, not so far, anyway. I think the human race will be wearing clothes—and Hong Kong will be supplying them—for quite a time yet.

Which means also, I fear, that we shall continue to have quotas on our exports of garments for a long time yet.

On this recently rather thorny subject of quotas, I endorse everything my honourable Friend Mr TIEN said.

The quota system is a subject on which there is a wide variety of opinions and of proposals for improving the system. We are committed to a thorough review of the present system and this is, I think, going to be the principal concern of the Textiles Advisory Board during this year. We in the department will next month be putting to the board our conclusions on the many proposals we have received but a good deal of further discussion and consultation, probably with the trade associations concerned also, will be needed after that.

Here I should like to say that the idea that the board is a body of people, with vested interests in the existing system, determined to maintain the system unchanged, is quite false. I can't go so far as to say that the board is completely unvested but I can say that it is well suited (*laughter*). The pressure for a review came initially—many months ago—from the board itself. The department was however unable to undertake the review until we had completed the EEC negotia-

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tions and the subsequent implementation of that agreement—which involved the calculation and issue of something over twenty thousand separate quota allocations. It was manifestly impossible to hold that up while we reconsidered the system: we had to get the available quota into the hands of manufacturers and exporters as quickly as possible, even if some people thought it was going to the wrong manufacturers and exporters.

But, Sir, the verb "to hold quota" is that common phenomenon, a subjective verb. It is conjugated "I hold quota I've earned, you don't deserve quota, he is a quota parasite" (*laughter*).

I should like to emphasize two points made by Mr TIEN. The first is, as he said, that the guiding principle has always been and must continue to be to maintain a system that ensures that Hong Kong can make the maximum use of the limited export opportunities available, in the interests of the community as a whole. The system has succeeded in this so far and must continue to do so.

The other point is that the system is merely a method of distribution. It cannot make more quota available. And the real cause of the trouble recently has been that under the agreements we have been obliged to sign we just do not have enough quota to be able to allow the current level of demand for some products to be met. That is to say that from the point of view of the importing countries concerned—which seek these agreements to protect their domestic industry—the agreements are having the effect that they intended: they are limiting the supply and pushing the price up.

Despite these difficulties it is the clothing industry that is leading the recovery in our trade. Nevertheless, I think we are all agreed that we should feel easier about Hong Kong's long-term industrial prospects if we could widen further the rather narrow industrial base on which our present development stands, and at the same time continue to move up the technological scale, as of course we have been doing for many years.

I've said before, when speaking about our views on industrial development, that I think the differences between my honourable Friend Mr James WU and me are differences of degree rather than of kind. We both agreed that the necessary foundation is a solidly-based engineering industry, for the support it can provide for our existing industries and the new industries it can help to create, and also of course

for the employment—and particularly employment for men—it can itself provide.

We already have a fairly well-established light engineering industry. We haven't lagged behind all our overseas competitors. Some of them advertise in our newspapers for skilled engineering workers.

But what my honourable Friend would like to see—and so would I—is the establishment and growth of a medium-to-heavy engineering industry, both for the stimulus it could give to our industrial development and for the employment it could provide for our university and Polytechnic graduates and for the young people emerging from our technical institutes.

We have had a nucleus of heavy engineering in our dockyards for a long time, our first technical institute opened in 1969, the Polytechnic was inaugurated in April 1972, land policy was modified to provide for large-scale industrial plants in 1973. The remaining gap should be filled by the establishment of our first industrial estate, which will make possible the establishment of medium-size factories of types that are unable to operate in high-rise factory buildings. The first sites totalling fifteen to twenty acres should be occupied in a little over a year's time.

The fact that the Tai Po Industrial Estate is now on the way to becoming a reality will, we hope, make it easier to attract new overseas investment into Hong Kong and we are, as I think honourable Members are aware, increasing our efforts in this field. The proposed programme for 1976 includes overseas missions by the Hong Kong General Chamber of Commerce to Australia, Japan and the northeastern United States and by the Commerce and Industry Department to Switzerland and West Germany, the mid-west USA, Texas and California.

I think I've explained before how we prefer to pick off our birds with a high-powered rifle rather than blast a whole covey with a scatter gun. This sounds a bit bloodthirsty but our ammunition is only facts and figures. We try to identify beforehand the man who is in a position to make decisions or at least to put proposals to the board of his company; and we put our facts and figures to him.

And we've had some success in this. For example, three companies producing hand tools, thermo control devices and electronic components have been established already directly as a result of a mission we sent to Australia in 1975; one company producing switchboards and switchgear is attributable to a mission to the United Kingdom in June last year; and one company producing electronic quartz crystals has been

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established as a result of a mission to the United States in October 1975.

But these are, I hope, only the first fruits. The department is actively following up a number of other contacts established during the course of the missions that the Hong Kong General Chamber of Commerce and the department sent overseas in 1975.

Our approach to investment promotion is not a hard sell. We don't want to try and persuade—or even to be seeming to try and persuade—people to invest in Hong Kong against their better judgment. We don't believe in exaggerating our advantages or minimizing the difficulties.

We don't want to seem anxious or desperate to attract overseas investment. After all, Hong Kong's remarkable industrial development over the past quarter of a century has been the work of mostly local investors and that success story has occurred because we have maintained an economic environment that has in itself offered sufficient inducement to investment without special promotional activities or special incentives.

We are now, with the modified land policy that includes the establishment of industrial estates, going rather further than we have gone before in creating special inducements to investment, but personally I am absolutely convinced that we must not allow our interest in attracting new investment—whether the investors themselves are local people or overseas companies—we must not allow our enthusiasm to cloud our judgment any more than we should try to over-persuade the people concerned. Whenever we consider departing from our well-established practice of selling land to the highest bidder, there must be strong positive reasons for doing so, based on the most thorough assessment we can make of the potential investors' project and the benefits it will bring to Hong Kong. We must not sell our most valuable fixed asset at bargain prices just because it seems a good idea to have someone here manufacturing such and such a new product. And when we do decide in favour, we must lay down realistic conditions and we must see that they are met—and continue to be met.

We have seen elsewhere too many cases where anxiety to see *some* industrial development started has led to the establishment of projects whose viability was really doubtful from the beginning and later proved to be non-existent.

When I was preparing this speech I thought at first I had a natural break here and could insert a commercial or an uncensored trailer for my next speech.

But then I realized that to turn to "accountability" wasn't really a change of subject. It has become a vogue word recently but to my mind there's nothing new about the idea behind it. In everything we do in the public service we are all ultimately accountable to the public that we serve.

In the Commerce and Industry Department our job is, within the framework of the Government's general economic policy, to respond to the needs of commerce and industry and we accept of course that we are accountable to the community for the way we respond. And as head of the department, I accept that I am accountable for the way it does its work.

I also feel that I have an accountability to the men and women who work in the department, which involves a responsibility to defend them.

This naturally brings me to the speech of my honourable Friend who sits beside me. He thinks that the Director of Audit's report reflects "a certain degree of discredit" on the Civil Service, and goes on about his "growing dismay and frustration at the tales of mismanagement, inadequate supervision, unco-ordinated planning and outright negligence". I think that, when one puts it in the context of the enormous sums that nowadays pass through the Government's accounts and the rapid expansion of the public service to its present size, the Auditor's report reflects *credit* on the Civil Service, but I must leave the general defence to my honourable Friends on the Front Bench (*laughter*). I can only say, for the Commerce and Industry Department, that I can find in the Auditor's Report no evidence to support these sweeping allegations (*laughter*).

When I consider the rate of increase in our responsibilities and the increasing complexity of our work along with the constant dilution of experience made inevitable by our necessary increases in establishment plus the wastage of experienced staff who resign to take more lucrative employment, I think that the response of the staff of the department proper and of the Preventive Service to the tasks that have been laid on them over the years reflects great credit on them.

I believe I shall not be alone in saying that I can assure my honourable Friend that there is no need to impress on those of us in the public

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service who are heads of departments the fact that we bear the major responsibility of ensuring that the money voted to our departments is properly spent. We know we cannot escape being accountable for the actions of our staff because we are the accounting officers and of course we accept that we are accountable to the taxpayer and not just to someone in the Secretariat ... it wouldn't worry us very much, if we were! (*laughter*)

In C & I we don't have a full-time internal monitoring team—we don't have the posts or the money to establish it—but some time ago we did set up within our existing administration arrangements not just to monitor expenditure but actually to control it stringently in order to ensure not just that we do not exceed our vote, but that, if possible, we keep well within it.

The very existence of financial limitations when our resources are inadequate to do all that we believe we should be doing forces us constantly to explore the possibility of simplifying or whenever possible discarding the old tasks and to seek ways in which we can become more cost effective. Our problem is not so much finding work for staff who may have become permanently unemployed or under-employed as finding ways of reducing the amount of overtime that we have to work.

The extent to which we can reduce the load further by re-organization or mechanization is limited. This makes it all the more important to let our staff get on with their work. If they had to spend a large part of their time devising systems to try and ensure that there is no waste or answering the queries of expenditure-monitoring teams from the Secretariat, then we should achieve a good deal less for the same cost than we achieve now. In my view the best way to minimize waste of public funds is to push responsibility for expenditure as far down the line as possible and then allow those to whom the responsibility is given to exercise it as they think best, and account for what they have done afterwards. Responsibility breeds responsible behaviour. Constant supervision does not.

Sir, I'm afraid that my reaction, when I saw that permanent central monitoring team approaching, "comprising members of the Finance Branch and the Treasury" and "independent members co-opted from the private sector",—my reaction would be like that attributed to the hermit of Walden POND; "If you see a man approaching you with the obvious intent of doing you good, you should run for your life" (*laughter*).

So, hoping for the best but preparing for the worst, Sir, I support the motion (*laughter*).

SECRETARY FOR HOME AFFAIRS:—Sir, when I was at school I belonged to a debating society in which the staff selected not only the subjects for debate but the side of the debate on which you had to speak. This admirable upbringing occasionally brought its moments of dismay when you found you had to defend a position you totally disagreed with. I felt the other day a twinge of the return of this dismay when I found I was to defend the Government from my honourable Friend, Mr BREMRIDGE's attacks on our reluctance to allow boating on reservoirs (*laughter*).

I must admit at once that a simple man like me cannot see any harm, and probably some pleasure, from a little boating on the tempting waters of a placid reservoir. I am however assured that such a view betrays my ignorance of the perils of such a dangerous occupation. I have read a great deal about these dangers written by professional men whose competence I am bound to respect and this respect makes me wary of accepting too simple a view of the problem. My honourable Friend disconcerted me by his news of the water carnival at the opening of the Seletar Reservoir in Singapore. But this was only part of the picture. There was a grand show at the opening and in spite of the hopes expressed in the beautiful brochure they produced, as soon as everyone went home all boating, fishing and swimming were promptly prohibited and threats of heavy fines made (*laughter*).

Disregarding the alleged dangers for the moment, what is the public demand for the use of reservoirs for boating?

I suggest that most of them want to mess about in small boats on sheltered water. This is a popular activity and it can be seen on any weekend at Lai Chi Kok, off Sha Tin town, near the Chinese University, near Tai Mong Tsai and at Sai Kung. All that is required is sheltered water. There is much of this round Tolo Harbour and off Sai Kung. True, two of the stretches of water have been walled off to become reservoirs on which boating is not allowed, but what is so different about the half of Plover Cove which is a reservoir from the half which is not? The same question can be asked about the strait formerly known as Kon Mun as compared with the bays at Cham Chuk Wan or Tai Mong Tsai.

I suppose you could even argue that a full reservoir is likely to be rather more dangerous than the open sea for the water level is higher and it is less sheltered by the hills. But that is not the only difference.

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Sea tides rise and fall about six or eight feet, so that shore facilities for boating present no great difficulty. The High Island dams will be 200 feet high and considerable problems with shore facilities would have to be overcome inside the reservoir because of the very substantial rise and fall of the water level.

In the eastern areas of the New Territories, therefore, sheltered sea water is better for boating, easier to get at, and easier to develop for boating than the reservoirs.

On Hong Kong Island there are no sheltered lagoons which are readily accessible to those living in the urban areas and the need for boating is greater. I am glad to say that we do intend to meet it in a small way by the use of the Wong Nei Chung reservoir for boating. This is a small reservoir, so that the loss of its water will not force us to water rationing. The Water Authority will disconnect this reservoir from the water supply system and hand it to the Director of Agriculture and Fisheries for use as part of a recreation area. In the light of this experiment, the Water Authority will also consider whether boating can be permitted at Tai Tam Reservoir and at Tai Lam Chung. The honourable Mr BREMRIDGE may therefore feel proud that his determination has secured this small twitch from the corpse of bureaucracy (*laughter*).

My honourable Friends Mr CHEONG-LEEN and Miss KO Siu-wah both spoke about youth services and I should like to speak about one particular aspect—namely the problems of dealing with youngsters who do not conform to the social system in the way that most do—and who, as a result, are liable to become a threat to society.

But first I should like to deal with Mr CHEONG-LEEN's proposal for an advisory committee on youth services. I am afraid I do not see merit in this proposal. Public services of course have to be broken up into various packages before anyone can usefully deal with them and the Government is committed to analysing needs for services on a programme basis. But a programme is a collection of activities designed to achieve a specific objective. This objective may be defined in fairly general terms but it is difficult to see how such an objective which was wide enough to embrace all services having an impact on youth could be precise enough to mean anything. The report which my honourable Friend calls to his support makes it clear that the youth services referred to are not the whole range of youth services from the

transport of school children to the issue of children's identity cards but those services designed to give purposeful occupation to young people outside normal schooling—particularly occupation attractive to the sort of child who is likely to drift into a criminal life. This is a precise problem and the committee most concerned with this matter is probably the Fight Violent Crime Committee on which my honourable Friend sits. At least it was this committee that led to the report referred to and which is following it up.

While programmes, rather than age groups, seem to be a much more satisfactory basis for analysis, evaluation and planning I should say that in addition some attempt is made to assess the overall impact of public services on a geographical basis. This is the job of city district officers in town and district officers in the New Territories. Programmes for one reason or another are seldom applied absolutely uniformly so that it is necessary to assess the overall impact of public services district by district. It does occasionally happen that the unevenness of the provision of services results in one district getting less than it should in all sorts of ways. Honourable Members may recall an adjournment debate in January 1971 when the short-comings in a wide range of services in Kwun Tong was discussed.

I cannot see that much good would be served by attempting to group services in yet another way—by the age groups of the public affected. Some services obviously are intended for special age groups, for instance the allowance paid to people over 75 years old. In other cases the needs of people in an age group require many services to be co-ordinated—for instance children not at school or elderly people with no family support. But to allocate all public services to the age group or groups concerned and examine them in this way does not seem to give much hope that new revelations on policy will emerge.

I think my honourable Friend answers his own question on the purpose of the Interdepartmental Committee on Services for Youth when he quoted from an answer I gave in December on its purpose. It has not changed since then. Its job is indeed to see that someone is filling gaps in services. It is in the prosecution of efforts to fill these gaps—not in identifying them—that priorities are assessed by the normal government machine including advisory committees.

One gap that has been identified has been referred to by my honourable Friend Miss KO—namely services for children of school age who are not at school. For most of these children it is ordinary schooling that is wanted. For all the yearning for some substitute services nobody has come up with anything better. The best way to use resources for these children is to provide schools. It would not make

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sense to cut down resources for school provision to provide the other services suggested by Miss Ko.

But even when all the school places are available it is clear that there will still be children of school age not at school—not many, but some—some who drop out from primary schools now and others who will drop out of secondary schools leaving empty school places behind them.

Nobody yet knows for certain what is the best sort of service that should be provided for these children to help them grow up as useful members of society or, at the very least, not to grow up as criminals. Miss Ko has referred to the Pilot Youth Guidance Project being run by four youth organizations. This is a two year project ending at the end of this year. The work being done is I am sure bringing benefit to the youngsters involved—like the eleven year old boy found wandering the streets and who only went to school once or twice a week because he felt he had to try to earn money to feed his brothers and sisters and mentally sub-normal widowed mother.

But what happens when the pilot project is over? I can only express the hope that conclusions will be rapidly drawn and programmes planned to extend appropriate services throughout Hong Kong. This will not be easy. The pilot project is on a small scale. It is a social experiment in which the conclusions are unlikely to be as clearcut as those of an experiment in natural sciences. And even if we know exactly what to do there will be the question of priority to be given to the new services.

I do not want to sound despondent but we must recognize that problems such as those of dropouts and juvenile delinquency are found in even the wealthiest of societies and we do not know all the answers. More school places are one thing—and a very good thing—but they will not bring an end to the problem of bringing up children for whom schools alone are no use. This is recognized in the Government and we await with concern the outcome of the pilot project now under way.

THE COLONIAL SECRETARY:—Sir, the honourable Mr BREMRIDGE, that master of the self negating hyperbole, will be relieved to hear that, like himself, I do not intend to deliver a Philippic, if by that term he means a three hour address by the Financial Secretary (*laughter*).

Indeed, the indulgence of Unofficial Members and the industry of my colleagues has left me with very little to say, and much of that of a degree of dullness which is made tolerable only by brevity.

Public Service General

The Public Service is a natural target for criticism. However effective it may be, the average member of the public tends to remember the mistakes or discourtesies he has encountered, rather than its generally high levels of competence and achievement.

The Civil Service will therefore have warmly welcomed the generous remarks made by several honourable Members and their recognition that it performed well in a difficult period in which money and manpower were stretched and many admirable schemes for the improvement or extension of departmental services had to be postponed.

The Public Service increased in numbers by less than one eighth of one *per cent* during 1975-76 and will probably not grow by much more than this in the coming year. These figures should reassure those Members who are rightly concerned that the growth of the Public Service should be strictly controlled and that its productivity should be improved wherever possible.

Civil Service Attitudes

The honourable Mr LOBO has emphasized the importance of the first impressions gained by a visitor arriving in Hong Kong. I agree with him that the manner in which a visitor is received at Kai Tak may well condition his whole attitude towards Hong Kong throughout his stay and thereafter.

If he is received with courtesy and understanding he will be favourably disposed towards us. If he receives a cold response, or an off-hand reply or an unfriendly greeting, he will be prejudiced against the whole Public Service and Hong Kong in general, however unfair though this is.

There is of course another side to this. Travellers arriving from abroad are themselves often hot, sleepy and short-tempered. However, sharptongued they may be with Immigration and Health Officers at Kai Tak, they nevertheless expect an infinite degree of charm and patience to be shown to them in return.

I believe that in general the majority of those on duty at the airport remain reasonable, helpful and polite under considerable pressure and often in trying conditions. Nevertheless, the heads of all the depart-

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ments concerned do attach real importance to ensuring that the highest standards of cheerfulness and courtesy are preserved.

Central Almoner

The honourable Mr LO, in a characteristically exotic speech, has suggested that we should try to devise some system for bringing order and economy into the scattered and unco-ordinated ways in which we subsidize institutions and people.

As he has said, we use a variety of methods to test means for different purposes, for example for legal aid, for public assistance, educational subsidies and eligibility for public housing, and several departments carry out their own tests, without reference to those conducted by others.

While the honourable Member has identified a genuine problem, I am not sure that the ambitious solution which he has proposed is a practical one, though there are obvious attractions in having some kind of a central almoner, who would have the task of assessing gross, net and disposable incomes and establishing in a coherent way entitlements to various kinds of subsidy and public assistance.

The difficulties of instituting a system of this nature are daunting. Yet the possible benefits by way of a more economical use of public funds and a greater fairness in their distribution are attractive and I shall therefore propose to ask the Secretary for Administration to institute a study of the problem and of its possible solutions. In this it would be useful if he were able to consult Unofficial Members among whom, no doubt, should be the honourable Mr LO.

Government Machinery

Several Members, in particular the honourable Mr F. W. LI and the honourable Mr BREMRIDGE, have referred to different aspects of the machinery of Government, which has, I believe, been steadily improved in the last few years. Some of these improvements stem from the reports of the consultants to which reference was made, and others from the work of the Government management unit.

We recognize the importance of refining our forward planning and of our assessment of future commitments. As I said in November last year, we have made some progress in the better use of long-term

planning techniques. Many plans have been completed or are being prepared. But these plans, although comprehensive in relation to a particular activity, have been prepared in isolation and have not been linked together in such a way as to enable an overall assessment of our future needs to be made.

We have therefore embarked on a development plan, which will embody all the individual plans and will attempt to estimate total needs of Hong Kong for land, money and other resources during a specified period.

The outline preparatory structure for this plan has been completed. This work has enabled us to identify many new areas which are susceptible to some form of long-term planning, in addition to those on which we are already working. It is also emphasized the need for plans to embody the contributions of all the departments involved in a particular area.

If such a calculation is to be effective, information on policy produced by branches and departments must relate to the forecasts of expenditure in each planning area, no matter which department controls the vote. We have therefore, decided that in future the financial information required for the Five Year Forecast of Revenue and Expenditure will be collected under programme headings.

As the honourable Mr BREMRIDGE indicated, the preparation of annual operating plans has so far not been successful. The lesson which we learned from that prepared for the Queen Elizabeth Hospital was that it is very difficult to obtain accurate costs of the various activities in a department and that we need to solve this difficulty before we can expect to derive any real benefit from the process.

Now that the outline for the development plan is available, we are considering whether the development of costing systems—to which the Financial Secretary will be referring later—will enable the cost of departmental activities contributing to a programme to be obtained on a regular basis for management purposes.

As Members who sit on a large number of them will realize, advisory and other committees are an essential feature of the Government's system of sounding out public opinion and assessing its reaction to proposed plans and policies. There are those who believe that we have too many of them and that some could be reduced in size and others abolished.

Last year Secretaries and heads of departments were asked to study the purposes and achievements of all the committees chaired by

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them or members of their staff and to submit their comments on the continuance of these committees. Preliminary indications suggest that about 15% of the committees can be abolished and others can meet less frequently, or be reduced in size.

We are therefore alert to the need to ensure that a committee either remains effective, or is done away with.

Independent Commission Against Corruption

I believe that Members, and indeed the public generally, will agree that the Independent Commission Against Corruption has made substantial progress in the past year in its daunting task of reducing corruption, both within and outside the public service, to a level at which we need no longer feel ashamed of ourselves as a community.

Recently, a number of cases involving the payment of secret commissions have attracted wide-spread publicity and have revealed a general misunderstanding of the law which governs them.

I believe that it is worth while restating the correct position. If an agent or employee, whether he is buying or selling on behalf of his principal or employer, accepts a commission, rebate, discount, or kick-back, for his own benefit and without the permission of his principal or employer, he is guilty of corruption.

And so he should be, for he is deceiving his employer or principal and either depriving the latter of a benefit which should go to the employer or pocketing part of the price which should go to the employer.

Similarly, if a person offers a secret advantage to an agent or employee, for doing anything in relation to the affairs of the latter's principal or employer, he is guilty of corruption. Again, so should he be, since he is inducing the agent or employee to deceive his principal or employer.

It has been suggested that the law under which these prosecutions have been brought is in some way novel. This is not so. Section 9 of the Prevention of Bribery Ordinance follows in essence, and with only minor modifications of wording, section 4 of the old Prevention of Corruption Ordinance, which was in force in Hong Kong for more than twenty years before its replacement in 1970 by the present section 9.

Legislation which is similar in terms and effect to section 9 has been in force in the United Kingdom for about 70 years and in Singapore and most Commonwealth countries for a very long time.

It is true that prosecutions for the corrupt receipt of secret commissions had been rare in recent years. That they are becoming more frequent is not due to any change in the law but to the greater willingness of members of the public to report cases of secret commissions. This is surely a healthy sign that the community is beginning to realize that all forms of corrupt conduct are objectionable and should be suppressed.

A spokesman for the ICAC has publicly stated that, while the Commission will not at the present time actively seek out cases of this nature, they will be investigated whenever complaints are received.

I believe that honourable Members will agree with me that the law contained in section 9 of the Prevention of Bribery Ordinance is correct in principle, since it is intended to guard against principals and employers being deceived and robbed by their agents or employees.

The most important task of the ICAC remains the attainment of a high degree of integrity in the public service and I believe that it has made some real progress towards this goal. But a healthy society depends also upon corrupt practices in business being eliminated.

Sir, I support the motion.

4.40 p.m.

HIS EXCELLENCY THE PRESIDENT:—I think before the Financial Secretary replies, Members might like a short break. Council will resume in fifteen minutes.

5.00 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

THE FINANCIAL SECRETARY:—

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Sir,

(1) *Introduction*

As a token of appreciation for the friendly and generous way in which honourable Members have received this year's budget I shall keep this speech winding up the debate short—by that I mean as short as possible.

2. So far as I am concerned, Sir, there were three main themes running through most honourable Members' speeches, in one context or another, namely, financial efficiency, budgetary strategy and fiscal policy. I shall deal with each of these main themes in turn, but first I must reply to a number of separate points falling outside these three main themes.

(2) *Odd Points*

(a) *Securities Commission*

3. My honourable Friend Mr BREMRIDGE suggested that the staff of the Securities Commission needed strengthening in view of the wide ranging responsibilities laid upon it by the Securities Ordinance. This is the Commissioner's view too and for some time now discussions have been proceeding with a view to increasing the number of posts from 21 to 35 and introducing a new rank structure. For

this purpose \$422,000 has been included in the draft Estimates, but reserved in the General Warrant pending the approval of the Finance Committee of this Council.

(b) *Rewards to informers*

4. My honourable Friend Mr CHEUNG wondered whether sufficient provision was made in the draft Estimates for rewards to informers leading to seizures of narcotic drugs: rewards are paid out on the basis of a fixed scale depending on the size of the seizure and whether or not arrests and convictions result. If the provision included proves to be inadequate, supplementary provision will be sought automatically if covering savings elsewhere in the Police head of expenditure are not available for virement.

(c) *Social welfare services in kind*

5. My honourable Friend Miss Ko inadvertently understated the position when she argued that only \$56.5 million was to be spent in 1976-77 on social welfare other than cash payments. Her figure excludes the personal emoluments of the staff involved in the Social Welfare Department. As the activities of the department are staff intensive, this omission is quite significant. If the cost of the staff involved in social welfare other than cash payments is added in, the figure becomes \$94 million, which is 22% of total budgeted expenditure on social welfare and not 13.8%. This corrected figure of \$94 million, incidentally, represents a 10% increase over the revised estimate of expenditure on social welfare other than cash payments in 1975-76. I admit, however, that this 10% increase must be viewed against the background of a decline in agencies' overseas income which is not being entirely made up by extra contributions raised locally.

(d) *Adequacy of discretionary grants*

6. It is for this reason, Sir, that I have some sympathy with my honourable Friend Dr FANG's point that provision of \$52 million for social welfare subventions is not extravagant, particularly as agencies face the possibility of having to raise salaries this year. Normally discretionary or lump-sum grants to social welfare agencies and aided medical institutions⁽¹⁾ are not adjusted to take account of increases in salaries during a year, for salaries paid by agencies subvented on a discretionary lump-sum basis are not tied to Government scales and they are not scrutinized. If the agencies and institutions concerned wish to raise salaries in any year they are expected to

(1) See Memorandum Note on Head 80 Subventions: Medical, paragraph 7 on page 670 of the 1976-77 Estimates.

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find savings or raise additional contributions from their supporters. However, when grants for the following year are being considered, increases in costs (including salary costs) are taken into account. Perhaps this year, but this year only, we might consider making an exception to this rule since salaries have not been adjusted for some time—in most cases since 1974—and the agencies and institutions concerned are unlikely to be able to afford an adjustment *during* the coming year. To require their staff to wait a third year until 1977 would be unfair and so I would view sympathetically a recommendation from the Director of Social Welfare (and from my honourable Friend the Director of Medical and Health Services) for supplementary grants if Civil Service salaries are adjusted.

(e) *Review of existing, and Government's attitude towards new, subvented services*

7. I welcome my honourable Friend Miss KO's support for the idea of a review of the range of social welfare services in kind presently being subvented with a view to seeing whether any change of emphasis is indicated, having regard to the dramatic increase in recent years in cash payments⁽²⁾, and my honourable Friend the Secretary for Social Services has indicated this afternoon that he intends to put a review in hand. At the same time, I hasten to join him in assuring my honourable Friend Miss KO and my honourable Friend Dr FANG that the Government always stands ready to help meet the cost of a new service for which a "real need" is established, subject to overall budgetary considerations. Generally speaking, the case must be put forward for consideration by the Director of Social Welfare in connection with his annual review of the Social Welfare Five Year Plan⁽³⁾; or by my honourable Friend the Director of Medical and Health Services acting on the advice of the Medical Development Advisory Committee.

(f) *Dependent parents' allowance*

8. My honourable Friend Mr Hilton CHEONG-LEEN raised, for the second year running, the question of dependent parents' allowance. I said in reply to him last year⁽⁴⁾ that I thought I had disposed of the whole question of selective, as opposed to the basic personal, allowances

(2) *B.S., 1976, paragraph 159.*

(3) *See Memorandum Note on Head 82 Subventions: Social Welfare paragraph 3 on page 682 of the 1976-77 Estimates.*

(4) *C.S., 1975, paragraph 46.*

at rather tedious length in 1973. I nonetheless repeated the main point that taxpayers had abused this particular allowance to an extent which, added to the inherent difficulties the Commissioner of Inland Revenue had found in administering it, left me little alternative but to seek its abolition⁽⁵⁾. I stressed then that the allowance had been abolished in 1973 as part and parcel of a general overhaul of our system of personal taxation at a cost to the revenue of nearly \$17 million⁽⁶⁾. I regret that my honourable Friend still finds it hard to understand why I am not prepared to reinstate this allowance—and I certainly deny that I am disrespectful of traditional customs—but there is nothing I can add to the detailed explanation of my position which I gave when I wound up the 1973 budget debate⁽⁷⁾.

(g) *Tourism*

9. Finally, Sir, my honourable Friend Mr LOBO cast doubt on my forecast of tourist traffic in 1976. The forecast was carefully prepared from separate forecasts of tourists likely to arrive from the United States, Japan, Britain, Australia and South East Asia as well as from a catch-all category for other countries. I am as satisfied as I can be that these forecasts are consistent with the likely rates of growth of economic development in these countries. Indeed, we may have been a little too cautious. If our tourist traffic is to increase by 10% in 1976 monthly arrivals will have to be 119,000. The total for February, normally not a very good month for tourists exceeded this average of 119,000, it was in fact 120,000. If we have erred on the optimistic side it is in our forecast of a 3% growth in *per capita* expenditure at constant prices. Real *per capita* expenditure has declined over time as the pattern of our tourist traffic has changed and, although there was a 6% increase last year, a further 3% increase in a year of economic recovery may imply a levelling out in the long term downward trend which will not occur. Yet I would point out that no special allowance has been built into the calculations for the likely surfeit of special events such as the Miss Universe affair and the Commonwealth Finance Ministers' Meeting, to take two, somewhat contrasting, examples (*laughter*).

(3) *Main Themes*

(a) *Financial efficiency*

10. Turning now to the first of the main themes: financial efficiency. My honourable Friend the Director of Commerce and

(5) *B.S., 1973, paragraph 80 and C.S. in Hansard, 1973, pages 653-654.*

(6) *B.S., 1973, paragraphs 64-81.*

(7) *C.S., in Hansard, 1973, pages 651-660.*

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Industry spoke from a rather narrow point of view of a head of department when he dealt with my honourable Friend Mr F. W. LI's reference to "misuse of public funds", "lack of adequate and proper control", and "tales of mismanagement, inadequate supervision, uncoordinated planning and outright negligence". But as my honourable Friend Mr F. W. LI was talking about financial management, it is clearly my duty to examine and refute these serious charges on a broader front.

11. Possibly the best way to do so is to summarize how the checks and balances in the much maligned, but perhaps little understood, bureaucratic system, are designed to prevent financial mismanagement. These checks and balances first apply when a head of department and secretary develop a new policy. The Finance Branch's task is to put a cost to that policy to determine whether the objective is worth achieving in financial terms. If it is *not* and there is no compelling quasi-political reason for the policy, then that is the end of it. If it *is*, and the policy concerned is a major one, then the results of the work of the department, the policy branch concerned and the Finance Branch are put to Executive Council and to the Finance Committee of this Council. And I do assure my honourable Friend Mr BREMIDGE that, unless it is impossible to do so, the costs of the new policy, as presented to Executive Council and Finance Committee, *do* include capital costs and staff on-costs. A ready reckoner on staff on-costs is available to all departments and is regularly updated. My honourable Friend incorrectly argues the absence of information on staff on-costs from the shortage of accountants in the Civil Service. A more apposite deduction would be that this shortage prevents us from monitoring actual costs against the original notional costings. But this weakness should be rectified if we find, as a result of the Treasury processing the main accounts by computer, that we can also use the computer as an aid for obtaining actual costs. But another way in which original notional costings are verified is in organization and methods studies which are also undertaken by staff in the Finance Branch. And departments themselves have their successful cost reduction committees which I described in the budget speech⁽⁸⁾. These committees go some way towards meeting my honourable Friend Mr F. W. LI's point that small internal monitoring teams should be established within departments.

(8) *B.S., 1976, paragraph 72.*

12. The next set of checks and balances applies to proposals for expenditure. Again, the proposals emanate from heads of departments, in consultation with secretaries, and it is their responsibility to formulate such proposals with due regard to economy. The Finance Branch vets each proposal to confirm that it is within policy and does involve the least expensive way of achieving the objective. The vetting includes a look at the existing level of expenditure and the relevant activities of the department. These investigations achieve part of what my honourable Friend Mr F. W. LI would give more formally to a "permanent central team to monitor departmental expenditure".

13. Finally, expenditure proposals are vetted by the Finance Committee of this Council and its two sub-committees, where appropriate.

14. But the checks and balances do not end there. My honourable Friend Mr F. W. LI is incorrect when he suggests that, once approval is obtained, and I quote "Heads of departments are virtually free to spend the funds, provided the money is spent for a particular purpose and the total amount is not exceeded". The actual spending of approved funds is controlled in a number of ways, and to a much greater degree than in many companies in the private sector where, in any case, the emphasis is on profitability, which is certainly not the same concept as cost-efficiency. I, personally, would go so far as to say that the absence of a profit yardstick in the public sector encourages civil servants to be even more cost conscious than their counterparts in the private sector.

15. But to return to the control of expenditure: heads of departments, in spending approved funds, are required not only to apply them to the purposes for which they were approved, but also to apply them in the manner envisaged when the approval was given. And, to a considerable extent, the manner in which funds are spent is dictated by regulations and administrative rulings which lay down the standards to be applied and the procedures to be followed in the procurement of goods and services. These regulations and rulings provide a general control designed to achieve economy and to ensure that funds are not spent simply because they happen to have been approved. They do not, of course, absolve heads of departments from their fundamental and particular responsibility for avoiding extravagance or waste.

16. The Treasury, in operating our central payments system and bringing revenue and expenditure to account, inevitably has its place in the system of checks and balances. For example, the Treasury has

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to ensure that no payment is made which is not covered by proper authority, that the possibility of losses through fraud, embezzlement or carelessness is guarded against and that cases of apparent extravagance are brought to the Secretariat's or a head of department's attention. The Treasury thus performs another part of the task my honourable Friend Mr F. W. LI would assign to his "permanent central team".

17. Then, finally, there is the auditing process. With respect, I think the conclusions my honourable Friend Mr F. W. LI drew from what he finds in the Director of Audit's annual reports are far too extreme. A commercial auditor's main concern is to report to a company's shareholders on the state of the affairs of the company at a given date and not to report to the public at large on the quality of the performance of the company's staff and directors during that year, although an auditor may provide a more detailed report for the company's internal use. By contrast, the Director of Audit has to report to this Council and his detailed comments, as well as his formal certificates, are published. He is particularly concerned with checking that funds have not been spent in a wasteful or extravagant manner; and he has placed a growing emphasis on this value for money aspect in the last four years since the enactment of our own Audit Ordinance. So he too, like heads of departments, the Finance Branch and the Finance Committee of this Council, is concerned with the pursuit of value for money. The reason for this difference between the way in which commercial and Government audit reports are presented is that, while shareholders of companies can judge performance by profitability, the Government's performance, by and large, cannot be so easily judged. Inevitably, then, in his report the Director of Audit comments publicly over a much wider range of subjects than does a commercial auditor. But, nevertheless, we must put his report into perspective. Despite the high degree of efficiency of his staff and his wide remit, it is, in my view, a slim volume to compare with the Government's turnover of \$14,000 million which involves innumerable transactions of the widest possible variety; and reflects creditably on the Civil Service.

18. I regard the Director of Audit's audit as being of the greatest importance and, of course, it performs, in part, a role similar to that my honourable Friend Mr F. W. LI would assign to his "permanent central team". In compiling the enclosure to the despatch forwarding his report to the Secretary of State tabled in this Council around December every year, we require those subject to criticism to explain themselves. Invariably, the outcome is some change to procedures and

practices to prevent a recurrence of whatever went wrong. It is the Finance Branch's task to monitor progress on such changes. But, while I would never concede my honourable Friend Mr F. W. LI's point that heads of departments need to be reminded that they are responsible for ensuring funds under their control are properly spent, it may be that the accountability of the Civil Service to taxpayers should be subject to rather more formal arrangements. This could be done by involving this Council more closely in the processing of the Director of Audit's reports. I gave this possibility some thought some time ago and, subject to Your Excellency's direction, proposals may be coming forward for a Public Accounts Committee whose task it would be to examine the Director of Audit's report, to seek additional information from those concerned and to satisfy itself that any necessary remedial action has been taken. In other words, the task of a Public Accounts Committee would be to ensure that the funds provided by this Council through the Appropriation Ordinance had been spent in the way intended.

19. So, given the importance the Government attaches to the Director of Audit's report, I am gratified by the unqualified support, particularly from my honourable Friends Mrs SYMONS, Mr LO and Mr LOBO, for the extension of his activities into the subvented sector.

20. My honourable Friend Mr F. W. LI is less than fair in the conclusions he draws from the arrears of revenue to which the Director of Audit draws attention in his annual reports. He quotes the \$136 million the Director said was still outstanding from 1974-75 at 30th June 1975 and implies that this sum is irrecoverable. First, I must put this into perspective. It amounts to just over 1% of turnover in 1974-75. But, second, he assumes that the full \$136 million is irrecoverable. This is far from the case. We have already recovered half the outstanding amount in respect of internal revenue which forms the major part of the arrears (\$89 million out of \$136 million). There is every prospect that most of this remainder will be paid with interest. We expect only about \$20 million to be uncollectable and most of this will be in respect of land transactions for which re-entry and subsequent sale should at least cover the arrears involved.

21. In fact, the revenue written off each year as irrecoverable is small. For example in 1975-76, it is expected to be only about \$3 million in respect of internal revenue.

22. Nevertheless, I can assure my honourable Friend that we are far from complacent on the subject. For example, in conjunction with the introduction of instalment payments for salaries and profits

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tax, the Commissioner of Inland Revenue has felt able to take a much tougher line with those who do not pay their tax liabilities by the due date. As a further example, the use of the computer for the issue of driving and vehicle licences will facilitate the collection of outstanding fines from drivers in respect of driving and parking offences.

23. I am glad that my honourable Friend Mr T. S. LO has so unambiguously given his support to one of our basic policies, namely, that, in respect of those services for which charges are raised, subsidies from public funds, if any, should be directed at those who cannot afford to pay the charges in part or in full. But there are areas in which, for political or practical reasons, the charges have been fixed at a level that does give too large a subsidy to the well off. He rightly pinpoints the main difficulty. This is that, in respect of expensive services, if the charges were determined at a level the better off can afford, then, if the less well off were not to suffer, a large proportion of the population would have to be means tested.

24. But I am afraid that his ingenious solution to this difficult problem would not prove feasible. First, it would be expensive. I imagine an army of inspectors would be required to check and to keep checking the means of the population. Even so, secondly, there would be scope for considerable malpractice. Thirdly, an individual would have the results of the means test expressed as a remission percentage applicable to all charges regardless of size. This could mean that he would get remission in respect of charges he could easily afford to pay.

25. It is our low tax structure that requires the Government to charge for all services rendered on a cost-related basis unless there is a policy reason for not charging or charging less than full costs. We combine this charging system with remission schemes for those who cannot afford to pay. But our low tax structure also dictates that remission schemes must be inexpensive to operate.

26. Before I leave the subject of financial efficiency, may I state, yet again, my belief that this efficiency will in no way be improved by detaching what my honourable Friend Mr F. W. LI terms "revenue-generating departments" and running them as autonomous corporations. There must be other, more substantial, reasons for detaching them. In the first place, in terms of overall efficiency, hiving off in this way introduces as inflexibility in the use of available funds. For example, I can see no reason why the return on capital invested in, for example,

the railway should not be used to build schools if that is what the priorities dictate. I see no point in creating autonomous corporations with the Government retaining power subsequently to claw back control over, say, whether the corporations might themselves spend the funds they generate. I am afraid my honourable Friend is quite wrong in supposing that the Government maintains and I quote "a strong but detached control" over the Urban Council, the Mass Transit Railway Corporation and the Housing Authority. So last year, for example, while the central Government was having to trim back the rate of growth of expenditure from an average of 27% in the five years ending 1974-75 to 10% in 1975-76⁽⁹⁾, the Urban Council was free to expand the services under its control to the extent that its revenues permitted, and to do so without regard to the overall priorities of the Government as a whole; and, I should add, least I am mis-understood, the Urban Council is able to do this quite legitimately. My honourable Friend does not seem to realize that the degree of central Government control over the various organizations he quotes depends on the extent to which they rely on this Council to vote them funds and in the case, for example, of the Mass Transit Railway Corporation, the Housing Authority and the Trade Development Council, on the provisions of the ordinances setting them up. If, as my honourable Friend suggested, we get round these difficulties by having an official majority on their boards, there would seem little to be gained from having hived them off in the first place. For my second point is that I can see no evidence that those "revenue-generating departments" are being run inefficiently. Rather the reverse. My honourable Friend Mr BREMRIDGE considers that the financial control of the KCR would have been out of date for horse-drawn trams. Be that as it may, I personally take consolation from the fact that, unlike virtually all other railway systems in this day and age, the notional accounts show that the Kowloon-Canton Railway is not running at a loss. There is no prospect of it doing so for as long as improvements to it are kept within bounds—in other words—within bounds of the really necessary.

(b) *Budgetary strategy*

27. I come now to the second main theme of this debate, budgetary strategy. In both my speech winding up last year's budget debate⁽¹⁰⁾ and in my analysis in Part II of this year's budget speech⁽¹¹⁾ of the management of the public finances in the 1970s, I thought I had demon-

(9) *In the event, 4% (revised estimates for 1975-76 on actual expenditure in 1974-75).*

(10) *C.S., 1975, paragraphs 22-25.*

(11) *B.S., 1976, paragraphs 42-51 and 65-72.*

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strated that we had successfully maintained public services and proceeded with our capital works programmes through a period of fluctuating economic circumstances. I was very disappointed, therefore, when my honourable Friend Dr CHUNG again used that unfortunate and misleading phrase "stop-go" for I really do think that the facts speak for themselves: as my honourable Friend Mrs SYMONS pointed out we trimmed the rate of growth of public spending to bring it more or less into line with the economy's performance. But I would claim that we did this in such a way as to avoid "stop-go", that is to say, we did not abandon on-going services and we did not terminate works contracts.

28. My honourable Friend Mr. F. W. LI's conjecture that under-spending on capital account this year was due, and I quote "to a deliberate slowdown in the (public works) programme for fiscal reasons" is quite incorrect. I budgeted for expenditure of \$1,626 million on the two components of the public works programme and made arrangements to finance part of this expenditure with loan funds. The reasons I gave for the shortfall of roughly \$340-350 million in paragraph 68 of the budget speech* were the real reasons. There could be no question of my deliberately misleading this Council: I seriously intended that we should spend up to the provision in the approved Estimates of \$1,626 million and no instructions were issued during the year to the contrary. On reflection, thinking that time lost through weather conditions and so on would be made up by contractors anxious about their cash flow situation, we were slow to perceive that progress payments on certain contracts were such as to imply under-spending on the year as a whole. But, nevertheless, we did start feeding in extra projects to boost expenditure in the autumn.

29. So, I argued on 25th February 1976 that the budgeted deficit for 1975-76 would have been more or less realized, but for this shortfall on capital account, and I cannot go along with my honourable Friend Mr F. W. LI's magical forecast that the budgeted deficit of \$355 million for this financial year will simply disappear. Before it does, expenditure generally will have to be rather lower than that provided for in the draft Estimates and revenue rather higher in order to finance any revision of Civil Service salaries that may eventually be agreed. But, provided we aim to return to a situation of overall balance no later than 1978-79, I regard the prospect of a deficit of \$300 million or so

* See page 513.

in 1976-77 with equanimity⁽¹²⁾. Of course, to budget for a deficit of \$355 million in a situation where our total turnover is over \$14,000 million involves fine tuning to an almost ridiculous degree: even a 1% shortfall in expenditure and a 1% excess of revenue would eliminate nearly half the deficit. Again, say, a 2% shortfall of revenue and a 1% excess of expenditure would push the deficit up by over \$200 million to \$550 million.

30. This is a convenient point at which to clarify my position on the role of loan finance and, in so doing, to reassure my honourable Friends Dr CHUNG and Mr Alex WU that I believe there is a continuing role for loan finance, on a highly selective basis, for self-liquidating projects already in the public works programme, such as the desalting plant and the Sha Tin Sewage Works⁽¹³⁾. There is also a place for loan finance for self-liquidating projects outside the public works programme such as industrial estates and the flats for sale scheme. But the totality of these debt commitments must be carefully monitored so that this Government's credit-worthiness is not endangered and debt servicing charges do not become excessive⁽¹⁴⁾, having regard to the possibility of our having to incur debt, from time to time, to finance the residual deficit on capital account for which, however, there is a guideline limit: no more than 20% of capital expenditure should be so financed. At the same time, in assessing our credit-worthiness, the market will have regard not only to the level of outstanding debt on Government account at any one time and the productivity of the fiscal system, but also to our growing contingent liabilities in respect of the mass transit railway project. These will peak at \$5,600 million in 1981 in respect of which we have our free surpluses or fiscal reserves standing at about \$2,700 million at 1st April 1976.

31. I was glad to note, Sir, that two honourable Members, Mr F. W. LI and Mr Francis TIEN, warned of the possibility of public expenditure growing at such a rate as to inflate our internal cost/ price structure leading, inevitably, to balance of payments difficulties and a slowing down in the growth rate of the economy. It is true that the consequences of public expenditure growing faster than the

(12) *B.S., 1976, paragraphs 172, 206 and 208.*

(13) *These projects are part of the Public Works Programme but, for accounting reasons expenditure on them is charged to an advance account in the first instance. So no provision is made in the Annual Estimates and expenditure is not counted against the acceptable levels for the two components of the Public Works Programme: see f.n. (100) of B.S., 1976, page 51.*

(14) *B.S., 1975, paragraph 169.*

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economy would be rather less likely to occur if increased public expenditure were financed by increased taxation rather than internal borrowings. *But*—and this is a very large but—when public expenditure, appropriately and consistently defined⁽¹⁵⁾, reaches a certain proportion of total expenditure of the Gross Domestic Product, the growth rate of the economy as a whole is damaged for resources are being used less profitably in the public sector than they could be in the private sector.

32. So, *a view has* to be taken of the size of the public sector and for reasons which are rather less philosophical than King Charles I's famous declamation as he stood on the scaffold on the morning of 30th January 1649:

"For the people ... their liberty and freedom consists in having the Government of those laws by which their life and their goods may be most their own."

In an open economy such as ours, necessarily dependent on a relatively narrow range of manufacturing industries for export, I personally think we should take the view that the critical limit is reached when the ratio of public sector expenditure to the Gross Domestic Product reaches 20%. When the economy is enjoying strong growth the ratio of the public sector to the Gross Domestic Product should fall, partly because the growth rate of public expenditure will always tend to lag behind the growth rate of the economy on the upturn, and partly because we want to leave room for the public sector to expand relatively to the economy as a whole on the downturn (not that the rate of growth of public expenditure should not be trimmed back on the downturn as part and parcel of the process of the economy deflating out of trouble⁽¹⁶⁾). This is precisely what has happened in recent years: from being around 15% in the four year 1970-73 the ratio rose to 19% in the two years 1974 and 1975 when the economy stood still. However, if the 1976-77 budget estimates are right the ratio will rise further to over 20%—to over 20%—and yet 1976 is, I believe, destined to be a good year for the economy. But

(15) *As expenditure by the central governments, the Urban Council and the Housing Authority. Expenditure by the Mass Transit Railway Corporation is not included.*

(16) *Given the externally oriented nature of the Hong Kong economy—i.e. the relatively limited size of the internal market—we cannot inflate our way out of trouble for that would lead to balance of payments problems.*

there is justification for this as we strive to make up for lost time and provided the ratio tends to fall later on during the upturn. In saying that 1976 will be a good year for the economy, I recognize that we must expect a degree of price inflation as the prices of imports rise and wages increase in a tightening labour market. But it is this market mechanism which will ensure the best use of labour resources and, presumably, with reference to my honourable Friend Mr TIEN's point, the numbers engaged in hawking will decline. Increased wages will put pressure on export prices up to, but not beyond, what the market will bear, and improve our terms of trade. At the same time, there will be a relative shift to wages in the Gross Domestic Product to match or more than match the relative shift to profits on the downturn. But to return to the size of the public sector: at 20%, and possibly rather more than 20%, there can be no question but that the Government's own budgeted expenditure for 1976-77, together with the other elements of public sector expenditure, represents the maximum permissible level, as it were (which is one reason why I find my honourable Friend Dr CHUNG's call for an increase in the standard rate of tax to 17% so curious. The other is that it would be objectionable on purely fiscal grounds as I shall explain later).

33. Of course, this guideline ratio for the size of the public sector is only one of several guidelines which I bear in mind when devising budgetary strategy. Each imposes a very necessary discipline on us all and acts as a constant reminder of the consequences of particular courses of action. To set my honourable Friend Dr CHUNG's mind at rest, none is absolute, but each is grounded in historical experience as he discovered for himself, and none is mutually inconsistent with another. Just for the record, again, I have four sets of guidelines and each seeks to serve a quite specific purpose: the first seeks to define an upper limit for the size of the public sector; the second seeks to define the relationship between the recurrent and capital accounts in such a way as to limit the rate at which our recurrent commitments grow in relation to recurrent revenue; the third seeks to define a limit for debt; and the fourth seeks to define the balance of the fiscal system.

34. The last point I have to reply to connected with budgetary strategy is my honourable Friend Mr TIEN's concern that the capacity of the building and construction industry may fall short of total desired demand of the public sector and the private sector, which includes the Mass Transit Railway Corporation. Although it is not difficult for our statisticians to estimate public sector demand and the demand of the mass transit railway project, the rest of the private sector's demand

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presents difficulties (particularly as developers tend to submit more plans than they intend to proceed with). It is even more difficult to define what is meant by the *capacity* of an industry, let alone estimate that capacity in quantitative terms, and the building and construction industry is no exception. Nevertheless, I share my honourable Friend's concern that, if total desired demand is in excess of capacity, at least short term pressures on costs and prices could emerge. Accordingly, as this is one industry where public sector demand is significant— perhaps two fifths of total demand in 1976-77, or three fifths if, for this purpose, the mass transit railway project is included—as this is as I say one industry where public sector demand is significant, the situation is to be monitored carefully. Quite apart from the general economic consequences of what my honourable Friend aptly describes as "an overheated condition", but Government, as a client of the industry, does not wish to see project estimates escalating sharply. So we shall be, among other things, watching the trend of tender prices very carefully as the weeks go by.

(c) *Fiscal policy*

35. Not surprisingly, Sir, in view of the appointment of the Third Inland Revenue Ordinance Review Committee, several honourable Members devoted much attention to fiscal questions, the third main theme of this debate. I think we are all on the same side, but as I listened to what honourable Members had to say, and I listened very carefully, I wondered whether they realized this. As my honourable Friends Mr James WU and Mr BREMRIDGE indicated in their own inimitable way, the sole purpose of the fiscal system in Hong Kong's circumstances is to finance the public services and capital works programmes and not to pursue socio-political objectives as ends in themselves. These objectives—and even economic objectives to a large extent—are pursued through public expenditure itself. It is true that certain *monetary* objectives might be pursued through the fiscal system from time to time and, certainly, interest withholding tax, despite what the bankers say, has a monetary policy aspect.

36. But, generally speaking, the purpose of the fiscal system is to appropriate a suitable proportion of this community's resources for public expenditure and not, in addition, to pursue social justice or to manipulate—or rather try to manipulate—the rate and pattern of economic growth. Indeed, as regards the latter point, I have gone further and said repeatedly that the fiscal system must be designed to

be as neutral as possible as regards the internal cost/price structure and investment decisions (and I take this view on empirical grounds and not simply because I happen to believe that the "invisible hand" of which Adam SMITH wrote is far more efficient than the all-too-visible fist of modern governments). At the same time, the fiscal system should be as equitable as possible as between different income groups and between different classes of taxpayers or potential taxpayers; and it should rest as lightly as possible on the disposable incomes of those at the lower end of the range of taxable incomes and possess a degree of progressivity at the upper end. Finally, each and every levy—be it direct or indirect—should be simple and easy (and, therefore, inexpensive) to administer. The plain fact is that a fiscal system which is pitched as low as possible so as to minimize its impact on the supply of human effort and investment decisions cannot afford to finance costly overheads. For this reason, in a low tax environment, not only is the pursuit of equity—or what my honourable Friend Mr BREMRIDGE called "absolute fairness"—for its own sake unnecessary; it is also not possible.

37. So I am no doctrinaire reformist and, as I said in paragraph 217 of the budget speech*, the Government has no intention of pursuing change for the sake of change. But our direct tax system as prescribed in the Inland Revenue Ordinance is not as productive at given rates as it could be: I refer, for example, to the application of the profits tax charge. It deals unsatisfactorily with certain forms of income: I refer, of course, to the treatment of dividends and benefits in kind. It involves certain inequities: I refer, for example, to the lack of progressivity of the schedular rates except, to a limited extent, in the case of salaries tax and personal assessment. And it is not as simple and as inexpensive to administer as it could be: I refer, for example, to the substantial duplication of assessments and payments involved in the system of separate schedular taxes.

38. Those honourable Members who nevertheless still react nervously to the very idea of "tax reform" believing, quite sincerely, that we are set on what my honourable Friend Mr BREMRIDGE described rather gloomily as "a road to hell paved with glib pretensions" might well ask: why all this emphasis on direct taxation? The answer, for once, is quite simple: it is only in the field of direct taxation where we have any significant room for manoeuvre. We already seek to collect the maximum possible revenue from fees and charges (30% of total recurrent revenue); and there are limits to the range of indirect taxes here (*e.g.* we cannot have a customs tariff) and yet 46% of all tax revenue comes from indirect taxes (which is not all that "minimal")

* See page 568.

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with due respect to my honourable Friend Dr CHUNG). The remaining 54% of tax revenue comes from our four levies on earnings and profits. We broke with the tradition of a single standard rate (of 15% since 1966) last year and now have a separate rate of 17% for corporation profits tax, but while a gap of two percentage points between the standard rate of tax on earnings and profits and corporation profits tax is just about tolerable technically speaking, and in terms of equity, the gap cannot be widened any further.

39. So reform there must be and I am grateful for the support of my honourable Friends Dr CHUNG, Mr BREMRIDGE and Mr James WU for the appointment of an independent Review Committee to look at the basic structure of the Inland Revenue Ordinance. The Committee will consider, in particular, whether we should persist with separate levies on salaries, profits, interest earnings and property income and with the limited territorial charge. As I have said, I believe there is scope for increasing the productivity of our direct tax system, thus obviating the possible necessity of adopting the easy—but not necessarily the wise or fair—option of simply lifting the standard rate from the present 15%. This is important for there can be no doubt that our direct tax system must be low. Manufacturers and exporters must be able to earn a rate of return after tax which stimulates a maximum rate of capital investment irrespective, incidentally, of its source, to ensure the highest possible growth rate of the economy and hence of living standards.

40. Whilst the committee is being asked to have regard to the need to make the system as productive as possible at given tax rates, it is not, as my honourable Friend Dr CHUNG suggests, being specifically asked to examine the equity and fairness of the system, although I would expect that it will give full consideration to the removal of such inequities as do exist in the present system where this is consistent with its terms of reference. And as the committee is certainly *not* being required to concern itself with question of fiscal policy, that is to say, actual rates of tax, it would have been constitutionally quite inappropriate to include in its terms of reference, as suggested by my honourable Friend Dr CHUNG, an indication of the amount of tax required to be raised. It would have been inappropriate to do so, even if a meaningful indication were possible which it is not for, in our exposed trading circumstances, the scope for maintaining the level of tax revenues by

raising tax rates when the economy is on the downturn is extremely limited. This is why we must always be very careful not to get locked into recurrent commitments which we are not fairly confident we can finance even in straitened circumstances.

41. I cannot, of course, anticipate the committee's deliberations: nor can I determine for the committee how it should fulfil its task. For this reason, I do not think I should engage in further public debate on one particular reform measure, namely, the taxation of dividends, which the administration has in mind and which the Review Committee will be asked to consider in connection with its general examination of the taxation of corporate profits. I have already explained our position at some length in paragraphs 173-175 of the budget speech*. For the same reason, I can only say in reply to my honourable Friend Mr James WU's request for an assurance that the committee will accept representations from interested organizations and private individuals, that I shall certainly give every encouragement to the committee to consult as widely as possible; and I have no doubt it will. As regards my honourable Friend Mr LOBO's request that employers of disabled people should be accorded a form of tax relief, I would have thought that representations could be made under paragraph (i) of the committee's terms of reference⁽¹⁷⁾. I say this quite without commitment.

(4) *Conclusion*

42. Sir, I am sure we would all agree with that early 19th century divine, Sidney Smith, quoted by my honourable Friend Mr BREMRIDGE that "good government is an excellent thing" and, although it may not be "first in the order of human wants", as Thomas PAINE pointed out, "government in its worst state is an intolerable evil". I would like to think that, if our critics overseas had had the opportunity to listen to this debate on the Second Reading of the Appropriation Bill 1976 (or any other major debate in this Council over the years) they could only come to one conclusion, namely: that Official and Unofficial Members alike were striving to develop, and energetically pursue relevant and sound policies so as to bring about a state of "good government" for the people of Hong Kong.

43. Sir, on that note I beg to move.

* See pages 552-553.

(17) See the Annex for the Committee's terms of reference.

Appropriation Bill—resumption of debate on second reading
(24/25.3.76)

Annex

INLAND REVENUE ORDINANCE REVIEW COMMITTEE

The third Inland Revenue Ordinance Review Committee will start work on 15th June 1976 with the following terms of reference:

"Having regard to the economic circumstances of Hong Kong which dictate—

- (a) a comparatively low level of direct taxation;
- (b) that the system at given tax rates should be as productive of revenue as possible; and
- (c) that the relevant legislation should be simple and inexpensive to administer;

to consider the present system of taxation of profits and other forms of income contained in the Inland Revenue Ordinance, and in particular—

- (a) the system of voluntary aggregation under Personal Assessment;
- (b) the taxation of husbands and wives;
- (c) the treatment of dividends and its relation to the taxation of corporate profits;
- (d) the treatment of interest and the relief for interest paid;
- (e) the territorial ambit of the various charges (having regard, *inter alia*, to the effects of changing commercial practices and recent case law);
- (f) the taxation of benefits in kind;
- (g) the notional basis of the property tax charge;
- (h) the taxation of specific classes of taxpayer, including profits from shipping; and
- (i) the adequacy of existing relief for expenses incurred by businesses and employees."

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).

**HONG KONG INDUSTRIAL ESTATES PROVISIONAL
AUTHORITY BILL 1976**

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to provide for the establishment of the Hong Kong Industrial Estates Provisional Authority and for connected matters."

He said:—Sir, following the decision some two years ago that initial steps should be taken towards the establishment of industrial estates in Hong Kong, primarily to cater for those industries which cannot operate in multi-storey buildings, and thereby to broaden our industrial base, a working group on industrial estates, composed entirely of Government officials, was established to consider the issues connected with, and generally to guide, such developments. Last autumn, the membership of this group was expanded by Your Excellency to include two unofficials, one of whom is now the Chairman, in order to broaden the experience available to it, and its title was changed to the Steering Group on Industrial Estates.

Under the guidance of these group, plans have been drawn up for two industrial estates, each with a total area of about 185 acres, at Tai Po and Yuen Long. Following acceptance in the middle of last year of a commitment of \$60 million from the Development Loan Fund, work has started on the development of an initial stage of 60 acres at Tai Po, where the first sites will become available for disposal towards the end of this year, and building should be able to start in April or May 1977. This first stage is expected to be completed in mid-1978.

Decisions have yet to be taken on further development. The steering group is concerned, however, that if the demand for sites is as expected, there is some danger of a shortage of sites in two or three years time if further development does not commence within the next few months. Consideration will, therefore, be given to the issues involved, including the availability of funds, in an effort to reach a decision on the next steps before the end of this year.

If it is decided to proceed further than the first stage at Tai Po at present under construction and this will depend on confirmation of demand for sites, it is thought that the task of developing and managing the estates would probably best be undertaken by an independent Industrial Estates Corporation set up for the purpose.

In the meantime, it is considered that there is a requirement for a body to provide a focal point for, and additional impetus to, the development and promotion of the industrial estates, as well as to undertake certain specific tasks. In particular, it is considered that a chief ex-

[THE FINANCIAL SECRETARY] **Hong Kong Industrial Estates Provisional Authority Bill—second reading**

ective should be recruited as soon as possible, and that there should be a body capable of holding and disposing of sites in estates, dealing with potential occupants and undertaking publicity and promotional work.

It is therefore proposed that a Hong Kong Industrial Estates Provisional Authority, along the lines of the Mass Transit Railway Provisional Authority, should be established. The purpose of the bill before honourable Members is to establish, as a body corporate, an interim authority with the necessary executive powers to carry the development of industrial estates further along the lines I have just described.

Clause 3 of the bill provides for the establishment of the Authority and appointment of members. It is proposed that, in addition to the chairman there will be at least one other unofficial, together with some six or seven officials, all of whom are currently members of the steering group, and that the Chief Executive, when appointed, would also become a member. This sort of membership is in line with that of the MTR Provisional Authority and will in no way prejudice the membership of the board of an industrial estates corporation, if and when it is established.

Clause 5 states the purposes of the Provisional Authority, whilst Clause 6 provides for both general and specific powers in relation to these purposes, including the purchase, acquisition, leasing, surrender, disposal or letting of land, appointment of staff, arrangements for the supply of services or facilities, relations with the Government and delegation of powers.

Clauses 8 and 9 deal with the financial resources of the Provisional Authority to be made available by the Government and establishes a separate Hong Kong Industrial Estates Fund in which these resources will be held. The only funds provided so far are the \$60 million loan from the Development Loan Fund for Stage I of the Tai Po Estate.

Finally, Sir, although clause 11 provides that the Provisional Authority shall not be a Government agency, clause 13 does provide that it shall nevertheless be a public body for the purposes of the Prevention of Bribery Ordinance.

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

Question put and agreed to.

DISTRICT COURT (AMENDMENT) BILL 1976

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

He said:—Sir, the purpose of this bill is to remedy two procedural defects in respect of the criminal jurisdiction of the District Court.

The first concerns the very minor matter of who may sign charge sheets on behalf of the Attorney General. Clause 2 rephrases section 77(1) to ensure that all professional officers of Crown Counsel standing or above may sign.

The second seeks to cure an oversight which occurred when the Criminal Procedure Ordinance was amended to provide the procedure for appearance by a representative in the case of a corporation charged in the Supreme Court. There is at present no such provision in relation to the District Court.

Accordingly, clause 3 of this bill seeks to add a new section 79A to provide that where a corporation is charged in the District Court, it may appear and plead by a representative. The new section is in the same terms as the equivalent section in the Criminal Procedure Ordinance relating to the Supreme Court.

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

Question put and agreed to.

LABOUR TRIBUNAL (AMENDMENT) BILL 1976

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

He said:—Sir, it is now a little more than three years since the Labour Tribunal began its operations. I believe honourable Members will readily agree that the tribunal has achieved marked success in achieving its objective of providing a quick, inexpensive and informal means of settling monetary claims arising out of contracts of employment. The tribunal has also earned a notable degree of public acceptance. In 1975 no less than 2,027 cases were instituted in the tribunal and in 1976 new cases are coming in at the rate of about 170 each month.

[THE ATTORNEY GENERAL] **Labour Tribunal (Amendment) Bill**

This bill contains a number of minor amendments which the experience of the tribunal has shown to be desirable and I will say a few words about the more important of these.

Clause 2 of the bill amends section 22 to impose an obligation on the registrar to serve a written award or order of the tribunal on the parties. This proposal, which is in line with the procedure which the Small Claims Tribunal will follow, is felt to be an improvement on the present law under which a party, while entitled to a copy of an award or order, must apply for it.

Clause 3 amends section 32 so that the time allowed for an appeal does not begin to run until the written award or order of the court is served on the party concerned.

The other proposal of significance is the repeal and replacement by clause 5 of section 35. This section sets out the powers of the District Court and the Court of Appeal on hearing an appeal from the Labour Tribunal. The new provision, which is similar to that enacted for the Small Claims Tribunal will mean that facts fall to be determined solely by the tribunal. In straightforward cases the Appeal Court will either allow or dismiss the appeal on the point of law arising in the appeal. Where other issues arise, it will remit the case to the tribunal with directions as to how it should proceed.

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

Question put and agreed to.

THE ATTORNEY GENERAL:—Sir, the hour of six is near when Standing Order No 8 would apply. With your permission, may I move that Standing Order No 8 be suspended in order that the business remaining on the order paper be disposed of today?

Question put and agreed to.

AERIAL ROPEWAYS (SAFETY) BILL 1976

SECRETARY FOR THE ENVIRONMENT moved the second reading of:— "A bill to provide for the design, manufacture and installation of aerial

ropeways, the regulation of the operation and maintenance of aerial ropeways and for matters ancillary thereto or connected therewith."

He said:—Sir, the Aerial Ropeways (Safety) Bill 1976 seeks to control the safety standards for the design, manufacture and installation of aerial ropeways and to regulate their operation and maintenance.

The bill has been drawn up in accordance with the main provisions of International Organization for the Transportation by Rope known as OITAF which is the international body responsible for making recommendations on the design, construction and operation of cable car systems for public transport. It provides for the detailed technical aspects of design, construction, inspection, licensing and operation to be contained in regulations and a code of practice, to be prescribed by the Director of Public Works and published in the *Gazette*. Work is in hand to ensure that the regulations and the code of practice are provided at the earliest possible date.

Part II of the bill provides that specifications of the machinery, equipment and plant relating to aerial ropeways must be submitted to the Director of Public Works before any installation work is commenced. These specifications must be accompanied by information as to proposed method of constructing the ropeway and the proposed programme of installation. No installation can commence until approval of the design specifications has been given by the Director, and no modifications may be made to the plant or specifications unless with the prior written approval of the Director.

During the process of construction the Director, or any public officer authorized by him in writing, will have powers of inspection, and in addition will be able to direct the discontinuation of the work until he is satisfied that such work complies with his requirements under this legislation.

Part III of the bill deals with the operation and maintenance of aerial ropeways and provides that no ropeway shall commence operation until such commencement is approved by the Director. Furthermore if in the opinion of the Director circumstances require the immediate alteration or repair of the ropeway he may require the owner to effect these alterations or repairs forthwith, and the expense involved will be borne by the owner of the ropeway.

Provision exists in Part IV of the bill for the person installing the ropeway, or the owner, to appeal to the Governor in Council if he is aggrieved by any requirement or direction made by the Director.

[SECRETARY FOR THE ENVIRONMENT] **Aerial Ropeways (Safety) Bill**

Under Part VII of the bill provision is made for the Governor in Council to make regulations, but further provision exists under clause 30 to ensure that nothing in the bill shall derogate from the Buildings Ordinance.

Sir, although the OITAF recommendations are accepted as the standard in most countries where aerial ropeways operate, certain of these countries, notably France and Italy, make provision for the appropriate Authority to license aerial ropeways whose speeds and cabin capacities exceed the specifications laid down in law. Such exceptions are conditional upon the Authority being satisfied that the design is in order and are subject to demonstration, by experiment, that the system operates safely. Similar provision has been made in clause 29 of the bill which empowers the Director of Public Works to exempt any cable car system from the specific requirements of either the cable car regulations or the code of practice. Such a power of exemption is necessary to ensure that advantage can be taken of technological developments in aerial ropeway design, construction and operation in advance of the relatively slow process of amending the appropriate OITAF recommendation.

Clause 28(2) of the bill provides that any regulations made under the ordinance can be applied to any aerial ropeway in operation at the time when the ordinance comes into force. This clause has been inserted to ensure that, if the Ocean Park cable car system commences operation prior to the enactment of legislation, the provisions incorporated in the legislation will still apply to that system which has, in fact, been designed and is being installed to meet the standards which it is envisaged will be required for aerial ropeways in Hong Kong under the proposed regulations and the code of practice.

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

Question put and agreed to.

**LIFTS AND ESCALATORS (SAFETY) (AMENDMENT)
BILL 1976**

MR McDONALD moved the second reading of:—"A bill to amend the Lifts and Escalators (Safety) Ordinance."

He said:—Sir, the Lifts and Escalators Safety Ordinance enacted in 1964 was designed to cover the safety of passengers travelling in lifts and on escalators. The ordinance allows for exemptions for particular types of lifts and hoists employed in a variety of installations, but does not specifically permit exemption for goods lifts commonly used in industrial undertakings.

The proposed amending bill introduces a new section 44A which will empower the Director of Public Works to exempt from the ordinance such non-passenger carrying goods lifts where control could be more appropriately exercised under the Factories and Industrial Undertakings Ordinance by regulations which will shortly be proposed. The bill also, under section 44A(4), allows for the revocation of exemption in certain cases. Another minor amendment to section 44 of the principal ordinance will remove reference to sections which relate only to escalators.

Motion made. That the debate on the second reading of the bill be adjourned—MR McDONALD.

Question put and agreed to.

MARRIAGE (AMENDMENT) BILL 1976

Resumption of debate on second reading (10th March 1976)

Question proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).

Committee stage of bills

Council went into Committee.

MARRIAGE (AMENDMENT) BILL 1976

Clauses 1 to 3 were agreed to.

**INDEPENDENT COMMISSION AGAINST CORRUPTION
(AMENDMENT) BILL 1976**

Clause 1 was agreed to.

Clause 2

THE ATTORNEY GENERAL:—Sir, I move that clause 2 be amended as set forth in the paper before honourable Members.

In his reply to the debate on this bill, the Attorney General spoke of the very detailed scrutiny which the bill had received from Unofficial Members and referred also to his extensive deliberations with the *ad hoc* group of Unofficial Members convened by my honourable Friend Mr T. S. Lo.

I rise today to move the amendments which have resulted from these deliberations and, in doing so, I believe Mr HOBLEY, in whose place I am acting, would wish me to record his appreciation of the concerned yet constructive attitude with which this bill has been studied by honourable Members. As has been said in this debate, the fight against corruption is a stern one and it is right and proper that the Commission should be given necessary powers. Nevertheless, the legitimate rights and interests of members of the public cannot be and have not been lost sight of. Added power carries with it an added burden of responsibility and I am confident that the Commission is aware of its responsibilities in this regard.

Particular concern was expressed at the apparent breadth of the powers of arrest given to officers of the Commission in the proposed section 10 as published. I seek today to replace this with a more tightly drafted form which I believe is neither unnecessarily wide nor unduly restrictive. The power of arrest will be available if an authorized officer of the Commission reasonably suspects a person to be guilty of an offence connected with or facilitated by a suspected offence under the Prevention of Bribery Ordinance. In addition the power extends to, but no further than, certain specific offences listed in the new subsection (5) of section 10. These include perverting or obstructing the course of justice, blackmail, obtaining property by deception and conspiracy to defraud.

An amendment is proposed to the new section 10A which deals with procedure after arrest. It is proposed that a person detained at the offices of the Commission after his arrest must, unless he is sooner released, be brought before a magistrate, I quote, "as soon as

practicable and in any event within 48 hours after his arrest". The words "as soon as practicable" are new.

A change is also proposed with respect to the powers of search to be conferred on authorized officers of the Commission. In particular, paragraph (b) of the new section 10B(1) is rephrased so as to include a power to search the premises or a place in which a person who actually evades arrest therein was to have been arrested. It will be noted that this power is restricted to a search for evidence of any of the offences referred to in section 10.

MR LO:—Sir, when my honourable Friend the Attorney General in his reply to the second reading debate said that he was unrepentant, he was being a trifle hard on himself because in fact the proposed committee stage amendments do show encouraging signs of repentance and of reform. Indeed, as a result public interest has recently shifted somewhat from the bills to the work of the Commission, and certain misunderstandings have come to light. For example, certain members of the public have been urging the Commission to adopt a system of priorities in the selection of offences to be investigated. However, to do this would, in practice, mean that some offences would have to be shelved, but the Commission is not empowered to shelve any reported corruption offence perhaps it ought to be given that power although I would not think it wise myself. Perhaps certain offences ought not to be offences at all, and here I think there is food for thought. Until, however, appropriate amendments are made to the law, the Commission will simply have to carry on investigating every relevant offence reported to it. I have every confidence that it will continue to do so fairly and without fear.

Proposed amendments

Clause

2 That clause 2 be amended—

(a) by deleting the proposed new section 10 and substituting the following—

| | |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>"Power of arrest.</p> <p>(Cap. 201.)</p> <p>(Cap. 288.)</p> | <p>10. (1) An officer authorized in that behalf by the Commissioner may without warrant arrest a person if he reasonably suspects that such person is guilty of an offence under this Ordinance or the Prevention of Bribery Ordinance or the Corrupt and Illegal Practices Ordinance.</p> |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Independent Commission Against Corruption
(Amendment) Bill—committee stage**

(2) Where, during an investigation by the Commission of a suspected offence under the Prevention of Bribery Ordinance, another offence is disclosed, any such officer may without warrant arrest a person if he reasonably suspects that such person is guilty of that other offence and—

- (a) he reasonably suspects that such other offence was connected with, or that either directly or indirectly its commission was facilitated by, the suspected offence under the Prevention of Bribery Ordinance; or
- (b) the other offence is one which is specified for the purposes of this subsection in subsection (5).

(3) Any such officer—

- (a) may use such force as is reasonable in the circumstances in effecting an arrest under subsection (1); and
- (b) may, for the purpose of effecting such an arrest, enter and search any premises or place if he has reason to believe that there is in the premises or place a person who is to be so arrested.

(4) No premises or place shall be entered under subsection (3) unless the officer has first stated that he is an officer and the purpose for which he seeks entry and produced his warrant card to any person requesting its production, but subject as aforesaid any such officer may enter any such premises or place by force, if necessary.

(5) The following offences are specified for the purposes of subsection (2)—

- (a) the offence of perverting or obstructing the course of justice;
- (b) the offence of blackmail under section 23 of the Theft Ordinance;

(Cap. 210.)

- (Cap. 221.)
- (c) the offence of obtaining property by deception under section 17 of the Theft Ordinance;
 - (d) the offence of obtaining pecuniary advantage by deception under section 18 of the Theft Ordinance;
 - (e) the offence of assisting an offender under section 90 of the Criminal Procedure Ordinance;
 - (f) the offence of conspiracy to defraud and the offence of conspiracy to commit any of the offences referred to in paragraph (a), (b), (c), (d) or (e);
 - (g) an attempt to commit any offence referred to in paragraph (a), (b), (c), (d) or (e) or the offence of aiding, abetting, counselling or procuring any offence so referred to.";
- (b) in the proposed new section 10A—
- (i) by deleting "section 10(1)" wherever it occurs in subsections (1) and (2) and substituting the following—
"section 10"; and
 - (ii) by deleting "within 48 hours" in subsection (6) and substituting the following—
"as soon as practicable and in any event within 48 hours after his arrest";
- (c) in the proposed new section 10B, by deleting "section 10(1)" and substituting the following—
"section 10";
- (d) in the proposed new section 10C(1)—
- (i) by deleting paragraphs (a) and (b) and substituting the following—
 - "(a) search any person if he reasonably suspects that such person is guilty of any of the offences referred to in section 10;
 - (b) search the premises or place in which any person was arrested under section 10, or the premises or place in which a person who evades arrest therein under section 10 was

**Independent Commission Against Corruption
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to be arrested, for evidence of any of the offences referred to in that section;" and

(ii) by deleting "section 10(1)" in paragraph (c) and substituting the following—

"section 10"; and

(e) in the proposed new section 10D(1), by deleting "section 10(1)" and substituting the following—

"section 10".

The amendments were agreed to.

Clause 2, as amended, was agreed to.

Clauses 3 to 5 were agreed to.

PREVENTION OF BRIBERY (AMENDMENT) BILL 1976

Clause 1 was agreed to.

Clause 2

THE ATTORNEY GENERAL:—Sir, I move that clause 2 be amended as set forth in the paper before honourable Members.

This amendment too is the consequence of discussion between Unofficial Members and the Attorney General. It will be recalled that the new subsection (2) of section 14A would empower the District Court, on application *ex parte* by the Commissioner, to direct some manner of service other than personal service, of a section 14A notice. The published explanatory memorandum to the bill explained that personal service sometimes cannot be effected because the person to be served with the notice has either left Hong Kong or cannot be found. It is now proposed to tighten up the new provision by introducing these limiting factors to the section itself. The power to direct a manner of service other than personal service will be available to the District Court only where the Court is satisfied that such person cannot be found or is not in Hong Kong.

*Proposed amendment**Clause*

- 2 The clause 2 be amended, in paragraph (a) of the proposed new subsection (2), by inserting after "or may" the following—
", where the District Court is satisfied that such person cannot be found or is not in Hong Kong,".

The amendment was agreed to.

Clause 2, as amended, was agreed to.

Clause 3

THE ATTORNEY GENERAL:—Sir, I move that clause 3 be amended as set forth in the paper before honourable Members.

This amendment is similar to that which I have just moved and would apply in this case to the service of restraining orders made by the Court under section 14C.

*Proposed amendment**Clause*

- 3 That clause 3 be amended by inserting after "or may" the following—
", where the District Court is satisfied that such person cannot be found or is not in Hong Kong,".

The amendment was agreed to.

Clause 3, as amended, was agreed to.

Clause 4 and 5 were agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that the

Marriage (Amendment) Bill

had passed through Committee without amendment and that the

Independent Commission Against Corruption (Amendment) Bill

Prevention of Bribery (Amendment) Bill

had passed through Committee with amendment and moved the third reading of each of the bills.

Question put on each bill and agreed to.

Bills read the third time and passed.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 28th of April.

Adjourned accordingly at fifteen minutes past six o'clock.