

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 29 April 1981****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR CRAWFORD MURRAY MacLEHOSE, G.B.E., K.C.M.G., K.C.V.O.

THE HONOURABLE THE CHIEF SECRETARY (*Acting*)  
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS  
MR. DENIS CAMPBELL BRAY, C.M.G., C.V.O., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY  
SIR CHARLES PHILIP HADDON-CAVE, K.B.E., C.M.G., J.P.

THE HONOURABLE THE ATTORNEY GENERAL  
MR. JOHN CALVERT GRIFFITHS, Q.C.

THE HONOURABLE DAVID AKERS-JONES, C.M.G., J.P.  
SECRETARY FOR THE NEW TERRITORIES

THE HONOURABLE LEWIS MERVYN DAVIES, C.M.G., O.B.E., J.P.  
SECRETARY FOR SECURITY

THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE ALAN JAMES SCOTT, J.P.  
SECRETARY FOR INFORMATION

THE HONOURABLE DEREK JOHN CLAREMONT JONES, C.M.G., J.P.  
SECRETARY FOR THE ENVIRONMENT

DR. THE HONOURABLE THONG KAH-LEONG, C.B.E., J.P.  
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, J.P.  
SECRETARY FOR SOCIAL SERVICES

THE HONOURABLE JOHN MARTIN ROWLANDS, C.B.E., J.P.  
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE JAMES NEIL HENDERSON, J.P.  
COMMISSIONER FOR LABOUR

THE HONOURABLE WILLIAM DORWARD, O.B.E., J.P.  
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

THE HONOURABLE JOHN MORRISON RIDDELL-SWAN, J.P.  
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE DONALD LIAO POON-HUAI, O.B.E., J.P.  
SECRETARY FOR HOUSING

THE HONOURABLE GRAHAM BARNES, J.P.  
DIRECTOR OF HOME AFFAIRS

THE HONOURABLE SELWYN EUGENE ALLEYNE, J.P.  
DIRECTOR OF SOCIAL WELFARE

THE HONOURABLE COLVYN HUGH HAYE, J.P.  
DIRECTOR OF EDUCATION

THE HONOURABLE JOHN GEORGE STEAN, O.B.E., J.P.  
DIRECTOR OF PUBLIC WORKS (*Acting*)

THE HONOURABLE OSWALD VICTOR CHEUNG, C.B.E., Q.C., J.P.

THE HONOURABLE ROGERIO HYNDMAN LOBO, C.B.E., J.P.

DR. THE HONOURABLE HARRY FANG SIN-YANG, C.B.E., J.P.

THE HONOURABLE LO TAK-SHING, O.B.E., J.P.

THE HONOURABLE FRANCIS YUAN-HAO TIEN, O.B.E., J.P.

THE HONOURABLE ALEX WU SHU-CHIH, O.B.E., J.P.

THE REVD. THE HONOURABLE JOYCE MARY BENNETT, O.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, O.B.E., J.P.

DR. THE HONOURABLE HENRY HU HUNG-LICK, O.B.E., J.P.

THE REVD. THE HONOURABLE PATRICK TERENCE McGOVERN, O.B.E., S.J., J.P.

THE HONOURABLE PETER C. WONG, O.B.E., J.P.

THE HONOURABLE WONG LAM, O.B.E., J.P.

THE HONOURABLE CHARLES YEUNG SIU-CHO, O.B.E., J.P.

DR. THE HONOURABLE HO KAM-FAI, J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, J.P.

THE HONOURABLE DAVID KENNEDY NEWBIGGING, J.P.

THE HONOURABLE ANDREW SO KWOK-WING, J.P.

THE HONOURABLE HU FA-KUANG, J.P.

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

THE HONOURABLE CHAN KAM-CHUEN, J.P.

THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN

**ABSENT**

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, C.M.G., J.P.  
CHAIRMAN, COMMITTEE TO REVIEW POST-SECONDARY AND TECHNICAL EDUCATION

THE HONOURABLE GERALD PAUL NAZARETH, O.B.E., Q.C.  
LAW DRAFTSMAN

THE HONOURABLE LI FOOK-WO, C.B.E., J.P.

THE HONOURABLE LYDIA DUNN, O.B.E., J.P.

DR. THE HONOURABLE RAYSON LISUNG HUANG, C.B.E., J.P.

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN, J.P.

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MRS. LORNA LEUNG TSUI LAI-MAN

**Papers**

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

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Marine Closed Area (No. 2) Order 1981 -----	134
The Hongkong and Shanghai Banking Corporation Ordinance.	
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Sessional Paper 1980-81:

No. 49—Samaritan Fund—Report and Certificate of the Director of Audit on the Accounts for the year ended 31 March 1980

No. 50—Mass Transit Railway Corporation Annual Report 1980

**Oral answers to questions**

**Crowd control at ferry piers**

1. REVD. JOYCE M. BENNETT asked:—*Will the Government consider regulating the boarding and leaving of ferries at Cheung Chau and at the outlying islands ferry piers at weekends and holidays to bring order out of the present chaos?*

SECRETARY FOR THE ENVIRONMENT:—Sir, the ferry companies are responsible for administering by-laws governing the conduct of passengers boarding and disembarking from their ferry vessels, and persons found contravening the by-laws can be liable to a fine of \$2,000. The problems to which Miss BENNETT refers, however, are more related to crowd control and the facilities provided at piers for the proper queuing and marshalling of passengers.

Unfortunately the older piers at the outlying islands were not designed to accommodate the very large numbers of passengers who visit the islands today, particularly at weekends and public holidays. Additional personnel are however deployed by both the ferry company and the Police at these times to control crowds waiting for ferries and to help ensure orderly behaviour.

As regards more fundamental improvements, there are five items now in the Public Works Programme to provide, respectively, new ferry berthing facilities at Sok Kwu Wan, Yung Shue Wan and Po Toi, a new pier at Peng Chau and a covered crowd marshalling area next to the new pier at Silvermine Bay. Proposals to extend the pier at Cheung Chau and to provide facilities for the berthing of large ferry vessels on both sides of the pier will also be submitted shortly for inclusion in the Public Works Programme.

REVD. JOYCE M. BENNETT:—*Sir, is it not possible to erect more barriers and allow passengers to pass through control points in reasonable numbers and so prevent pushing?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, that is a possibility. There are barriers erected in some places already and there is the marshalling area which I mentioned at Silvermine Bay which will contain barriers of this sort.

REVD. JOYCE M. BENNETT:—*Is it possible for a similar type of barrier, marshalling area to be provided in Cheung Chau inside the ferry pier itself, after you have paid for your journey?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, that would be possible. The proposals in hand are to clear a temporary marshalling area in Cheung Chau on the approach to the existing pier which would be provided with guide-rails and probably also a roof and, as I said, Sir, the northern side of the pier will be extended to accommodate triple deck boats so you can have ferries on both sides of the pier.

REVD. JOYCE M. BENNETT:—*Sir, is the Secretary for the Environment concerned about the welfare of people who have paid their fare and are already waiting to go through the barrier onto the ferry?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir.

### **One-way toll for Cross-Harbour Tunnel**

2. DR. FANG asked:—*Will the Government ask the Cross-Harbour Tunnel Company to consider charging cross-harbour tunnel fees in one direction only, in order to improve the flow of traffic?*

SECRETARY FOR THE ENVIRONMENT:—Sir, this suggestion would be an attractive one if it were likely really to succeed in improving the flow of traffic through the tunnel. However, the consultants studying the options for additional cross-harbour facilities have advised that the major cause of congestion in the tunnel is not the toll booth capacity but the merging of traffic at the entrances at both ends of the tunnel. This would not be alleviated—and indeed it could well be aggravated—by the institution of one directional toll collection.

There is also the further consideration that, unless steps were taken to prevent it, drivers would have an incentive to use the tunnel in the free direction and to return by using vehicular ferry, thus avoiding the double tunnel toll that would be charged in the paying direction in the tunnel. If this happened it would not only imbalance the services, but it would also lead to a loss of revenue for both companies unless a similar one-way vehicular ferry fee were also charged.

For these reasons, Sir, the Government does not propose to ask the Cross-Harbour Tunnel Company to adopt this method of charging.

MR. PETER C. WONG:—*Sir, could the Secretary explain why a one-way directional fee charge or control would aggravate the flow of traffic, assuming that there will be an equal number of cars coming to and from. And also, in view of the second paragraph, some cars might cross by ferry, why should a one-way directional control aggravate the flow of traffic?*

SECRETARY FOR THE ENVIRONMENT:—*Sir, at the moment sometimes vehicles are held at the toll booths because there is too much congestion and weaving entering the tunnel on the Kowloon side, so if the one directional toll was that way, then this would be aggravated, the congestion and weaving into the tunnel would become worse and you could have a complete seize up.*

MR. LO:—*Sir, perhaps the matter could be more seriously considered now that the Secretary has more time to concentrate on transport matters?*

SECRETARY FOR THE ENVIRONMENT:—*Sir, at the moment I haven't got more time (laughter).*

### **Selective Placement Service for disabled**

3. DR. HO asked:—*Will Government make a statement on the performance of the Labour Department's Selective Placement Service since it assumed responsibility for placing disabled persons in employment from the Social Welfare Department in July 1980?*

COMMISSIONER FOR LABOUR:—*Sir, the Selective Placement Service of the Labour Department came into operation on 7 July 1980. At that time it immediately took over 288 active cases from the Job Placement Unit of the Social Welfare Department. By 21 April 1981 the number of disabled persons who have been registered by the Service for employment assistance totalled 963. During the nine-month period since its inauguration, the staff of the Service conducted 979 in-depth interviews of disabled job seekers and made 556 referrals to employers for selection interviews, which resulted in 214 successful placements. This represents a placement rate of about 22%, which I would consider to be a satisfactory start.*

In addition, 181 promotional visits were also paid to employers for the purpose of canvassing suitable vacancies.

In establishing the Selective Placement Service, the Labour Department followed the advice of two experts from the International Labour Organization who visited Hong Kong in 1978 that efforts should be placed on achieving quality rather than quantity, i.e. in placing the right person in the right job with a continuing future rather than placing a greater number of placements in any kind of job. The Selective Placement Service therefore carries out in-depth interviews for each registrant to assess his or her capability and ability for work and also a pre-selection interview to motivate him or her for a particular job which is considered suitable for him or her. These interviews, although very time-consuming, are essential to ensure that after placing a disabled person in employment, he will stay in a job that suits him. Indeed, of the 214 successful placements so far, over 80% have stayed in their jobs.

Progress so far should be viewed in the light of the more difficult general employment situation prevailing over recent months and that many of these job seekers have little or no vocational training and some have a low level of general education. And it should also be viewed in the light of the staffing situation of the Service. Although the establishment of the staff for the Hong Kong Office of the Selective Placement Service is one Senior Labour Officer, three Labour Officers and six Assistant Labour Officers, due to the general shortage of Assistant Labour Officers, three of these posts are still vacant. I should add that of the seven officers currently in the Selective Placement Service four have had appropriate specialized training overseas, and the remaining three have had appropriate training locally.

To make it easier for disabled persons to obtain employment assistance from the Service, it is planned to open a Kowloon office in 1981-82, provided that suitable premises can be obtained. Funds for this purpose have been included in the 1981-82 estimates.

The Service, with its limited staff, pays regular visits to employers to convince them that disabled persons, given suitable jobs, are as capable as able-bodied persons. More such visits will be paid when the office in Kowloon has been set up. The Service also arranges publicity through the mass media. In addition, a special Announcement of Public Interest for television is being prepared and preparations are being made to present souvenirs to employers who make use of the Service, at a presentation ceremony towards the end of the year. All these activities are aimed at obtaining more job vacancies for disabled persons and high-lighting their needs.

DR. HO:—*Sir, before the Kowloon office is set up can the Government consider putting Job Placement Officers on a roster basis in the Labour Department's Branch Offices in the Kowloon side, so as to make it more convenient for the disabled job seekers to get registered?*

COMMISSIONER FOR LABOUR:—As my friend Dr. Ho will have gathered from my statement, our biggest problem at the moment is resources for this work, but I will examine the possibility as to whether more can be done in the ordinary employment service offices for disabled persons or, alternatively, by the Special Placement Service staff visiting out-offices.

### **Extra-curricular utilization of school facilities**

4. MR. WONG LAM asked in Cantonese:—

鑒於本港文娛康樂活動場地普遍不足，政府可否考慮在情況許可下，安排借出官津學校之設施，以供舉辦此等活動之用？

(The following is the interpretation of what Mr. WONG Lam asked.)

*In view of the general shortage of venues for public cultural and recreational activities, will Government consider making available, when circumstances permit, the facilities in Government and aided schools for such activities?*

DIRECTOR OF EDUCATION:—Sir, we do. Government schools are *required* to make their facilities available as suggested, and aided school supervisors are *urged* to follow suit. We remind heads of Government and aided schools of this annually, and the most recent circulars went out a week ago on 22 April. Mr. WONG will be happy to hear that the extra-curricular utilization of these premises is high.

### **Robberies involving fire-arms**

5. MR. STEPHEN CHEONG asked:—*Will the Government say whether any special measures are being taken to combat the recent dramatic increase in armed robberies involving fire-arms?*

SECRETARY FOR SECURITY:—The number of reported robberies involving firearms has increased from 47 cases in 1977 to 75 in 1978, 133 in 1979 and 194 in 1980. In the first three months of this year there have been 62 reported cases. This compares with 53 cases for the corresponding period in 1980, and 61 cases for the last three months of that year.

I can assure Members that special measures are being taken by the Police to combat this increase, but it would not be in the public interest for me to describe these measures, since to do so would have obvious operational disadvantages and would impair their effectiveness.

MR. S. L. CHEN:—*Sir, would the introduction of heavier penalties be considered as one of the special measures?*



SECRETARY FOR SECURITY:—This would be one of the possibilities, Sir, but unhappily the detection rate of robberies of this sort is not high so that the deterrent effect would not in itself greatly affect the relatively large number of cases which go undetected.

### **Primary schools in public housing estates**

6. REVD. JOYCE M. BENNETT asked:—*Will the Government reconsider its policy of building primary schools in each housing estate when the new estate is so close to other housing estates where the primary schools are not full and less than one mile from the new proposed schools?*

DIRECTOR OF EDUCATION:—Sir, present Government policy is that estates should have the necessary community facilities to enable them to be self-contained units, and that primary school sites should be reserved to a formula which would ensure that children would not have to walk more than 0.4 k.m. to school.

However the actual inclusion of individual school projects in the Public Works Programme only takes place after an examination of the capacity and enrolments of existing primary schools in neighbouring estates and the feasibility of using any spare capacity in such schools to meet the educational needs of the new estate.

Distances between estates and the safety of young children are major considerations. Some housing estates although appearing geographically contiguous are in fact separated by major roads or a natural barrier which make it difficult or unsafe for primary school children to travel from one estate to another for schooling. In these cases, it would be inappropriate for the Government not to build the new schools needed.

REVD. JOYCE M. BENNETT:—*Sir, is the Government not aware that aided primary schools are very willing to deploy teachers to lead children across major roads in order that the full number of their classes can be maintained and no teachers declared redundant?*

DIRECTOR OF EDUCATION:—Sir, this of course opens up a whole new field of enquiry but of course we are aware that people are willing to forthcome for this sort of duty. This does not however seem to affect the basic planning criteria and of course individual cases are looked at very much on their individual merits.

### **Exemption for Mass Transit Railway construction works**

7. MR. SO asked in Cantonese:—

鑒於地下鐵路公司獲准日以繼夜不停施工，連公眾假期亦包括在內，令到市民深感煩擾，政府可否考慮，盡可能早日將該公司這項豁免權予以撤銷？

(The following is the interpretation of what Mr. So asked).

*In view of the considerable nuisance caused to the public, will the Government consider lifting, as soon as it is practicable to do so, the exemption granted to the Mass Transit Railway Corporation which allows the Corporation to carry out construction works 24 hours per day, including public holidays?*

SECRETARY FOR THE ENVIRONMENT:—Sir, this exemption was granted to the Mass Transit Railway Corporation quite deliberately by statute as the construction of the Railway was considered to be essential in the public interest. To do otherwise would add to costs and, what is more objectionable, lengthen the construction period.

The Corporation does, however, try so to programme its works as to reduce the use of noisy equipment at night to the absolute minimum.

A further pertinent point is that the greater part of the work on the Tsuen Wan Extension will be finished by the middle of next year; and the need to use noisy equipment should be considerably reduced in the latter part of the work on this section of the network, as was the case earlier with the Modified Initial System. In addition, the method of construction to be used for the Island Line will be much less noisy, in that it will generally employ bored tunnelling techniques rather than cut and cover, and most of the station concourses will be built off-street under buildings.

### **School places allocation**

8. MR. CHAN KAM-CHUEN asked:—*Will the Government consider encouraging students to enrol, when practicable, at the schools nearest to their place of residence in order to minimize commuting difficulties?*

DIRECTOR OF EDUCATION:—Sir, this is our intention in the allocation arrangements for children progressing from primary to secondary schools, and in the proposed control of entry to primary schools. In brief, we agree with Mr. CHAN and we are encouraging children to opt for schools near their homes to cut down on commuting.

MR. CHAN KAM-CHUEN:—*Sir, to secure public support for this policy, what plans does Government have in providing not only an adequate number of schools but also bringing all schools up to a uniform standard, especially on the quality of teaching, discipline and moral education?*

DIRECTOR OF EDUCATION:—Sir, we do have plans to accomplish these worthy objectives and I would suggest that we be judged by our success in meeting them.

**Government business****First reading of bills****BANKING (AMENDMENT) BILL 1981****DEPOSIT-TAKING COMPANIES (AMENDMENT) (NO. 2) BILL 1981**

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

**Second reading of bills****BANKING (AMENDMENT) BILL 1980**

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

He said:—

*Introduction*

Sir, I move that the Banking (Amendment) Bill 1981 be read the second time.

In arguing the general case for this Bill I shall also be arguing the case for the Deposit-taking Companies (Amendment) (No. 2) Bill 1981, the second reading of which is also on today's Order Paper.

*Purposes of the Two Bills*

These two Bills have two related purposes, namely, the redefinition of banking business and the creation of a new class of deposit-taking institution, so that the business of taking deposits would in future be carried out by three distinctive classes of institution: first, *licensed banks*, taking deposits of any maturity and in any amount in the course of their banking business; secondly, *licensed deposit-taking companies*, carrying out the existing functions of deposit-taking companies, except that they would not be permitted to take deposits of less than \$500,000; and, thirdly, *other (registered) deposit-taking companies*, carrying out their existing functions, except that they would no longer be permitted to take deposits with an original term to maturity of less than three months.

Thus a three-tier structure would be created, but not a wholly noncompetitive market either *within* each tier, obviously, or *between* each tier. The extent to which there would still be a competitive situation between each tier can easily be illustrated by reference to the position of the licensed banks: they would continue to have a monopoly of all deposits, whatever their original term of maturity, of up to \$50,000 and they would also have the sole right to take deposits with an original term to maturity of less than three months and less than

\$500,000. But, for larger deposits of any maturity, they would have to compete with the proposed new category of licensed deposit-taking companies and for deposits of \$50,000 or more with an original term to maturity of three months or longer, they would have to compete with ordinary registered deposit-taking companies.

*Reasons for Three-Tier Structure*

*(a) Effective interest rate agreement*

There are two reasons for creating this three-tier structure: the *first* reason is to ensure that an effective interest rate agreement is available as an instrument of monetary policy. This agreement has assumed a new significance since the floating of the Hong Kong dollar. In an open economy like ours, and given the low price elasticity of demand for imports, the exchange rate changes required to correct large deficits or surpluses in the balance of payments may be too large to be tolerable. Thus, it is necessary to support the role of exchange rate changes in the adjustment mechanism by influencing the growth rate of the money supply. The only means at our disposal to influence the growth rate of domestic loans and advances and shifts in the net acquisition of foreign currency assets, and therefore, of the money supply, are variations in the levels of interest rates; these variations can only be achieved, as a matter of policy, in our circumstances by the interest rate agreement of the Hong Kong Association of Banks.

Now, if non-bank deposit-taking institutions can offer more attractive rates than banks for short-term deposits, then some banks will seek aggressively to expand their deposit garnering activities by setting up wholly owned deposit-taking company subsidiaries, whilst others will then be forced to protect their share of the market by likewise setting up subsidiaries. This is precisely what has happened and the outcome has been that the effectiveness of the interest rate agreement is now seriously threatened. So the interest rate agreement has to be made more effective (and secure) by ensuring that it has an appropriately wide coverage of short-term deposits.

*(b) Stability of monetary system*

The *second* reason for creating this three-tier structure is to protect the smaller deposit-taking companies from cut-throat competition which would, in turn, undermine the general stability of our monetary system at least for a period. A continuing erosion of the banks' short-term deposit base would, sooner or later, lead to a collapse of the interest rate agreement and a competitive assault by the banks. So, just as the interest rate agreement had its origins in the cut-throat competition for deposits and loans by the banks in the early 1960s, this restructuring exercise seeks to obviate the likelihood of a dangerously destabilizing situation developing between different groups of institutions within the monetary sector.

It is true that, instead of adopting a minimum term criterion in order to define banking business, a minimum size of deposit criterion could have been adopted.

But this would have entailed an interest rate agreement covering both banks and deposit-taking companies which would have been difficult to police even by statute, and it is not easy to see how deposit-taking companies could survive under such an agreement for, although there are many ways in which banks and other deposit-taking institutions can compete amongst themselves for business, banks would always have a competitive advantage under a common interest rate ceiling.

Of course, in seeking to protect the smaller deposit-taking companies it can be said that we are overlooking the interests of small depositors who, in theory at least, are as interest rate-sensitive as large depositors. But the fact is the Government has to have regard to macro-economic considerations, which require that influence can be exercised over the growth rate of the money supply: this is largely a function of the creation of credit which, in turn, is largely a function of the domestic Hong Kong deposit base. The fact is the Government must also have regard to the security of ordinary depositors and this requires a reduction in the 'gap' between borrowing and lending maturities and the avoidance of a rate war (not that 'gapping' is a serious threat at this time and not that a rate war is imminent, yet). However, small depositors cannot be safeguarded if the system itself is not soundly based. Free for all competition for deposits could put some depositors at risk as well as the monetary system and, therefore, the economy as a whole. Yet, in the absence of the Government creating an ever increasing volume of debt instruments to trade in the market and thereby act as a market leader, a cartel arrangement for deposit interest rates with appropriate coverage, and over which the Government can exercise influence, is the only other course open to us.

#### *Present Distribution of the Hong Kong Deposit Base*

The share of the Hong Kong deposit base held by banks has decreased from 85% of total deposits of \$70 billion at the end of December 1978 to 67% of \$141 billion at the end of March 1981. The growth in the deposit base since the end of December 1978 has largely been caused by an increase in loans and advances in Hong Kong over the same period of \$82 billion, or 146%. The disproportionate growth in deposits with deposit-taking companies is largely a response to the higher nominal rates of interest offered by them compared with the maximum rates offered by members of the Hong Kong Association of Banks and the increasing interest rate-sensitivity of depositors in a period of double digit inflation. Banks reacted by using subsidiary or associated deposit-taking companies to bid for deposits outside the interest rate agreement, and successfully, for at the end of February 1981 the 94 companies concerned held 77% of all deposits with deposit-taking companies; and 30 of these companies were primarily concerned with on-lending the deposits so garnered to their parent banks (but at a higher cost to the banks and probably to borrowers too and this is not a point to be overlooked in this debate on monetary reform). In fact, 70% of all deposits garnered by deposit-taking companies connected with banks are so on-lent.

So the present distribution of the Hong Kong deposit base, weakening as it does the effectiveness of the banks' interest rate agreement, the rapid growth in the number of deposit-taking companies on the register over the last three years or so, bringing the total to 342, their diverse nature and other developments in the monetary sector, including the incorporation by statute of the Hong Kong Association of Banks, have all combined to make this an opportune time to come to grips with the question of the definition of banking business. That involves reconsidering the role of deposit-taking companies in our monetary system.

*The Interest Rate Agreement and the Distribution of Deposits*

The interest rate agreement is the key to the distribution of deposits between deposit-taking companies and banks. So long as the maintenance of that agreement remains an essential element in the Government's monetary policy—and it does—the Government's aim should be to reinforce the agreement by preventing any further relative diminution of the banks' deposit base and, indeed, by rolling back some of the recent shifts of funds.

So the problem to be tackled is this: how can the deposit base covered by the interest rate agreement be strengthened without causing unacceptable damage to the business of deposit-taking companies? Three considerations are particularly important: *first*, the presence in Hong Kong, under a non-bank label, of a number of international banks, and the damage which their departure would cause to Hong Kong's international standing as a financial centre; *secondly*, the impact on the exchange value of the Hong Kong dollar of an outflow of 'wholesale' deposits stimulated by interest rate differentials; and, *thirdly*, the effect of withdrawing a source of funding for the domestic business of the locally owned non-bank deposit-taking companies.

As regards the *first* consideration, the international consideration: 76 registered deposit-taking companies are subsidiaries or associates of banks incorporated outside Hong Kong, but not licensed as banks in Hong Kong under the Banking Ordinance. There are also 12 deposit-taking companies incorporated outside Hong Kong, which are recognized as banks in their countries of origin, or are wholly-owned subsidiaries of such banks. It is likely that, if these deposit-taking companies were not permitted to take funds in any currency of up to three months, some of them would leave Hong Kong to operate elsewhere. If they were to stay in Hong Kong, they would find it difficult to compete with financial institutions located in other centres and able to take euro-currency deposits.

As regards the *second* consideration concerning the 'wholesale' market: there is a need, in Hong Kong as elsewhere, for a market able to attract and retain large deposits placed for short or long periods by companies and individuals. Since, because of the existence (and necessary continuation) of the banks' interest rate agreement, 'wholesale' funds do not—or, at any rate, may not—earn a competitive rate if they are placed with licensed banks, these funds are placed either with deposit-taking companies in Hong Kong, or with institutions outside Hong

Kong. The interest rate differential between euro-dollar deposits and deposit-taking company deposits is a more important influence on flows across the exchanges than is the interest rate differential between euro-dollar deposits and bank deposits; and it would be unwise knowingly to add to these potential outflows by removing from *all* deposit-taking companies their ability to take large short-term deposits.

As regards the *third* consideration concerning the need to support the domestic credit business of deposit-taking companies owned by local interests other than licensed banks: in theory, there is no over-riding reason or necessity for this credit function to be carried out by such deposit-taking companies. Banks are available to do such lending at rates which reflect the credit risk. In practice, if these 'finance' company deposit-taking companies were prevented from taking short-term deposits, they could still continue to lend: they would simply have to lengthen the maturity span of their deposits, that is to say, concentrate on bidding for deposits with an original term to maturity of more than three months.

*Criteria for Licensed Status as a Deposit-taking Company*

In the Government's view, Sir, the need to preserve an effective interest rate agreement and to secure the stability of the monetary system has led us to the conclusion that the business of taking deposits should be distributed between three classes of institutions, which are conveniently described as licensed banks, licensed deposit-taking companies and registered deposit-taking companies. So the next question to be resolved is the basis on which licensed status should be granted to those registered deposit-taking companies which decide to seek such status thereby allowing them to take deposits with no limitation as to their term of maturity, but with the minimum size of any initial deposit being not less than \$500,000.

To begin with, the only companies which would be eligible to apply would be those with a paid up share capital of \$100 million or more, or the equivalent in a foreign currency. Then, it is proposed that the Financial Secretary would exercise his discretion to grant or refuse a licence having regard to six, partially subjective, criteria:

*first*, that the applicant company is registered in Hong Kong or, if incorporated outside Hong Kong, it is subject to adequate prudential supervision by the recognized banking authorities of its country of incorporation and that it was a registered deposit-taking company on 10 April 1981 (the date on which the Deposit-taking Companies (Amendment) (No. 2) Bill 1981 was gazetted);

*Secondly*, that the company has actively traded as a deposit-taking company for at least three years before the date of application;

*thirdly*, that the company is in reputable ownership (and that the beneficial owner of any holding of 10% or more of the voting share capital is identifiable and reputable);

*fourthly*, that the management of the company is in fit and proper hands (and the same should apply to the head office of the company if it is outside Hong Kong);

*fifthly*, that the company should be in good standing in the Hong Kong (and, if relevant, in the international) money markets; and

*sixthly*, that the company should have substantial assets (net of contra items) on its books in Hong Kong with a record of steady growth and prudent trading for at least three years.

These criteria do not distinguish between those deposit-taking companies which are subsidiaries of licensed banks in Hong Kong, and other deposit-taking companies. Since one of the two reasons for creating the three-tier structure is to preserve, and reinforce, the interest rate agreement, there is no reason to grant licensed status to those companies which are used by banks merely to avoid the constraints of the interest rate agreement: there is, therefore, a case for a further criterion, to the effect that an applicant is not a subsidiary or associate of a licensed bank. This would, however, exclude some long established bank-related deposit-taking companies which have a genuinely independent existence and which are engaged in business similar to some of the foreign bank-related companies which would themselves not be excluded by this further criterion: it would be invidious to make some of the companies engaged in such business eligible for licensed status, while denying that status to other similar companies.

Accordingly, a *seventh* criterion is proposed in respect of a company which is a subsidiary or associate (direct or indirect) of a licensed bank, namely, that it is widely recognized as an entity in its own right, and has a separate management structure (at executive levels).

As I have just freely admitted, Sir, some of the criteria set out above are subjective. But any company whose application was refused by the Financial Secretary would have the right of appeal to the Governor in Council.

Those registered deposit-taking companies which are not granted licences would be able to carry on their present business, except that they would not be able to take deposits with an original term to maturity of less than three months; and registered deposit-taking companies would be prohibited, without the written consent of the Commissioner of Deposit-taking Companies, from prematurely repaying any deposit within a period of three months from its acceptance.

#### *Future Distribution of the Hong Kong Deposit Base*

Splitting the business of taking deposits between three types of institutions— banks, licensed deposit-taking companies and registered deposit-taking companies—would have a significant impact on the monetary sector. *First*, as regards the 30 companies used by licensed banks to garner deposits outside the scope of the interest rate agreement: the greater the restoration of the banks' deposit base which is achieved, the less the need for the banks to maintain these deposit-taking company subsidiaries. While some of them might be wound up, others might be



maintained to compete for term deposits between 3 and 17 months (the interest rate agreement does not apply to deposits placed for 18 months or longer).

*Secondly*, as regards the 182 companies doing 'wholesale' business: it is basically these companies which would be eligible (if they meet the criteria) for licensed status, but only a few would qualify. There are at present only 12 registered deposit-taking companies with paid-up share capital, or paid-up share capital plus reserves, in excess of \$100 million and which could, therefore, meet that objective either as of now, or after capitalizing their reserves.

*Thirdly*, as regards those 130 companies engaged primarily in 'finance company' business in the domestic economy: they would lose a proportion of their deposit base once they were no longer allowed to take short-term deposits, unless they succeeded in persuading those depositors to place their funds for three months or longer. At the end of February 1981 these 130 companies had total deposits of \$17 billion or 37% of total deposits held by deposit-taking companies.

#### *Transitional Arrangements*

Some of these 'finance companies' would withdraw from the deposit-taking business. The case for withdrawal may be strengthened for some of them if other measures, including an increase in the minimum paid-up share capital, and the imposition of tighter prudential controls, proposed in the Deposit-taking Companies (Amendment) (No. 3) Bill, to be published in the Official Gazette this coming Friday, are implemented. For those companies which chose to stay on the register, and for other companies which applied for revocation of their registration, careful transitional arrangements would be necessary. An understanding with the major licensed banks might be necessary to provide for the 'recycling' of deposits from banks back to deposit-taking companies with major transitional problems. It is not possible to make any sensible estimates of the number of companies which might choose to come off the register.

The transitional arrangements envisaged have two objectives. The *first* is to ensure that those deposit-taking companies which are not going to apply for, let alone achieve, licensed status have a reasonable period of time in which to run down their short-term deposits: the time must be long enough for them *either* to get well established in the business of taking medium and long-term deposits, so as to be able to carry on their existing level of lending; *or* to let them run down the level of their lending, but by a process of natural repayments, rather than enforced early repayments (which would increase the risk of bad debts emerging). The *second* objective is to allow those companies which choose to apply for licensed status to continue to develop their business during the period in which their applications are being considered and determined.

So it is proposed that a deposit-taking company, which has not been granted licensed status by the end of 12 months from a nominated date, must have reduced the amount of short-term deposits it holds to 50% of the amount which it held on the nominated date. By the end of a further 12 months—that is to say,

with effect from 24 months from the nominated date—a registered deposit-taking company, could not hold on its books any deposits with an original term to maturity period of less than three months, and from that date it could not accept any more such deposits.

A deposit-taking company which was granted a licence would, as from the date of being granted such a licence, be restricted to taking deposits of at least \$500,000: all its smaller deposits maturing after that date would have to be repaid on maturity or, if at call, after a reasonable period.

These transitional arrangements would have the effect of placing a reducing absolute ceiling on the total of short-term deposits held by deposit-taking companies while, at the same time, not causing applicants for licensed status to turn away new business over the period when applications were being considered.

Deposit-taking companies which are registered *after* the nominated date would not be allowed to take or to hold any deposits with an original term to maturity of less than three months. If, after registration, they apply for licensed status they would only be permitted to accept short-term deposits (of \$500,000 or more) only from the date that such status is granted.

#### *Future Scope of Interest Rate Agreement*

It may be that, if the three-tier structure envisaged in the two Bills now before Members is implemented, the scope of the interest rate agreement could be reduced so that it applies only to deposits of less than \$500,000. This would need to be considered very carefully, with the aid of a study of the size distribution of deposits with banks, with licensed deposit-taking companies and with other deposit-taking companies *after* the market has had some experience of the new structure. A study undertaken *before* such experience had been acquired would not be sufficiently valid to underpin such a far-reaching (and, in practical terms, probably irrevocable) change to the interest rate agreement.

In any event, this is a matter for the Committee of the Hong Kong Association of Banks to consider and determine, in consultation with the Financial Secretary (under the terms of the Association's Ordinance). The Chairman of the Association has confirmed to me that his Committee will be invited to do this.

#### *Banking (Amendment) Bill 1981*

Turning now, Sir, to the Banking (Amendment) Bill itself: clause 1 states that the Ordinance shall come into operation on a day to be nominated by the Governor; it is intended that this should be on the first day of the month following the day of enactment (so as to give as short a time as possible for deposit-taking companies to inflate the starting level of their short-term deposits, under the transitional arrangements I have just described).

Clause 2 redefines banking business to mean the business of receiving from the general public money on any type of account due in less than three months; or paying or collecting cheques; or both. The existing definition covers the taking of

deposits and the paying or collecting of cheques; or the taking of savings deposits; or both (but it has been interpreted as applying a maturity requirement only to savings deposits, and that has been the cause of all trouble).

Clause 3 provides that, notwithstanding the new definition of banking business, a licensed deposit-taking company may take short-term deposits, and a registered deposit-taking company which was registered at the date of commencement of this Ordinance may continue to take short-term deposits for a transitional period of 24 months; but no deposit-taking company may receive money on savings account.

Sir, I move that the debate on this motion be adjourned.

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

*Question put and agreed to.*

### **DEPOSIT-TAKING COMPANIES (AMENDMENT) (NO. 2) BILL 1981**

THE FINANCIAL SECRETARY moved the second reading of—'A bill to amend the Deposit-taking Companies Ordinance'.

He said:—Sir, I move that the Deposit-taking Companies (Amendment) (No. 2) Bill 1981 be read the second time.

As I have just briefly explained, Sir, the two related Bills—the Banking (Amendment) Bill and this Bill—have common purposes, and I shall therefore confine this speech to a summary of the actual provisions of this Bill.

Clause 1 states that the Ordinance shall come into operation on a day to be nominated by the Governor; it is intended that this will be the same day as that appointed for the Banking (Amendment) Ordinance 1981.

Clause 2 implements the different titles for the two new categories of deposit-taking companies. A licensed deposit-taking company means any deposit-taking company which has been granted a licence by the Financial Secretary under the new section 16B; a registered deposit-taking company means any deposit-taking company other than a licensed deposit-taking company.

Clause 4 states that the business of taking deposits may be carried on only by a licensed deposit-taking company or a registered deposit-taking company. It provides that no registered deposit-taking company can take any short-term deposit, but this prohibition is subject to the transitional provisions I have just described in respect of any deposit-taking company which is on the register on the nominated date. This clause also provides that a licensed deposit-taking company may take or hold short-term deposits at any time. Finally, clause 4 provides that, subject to the transitional provisions, a registered deposit-taking company

may not, without the permission of the Commissioner, repay any deposit within less than three months of its acceptance by the company.

Clause 6 provides that a licensed deposit-taking company may not take any deposit from a depositor of less than the sum specified in the First Schedule; that sum is set by clause 17 at \$500,000. This sum may be altered by the Governor in Council, by notice in the *Gazette* under the provisions of section 37 of the principal Ordinance.

Clause 10 amends the power of the Commissioner to revoke the registration of a deposit-taking company at its own request, so that he can do so only if he is satisfied that the interests of depositors of that company are adequately safeguarded. This proviso may be important if the implementation of these two Bills induces a number of companies to pull out of the business of taking deposits.

Clause 11 adds a new Part to the principal Ordinance dealing with the licensing of deposit-taking companies. The new section 16A provides that an application for a licence shall be made to the Financial Secretary, and may be made only by a registered deposit-taking company with a paid-up share capital of not less than \$100 million (or its equivalent); this figure may be altered by the Governor in Council. The Financial Secretary may grant or refuse a licence under section 16B, and may attach a condition to a licence, or alter conditions previously so attached. I have already explained the criteria it is proposed that the Financial Secretary shall apply when considering applications.

Under section 16C a licensed deposit-taking company is required to pay an annual licence fee, as specified in the Second Schedule: clause 18 sets out the amount of the fee at \$100,000. This sum falls between the annual fee for a licensed bank of \$200,000, and the annual fee for a registered deposit-taking company of \$30,000.

The new section 16F provides that the Financial Secretary may revoke the licence of a deposit-taking company on certain specified grounds, including the fact that it appears to him that the company is not a fit and proper body to remain licensed; he may revoke a licence at the request of the company, if he is satisfied that the interests of its depositors are adequately safeguarded.

Clause 16 amends section 34 of the principal Ordinance to provide for an appeal to be made to the Governor in Council by a company to whom the Financial Secretary has refused to grant a licence, or whose licence he has revoked.

Clause 19 and the Schedule amend certain sections of the principal Ordinance to provide that they shall apply to both licensed deposit-taking companies and registered deposit-taking companies.

Sir, I move that the debate on this motion also be adjourned.

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

*Question put and agreed to.*

## **KOWLOON-CANTON RAILWAY (AMENDMENT) BILL 1981**

### **Resumption of debate on second reading (8 April 1981)**

*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).*

## **EMPLOYMENT (AMENDMENT) (NO. 2) BILL 1981**

### **Resumption of debate on second reading (8 April 1981)**

*Question proposed.*

REVD. P. T. MCGOVERN:—Sir, with what is becoming my almost customary preface of ‘Better late than never’, I welcome this Bill which provides some paid maternity leave to some working mothers. Most labour legislation in Hong Kong is a compromise between what is ideal from the workers’ point of view and what the employers consider necessary to protect what they consider to be their legitimate interests. Such law is therefore never perfect.

For brevity sake, even greater brevity than the Financial Secretary on banking (*laughter*), I will mention only two imperfections in the present law, namely, the qualifying period, and the limit on the number of eligible children.

The Report of the Working Group on Maternity Leave (October 1979), having considered I.L.O. Conventions and the practice of neighbouring countries, recommended that on balance the qualifying period for pay entitlement in Hong Kong should be the same as at present, that is, 26 weeks (paragraph 3.12). Representatives from workers’ organizations mostly asked for 26 weeks though some wanted a shorter period. It was an unpleasant surprise therefore that the Labour Advisory Board recommended a qualifying period of 40 weeks employment and that Government saw fit to accept that advice rather than the advice of the Working Group. No country mentioned in the appendices of the Working Group Report has a qualifying period of more than 26 weeks. We are out of line with the rest of Asia and we are out of line with our own law. In the recently debated Abortion amendment 24 weeks or 28 weeks is given as the time in which a child can become viable. The 40 weeks in this Bill could mean that a woman

‘employed for 26 or so weeks could have a premature live birth and would not be entitled to paid maternity leave. That seems rather harsh.

The only logical, though unlikely, reason I can think of for the change from 26 weeks to 40 weeks is that the Bill wants to imply that the individual employer is responsible not only for the payment for maternity leave, but also for the pregnancy itself (*laughter*).

My other point of disagreement with the Bill is much more serious because it involves an important principle of policy.

The Working Group Report, based on dubious reasoning, recommended that the cash benefits should be limited to two surviving children. Government has since changed that to three surviving children. I was glad to note that in doing so the supporting papers to this Bill stated that there is no official two-children population policy in Hong Kong although Government does not object to the Family Planning Association’s slogan of ‘Two is enough’.

I do not intend to enter into a discussion of population policy or the lack of it. I am dissatisfied that labour legislation should bring in any number whether it be two or three or ten. While most people agree that small families are desirable in the overcrowded conditions of Hong Kong, most people with any experience of methods of population control as exercised in other countries also agree that a policy of disincentives brings disastrous results. The introduction in this Bill of a limitation of benefits to the mother of three children is in fact a disincentive. The stated intention is that the employers’ liability should not be an open-ended commitment, but the effect is that the mother of a fourth child is disadvantaged in that she has to take unpaid maternity leave if such a situation should arise. So much for the principle which worries me. It is a departure from the more reasonable and more accepted policy of advocating a small family policy by education in responsible parenthood.

For other reasons also, this limiting provision is bad law. It is for two reasons unnecessary. According to the supporting papers, the average number of living children for mothers between 15 and 49 years of age in 1976 was 2.9. 2.9 is less than three. With such an average, the number of working mothers of childbearing age who are likely to have a fourth child is not likely to be large. It certainly would not constitute an open-ended commitment to employers. Another reason why the limitation is unnecessary is that a mother of four or more young children could not in fact, and should not for social reasons, have time to take on full-time work in addition to her very full-time avocation of homemaker and educator. For these reasons the limitation to the mother of three surviving children is unnecessary. Unnecessary law is bad law.

As the reason given for the limitation is financial, I had intended to do a costing exercise on the likely expense to employers of giving paid maternity leave without restriction of numbers of children, but I was unable to get statistics on the numbers of live births per annum to mothers with three or four or more children. However, in spite of the lack of statistics, I am sure the numbers and hence

the costs would be very small. So apart from the social and policy argument, the financial argument is rather on the weak side.

There are other points in the Bill which leave room for future improvement. I am nonetheless glad to note that one of the amendments in the Bill provides that sick leave of less than four consecutive days will be paid sick leave if for maternity medical checks.

With the reservations above, Sir, I support and welcome the main provisions of the Bill.

DR. HO:—Sir, I rise in support of the Employment (Amendment) (No. 2) Bill 1981.

The package of provisions contained in this Bill is in the main the results of thorough and lengthy deliberations of the Inter-departmental Working Group formed in December 1978 to review maternity benefits for women workers in Hong Kong. In discharging its duties, the Working Group examined the legislative provisions concerning maternity protection and benefits in the United Kingdom and in the region, namely: Indonesia, Korea, Malaysia, the Philippines, Singapore, Thailand and Taiwan. The Working Group also studied the relevant I.L.O. Conventions and Recommendations, and various proposals on the subject. The Working Group's recommendations, published in October 1979, were given wide consultation. The various views received from local workers' trade unions, employers' associations and other interested parties had been carefully considered by the Labour Advisory Board.

In broad terms, the provisions in the Bill will bring our labour legislation in broad comparability with our neighbouring Asian countries. They represent a significant commitment on the part of the employers in advancing the health and welfare of their employees and their families. They also reflect a commendable and sincere effort on the parts of our employers and Government to conserve our human resources which are essential to move the wheels of our industries and other economic activities.

In specific terms, the proposed amendments will greatly improve the existing provisions in the Employment Ordinance in the following major aspects.

Firstly, paid maternity leave at not less than  $\frac{2}{3}$  previous wages for a period of ten weeks will be made statutory.

Secondly, termination of a contract of employment by an employer in connection with maternity will become a prosecutable offence, and the penalty for breach of this provision has been increased.

Thirdly, days off for ante-and post-natal medical check-ups and leave taken in connection with miscarriage will be treated as paid sick leave.

Lastly, greater employment protection will be afforded to the pregnant woman worker as a result of increasing the notice period from eight weeks to 12 weeks before the expected date of confinement.

There are, however, some divided views on the number of children in respect of whom paid maternity leave should be provided. Having regard to the population size in Hong Kong and the financial implications for the employers of those industries and trades where women workers predominate the workforce, I am convinced that the limit on three surviving children to a female worker is a sensible and practical provision.

Finally, I am pleased to note that a sum of about half a million dollars per annum has been recommended for the Labour Department to employ additional staff to properly enforce these new legislative provisions.

Sir, with these comments, I have much pleasure in supporting the motion.

MR. CHAN KAM-CHUEN:—Sir, I rise to support the Employment (Amendment) (No. 2) Bill 1981. I might add, Sir, that this is also the majority view of the Industrial Relations Group formed by Unofficials to scrutinize this Bill.

It is indeed my pleasure to be able to participate at different levels in the debates on this subject inside and outside the Labour Advisory Board and to have an opportunity to consider the views expressed by both representatives of employers and employees.

Whilst all agreed in principle that the provision of paid maternity leave is yet another major step in the right direction in improving the benefits for our female workers, there were differences in opinion on the number of eligible children. This ranges from two as recommended in the report of the Inter-departmental Working Group to three as introduced in this Bill, and to the unlimited number as advocated by those on social and other grounds. To drive the nail home, some people alleged that Government is using labour legislation to limit the number of workers' children. To erase such doubts from people's mind, let us apply the acid test to see whether this Bill limits:

- (a) the number of workers' children; or
- (b) the workers' maternity benefits.

It is a fact that workers were free to have as many children as they desired long before maternity benefits were introduced, and they are having and will continue to have this freedom after paid maternity benefits are legislated. It is therefore their health conditions, their sense of duty towards their family particularly in the context of the Chinese culture, and their willingness to shoulder the long years of responsibility in bringing up and educating their children as responsible citizens, but not delinquents, which mainly limit the number of children responsible parents wish to have.

When one compares these heavy and awesome responsibilities with the maternity leave benefits given, even without any limit on the number of eligible children,



the latter will not affect materially the workers' decision one way or the other. This should leave no doubt that this Bill is well-intentioned.

Moreover, in asking for maternity benefits for an unlimited number of children, one must bear in mind that these benefits are paid by the employers. I happened to look up a copy of the Hong Kong Monthly Digest of Statistics for November 1980 and it shows that 91.9% of our manufacturing establishments, 99.5% of wholesale/retail, import/export, 88.8% of restaurant/hotel and 96.6% of financial/real estate establishments engaged less than 50 persons each. This shows that an average of 96% of all establishments in Hong Kong are small in size and are therefore mostly of limited means to cope with an open-ended commitment for maternity benefits.

A piece of legislation is not good if it only considers the benefits of only one sector but not the public good of the community as a whole.

Whilst full implementation of all I.L.O. standards in one step may be good for the rich and developed countries which have plenty of natural resources and which can afford to have millions on their unemployment lists, we must be realistic and cautious by providing such benefits in stages in Hong Kong.

To those who are still unsatisfied, I would like to remind them that we are still in a world recession and keeping our exports and other foreign-exchange-earning services competitive are of paramount importance.

The levels of employment, pay, and fringe benefits for our workers are mainly dependent on the competitiveness of our industries and service sector. In an export-led and open economy as ours, even the employers themselves do not have the final say due to fluctuations in supply and demand.

The securing of more orders for our products and services not only means profits to encourage more investments but also job security and better pay followed by better fringe benefits for our workers.

Let us remember, Sir, that it is always easy to improve on existing benefits but when unforeseen circumstances or other side-effects appear, it would be difficult to accept cut-backs. It is therefore advisable to accept the proposed improvements in this Bill as they stand and review the results periodically and make further improvements when the state of our economy permits.

There is also another minor point which I wish to mention, namely the proposed 40-week qualifying service which some people wish to reduce. However, I consider that the proposal in the Bill provides a clear cut responsibility and ensures that an employer does not 'inherit' a pregnant worker from her previous employer. This is not inconsistent with the principle of equity.

With these remarks, Sir, I support the motion.

COMMISSIONER FOR LABOUR:—Sir, I am grateful to my friends the Revd. Father MCGOVERN, Dr. Ho Kam-fai and Mr. CHAN Kam-chuen for supporting the

Employment (Amendment) (No. 2) Bill 1981 providing for maternity leave with pay.

When I first introduced the Bill in this Council on 8 April 1981, I reported that 'views from employer and employee organizations understandably differed'. The Revd. Father MCGOVERN and Mr. CHAN Kam-chuen have ably expounded the various arguments of these differing views and I would not propose to comment further on the various specific points but simply to add that whatever the limitations of this Bill in the eyes of some, this Bill represents a major step forward in labour legislation in Hong Kong.

In enacting labour legislation in the past, the normal practice has been to establish the principle first and then to review the relevant provisions regularly and to make improvements as and when necessary, in the light of experience and our economic progress. The Employment (Amendment) (No. 2) Bill 1981 follows this same practice and I can assure my friend, the Revd. Father MCGOVERN, that it will be subject to regular review by the Labour Department in the same way as all other items of labour legislation, and the views he expresses will be kept in mind.

Finally, it is incumbent on me to find a reply to Father MCGOVERN'S comment 'Better late than never'. Every journey starts with a first step (*laughter*) and I think on this occasion we have both taken the first step in getting the principle accepted and so ensure our further steps in the right direction.

*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).*

## **INTERPRETATION AND GENERAL CLAUSES (AMENDMENT) (NO. 2) BILL 1981**

*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.

### **APPROPRIATION BILL 1981**

HIS EXCELLENCY THE PRESIDENT:—We shall consider the Schedule first in accordance with Standing Order 55. The question is that the sums for the following Heads stand part of the Schedule.

Heads 21 to 38 were agreed to.

Heads 40 and 42

REVD. JOYCE M. BENNETT:—Your Excellency, I wish to question the educational policy for which the money in Heads 40 and 42 is to be provided.

I am grateful to the Standing Order 55 which allows the opportunity for another debate on our educational policy at this time.

One month ago in the second reading of this Appropriation Bill, I raised a number of questions concerning our educational policy. The official answers to my questions attempted to cover up its weaknesses, while indicating at the same time that the observations of the Secretary for Social Services were not intended, and I quote, ‘to suggest that specific improvements will not be considered sooner’. In my speech on March 25 I made a number of suggestions of specific improvements. But as these suggestions were not fully examined or in some cases not even considered at all, I wish now to reiterate ways in which I believe we can, without great expense, improve the content of our educational policy.

Under Head 40 money is allocated to the Advisory Inspectorate. I asked specifically what action the Inspectorate had taken to improve the quality of music teaching and physical education. I did not say these inspectors had done nothing. I gave the opportunity for the Officials to elaborate on courses held by the P.E. section for our teachers. Perhaps the Secretary for Social Services thought that in fact little positive action had been taken to improve the quality of the teaching of music and physical education. Therefore he said nothing. Sir, I suggest that the total number of 274 posts in the Education Department for the whole of the Advisory Inspectorate is totally inadequate to cope with the demands created by the introduction of compulsory education for nine years from Primary I to Secondary Form III. What is the use of building new schools when the teachers in them are still using old syllabuses and old-fashioned methods? Hong Kong is a place in a hurry. We are in a hurry to improve in order to compete with other more advanced countries. Our teachers must be given the best tools available to teach the wider range of ability in our schools. I am in touch with primary schools where the new approach to education known now as Learning by Doing is being encouraged. Children are expected to sit in groups,

each group working at the speed suited to its ability. Teachers should not expect to rely on the old-fashioned method of 'reading the book' to the class, with all the class doing the same exercise at the same time. The teachers have to do a very great deal of preparation for these Learning by Doing lessons. Our teachers want help. They complain to the Principals they do not get enough help. Quite frankly I do not see how they can get all the help they need. We do not have enough people in the Advisory Inspectorate. And many of them are junior to the teachers they are meant to advise and with no more extra training or expertise. It is not surprising that some teachers become lazy and unwilling to stimulate their students with new ideas. They themselves need constant stimulus and encouragement to experiment and try out new methods. And this must be an on-going programme.

I turn now to the questions I raised on language teaching and the follow-up of the Consultancy for the Institute of Language in Education. Mr. Ho told us that 'while there has been no single, specific survey on the teaching of English and Chinese, the situation is constantly monitored'. It seems that the Government is content to rely on surveys on language teaching undertaken by outside agencies and by interest groups. Sir, I consider that to be highly dangerous as such surveys may contain questions loaded to secure answers that will highlight situations that can be used by groups not well-satisfied with Government policy. The education-alists of Hong Kong are demanding that the money spent on language teaching should be spent on up-to-date and scientific methods that will enable our students to gain high proficiency in the use of Chinese, both spoken and written, and competent fluency in everyday English.

Your Excellency, our secondary school teachers are becoming despondent and frustrated as they try to cope with large classes of children who fail so many of their courses. A recent graduate of mine now working in a new secondary school says that in Form I the majority of students fail seven or more courses in their first test. Many of our secondary school teachers are dissatisfied with their promotion prospects. I elaborated this in detail on March 25, but no answer was given to my request for an explanation of the rationale for providing in the aided sector fewer promotion posts for Graduate Master teachers compared with the Certificated Master teachers.

The teachers in our schools know that there are many jobs extra to teaching that need to be done. Gone are the days when teaching consisted solely of pushing students through examinations. If we want to educate the whole person we must give a lot of time outside class to those activities. Recently the Finance Committee of this Council has been examining costs of paying overtime to Government civil servants. This is considered reasonable and necessary. To my knowledge there is only one school in Hong Kong where staff are paid extra for working more than 39 hours per week. I think teachers are willing to work long hours for their students. But they would work better were their extra duties recognized by having more opportunities for promotion and for having more time to be with their students. Young people need to have time to get to know

their teachers. Teachers need the leisure to sit and chat with their students. Only then can staff counsel satisfactorily on careers, on how to make friends and on how to live decent lives.

Sir, do you realize that our Principals, Deputy Principals and staff are dealing regularly with problems, which could well be handed over to the Police? Has the Education Department ever questioned School Principals on the number of cases of stolen property, fighting, gambling and fraud they investigate each year? These problems occupy hours of time and often cause staff to work overtime. At the moment schools do not hand over all suspected of these crimes to the Police. Only those they find unable to reform do they hand over to the Police to be prosecuted in the courts. Without extra staff in our schools Principals will be sorely tempted to hand over all such problem children to the Police. Does the Royal Hong Kong Police Force have enough personnel to send into the schools to investigate all such matters? We would then have far more juveniles and young offenders convicted in the courts and with criminal records. Already there is dissatisfaction that a sixteen-year-old girl has now a criminal record after being convicted of the offence of stealing a chocolate bar. The teaching profession is willing to help prevent this increase in the crime rate, but if it does not have enough staff to deal with the situation, it will perforce have to hand over these responsibilities to the Police.

In my earlier speech I made positive suggestions to improve the staffing ratio without any request to improve the class-teacher ratio. Yet Mr. Ho devoted a section of his reply to this topic, giving his reasons why the class-teacher ratio cannot be improved. My contention is that certain posts in schools should be *extra* to the class-teacher ratio. I therefore asked the Government to consider providing one Careers Teacher for each standard-size secondary school and to recognize the post of S.M. or Deputy Principal (as some of my Unofficial colleagues prefer to call the Vice-Principal) as extra to the staffing. I suggested one to three such posts, at the new Education Officer level, according to the size of the school. Our Government's administration has failed to cost properly the work of the School Principals and school staff done outside their schools. In our local communities many of the activities promoted by Government and voluntary bodies are done by school teachers. Add up the cost in man hours and these organizations would have far heavier costs. Government officers can expect extra pay or compensatory time-off if they have to attend meetings after hours and at the weekends. School teachers cannot (*laughter*). They attend sporting activities, C.D.O. sponsored debates and competitions, and Government campaigns requiring their help as assistants. Try to contact our School Principals, they are out at the Juvenile Courts acting as Advisers; they are attending other Magistrate Courts as Assessors; they are attending Examination Authority meetings, Area Committee meetings and a multitude of other activities. I would not have it otherwise, how else would I be here this afternoon pleading with you for more staff in our schools? Over the last few years my colleagues in this Council have been staggered to discover that the Government of Hong Kong does not recognize that schools require extra bodies as Deputy Principals, not just promotion

posts in the regular establishment. They have been staggered to discover that I teach eight to ten periods each week. I can assure you, Sir, that if there is no rethink on the position of Deputy Principals I may have to resign from this Council in order to prevent my senior staff and myself suffering from excessive overwork. We are asked to treat S.M.'s like S.G.M.'s. No Deputy Principal can do a proper job and teach 25 or 26 periods per week like the S.G.M.'s. But this is what will have to happen under these new regulations unless the Administration is prepared to review its decision to abolish the Senior Master grade or to modify its abolition of the grade by creating extra posts for Deputy Principals in addition to the present class-teacher ratio. Sir, I should like to reassure you also that I believe the creation of these extra posts will not meet with difficulties in the recruiting of teachers to fill the posts. I am sure our schools have sufficient staff to promote to these new senior posts. The more junior positions can be filled by those forced to return home after completing degrees overseas and from our own tertiary institutions.

Sir, I noted with alarm Mr. Ho's suggestion that 'if insuperable difficulties do arise a review is still possible'. Clearly the Education Department has not thought through the effects of this policy. Do insuperable difficulties imply an encouragement to strike or work to rule? I deplore such a suggestion. But I would not rule out those possibilities. The teaching profession in Hong Kong is not isolated from the rest of the world. There are plenty of people wishing to ferment trouble in this place of ours. Teachers in Hong Kong have been working under intolerable conditions in recent years. They deserve some relief and a wise Government will give this relief by providing more staff in our schools. I suggested this spring we need Careers Teachers and Deputy Principals. In earlier speeches I urged the creation of extra posts for language teaching. Of course all this costs money, yes, public money but for a very worthwhile cause.

Sir, I trust that the educational policy for which this Bill is providing the money can be re-examined along the lines mentioned this afternoon for strengthening the personnel in our Advisory Inspectorate and in our schools. Our Directors of Education and their Deputies and Assistants have been lavish with their words of encouragement and advice when addressing school Speech Days. Let them put these words into effect by giving the schools enough staff for them to carry out the tasks that they expect from them. Our schools, Principals, staff and students have waited a long time to see these improvements. Our modern society needs them without further postponement and delay.

When I am making a cake, if I do not use the right proportions for the ingredients, the money I spent on all the ingredients will be wasted. A cake without enough butter and eggs will have to be thrown to the dogs or the pigs or put in the dustbin. The money for that cake is wasted. Without enough teachers the money spent on our schools is money wasted. Beware of wasting taxpayers' money on buying the flour—the buildings, the sugar—the educational T.V. and visual aids, and forgetting that the amount of butter and eggs—the teaching staff, is inadequate so the cake becomes dry, uninteresting and inedible.

REVD. P. T. MCGOVERN:—Sir, I rise to give my general support to the dissatisfaction expressed by Miss BENNETT on various points of policy in the field of education. I will not go into detail or speak at length. My ideas can be briefly summarized by quoting part of an editorial which appeared in one of the English language weeklys after Miss BENNETT'S speech of 25 March and before the official reply to it.

Having praised Miss BENNETT'S speech, among other things for its clarity, the editorial went on to state:

'Point after point seemed to demand either equally clear refutation or generous acquiescence. It will be damaging to the reputation of Government if the official reply is a bland defensive justification of everything that Government has proposed or done. Ministers in an elected parliament are understandably eager to maintain at all costs that they are right about everything; they have to think about their reputations among their electors; yet such exercises in self-justification have brought politicians generally into disrepute. The Official Members of our Legislative Council should be free from such vanities. They are under no necessity to cultivate the fickle favour of electors. They are entrenched in responsible posts, and their duty in debate is not to show that Government's first thoughts are always right, but rather to show that Government is intent on doing what is best for the community and that it is ready, when occasion offers, to accept valid criticism and to modify its policy accordingly ...' (Sunday Examiner, 3 April 1981).

The Editorial is headed 'Answers Needed'. I am not satisfied that the needed answers have been provided.

MR. YEUNG:—Sir, the responsibility of providing proper education to children is to be shared between the school, the parents, the community and the Government.

Even though school children spend considerable time in school, home education in leading children to the right direction is equally, if not more, important particularly in the case of bi-sessional schools, where the students are not provided with proper opportunity and facilities to stay in the school premises and mix with their peers in group activities. However, in many cases both working parents have little time to attend to their children and in some cases they themselves have little education or an ill-conceived social mentality and therefore can neither provide the right emotional support and guidance to their children nor a meaningful and harmonious relationship with them. A child who lacks the loving and caring surrounding of a home very often feels lonely and frustrated and is not willing to establish a concrete human relationship with others and grows to mistrust the people around him. The school can never completely replace the parents in securing the emotional stability of a growing child.

At the same time the community has to bear the responsibility of providing a genial and conducive environment for the children with supporting facilities aside from providing them with formal education. In the fast growing communities of Hong Kong today where population mobility is great, very often community structures and facilities are not strong enough to meet the requirements of the children in a district.

It is therefore not fair for the school alone to bear the entire blame of not giving our children the right sort of education and to shoulder the sole responsibility of educating them. But for today's deliberation, I will limit myself to the issue of school education hoping that Government would on its part adjust its policy with the consequential financial provision to implement it so that our school system may be improved.

Within the school, the teachers must establish good personal relationship with the students so as to secure mutual affection, trust and confidence. Effective and sincere communication and understanding between teachers and students will encourage the students to respect their teachers and willingly turn to them for guidance and assistance through which the character building and moral education of students may be achieved. At this time of rising juvenile social crime this important aspect is particularly obvious and apparent and this kind of moral virtues should be nurtured with all available resources and as soon as possible. To improve this personal relationship and to create a closer bond between them, the teacher-class ratio has to be improved and the class size has to be reduced, thereby enabling teachers to have the time and opportunity to attend to individual students more closely and also to be in contact with parents more frequently. The time spent by the teachers with students and parents individually or in groups in extra curricular activities should be calculated as teaching time to lessen the work load of the teachers.

It is obvious that good school education relies very much on the qualities and degree of dedication of the teachers. To attract bright and young people to the teaching profession and to boost the morale of those who are already in the profession, the community must recognize the importance of the teaching profession and accord the teachers with due respect and dignity so that the teachers are inspired to take pride in their work and treat teaching as a life-long career. In this respect the parents will have a particularly important role to play.

The success of a school depends very much on capable school administration which in turn depends on inspired and able leaders within the school. The school principal alone is insufficient and he should be appropriately assisted by leaders selected from the teaching staff. Such leaders should also be given not only greater responsibility but also a higher status and better promotional prospect and the time spent by them in administrative work should be taken into account as well.

Even though it is now compulsory for children to go through nine years of formal school education, I believe that it does not necessarily mean that each



student must complete Form III at the secondary level. There should be adequate special classes and special tutorials within the school for slow learners and late developers so as to provide them with special attention and therapeutic treatment with the hope of integrating them in due course into the normal class, failing which deferment should not be discouraged.

In addition, schools should not be discouraged to dismiss contumacious and problem students so that the character of the other students may not be contaminated on the one hand, and special corrective teaching technique in special schools may be employed to cure their defect on the other hand with a view and opportunity for them to be re-integrated with the normal school stream. Special school stream has, therefore, to be strengthened and the re-integrative system has to be under constant review.

DIRECTOR OF EDUCATION:—Sir, as Controller of the Vote in question I have the privilege, not to mention the pleasure (*laughter*), of responding to Miss BENNETT and her supporters. So as to bring their speeches within the ambit of Standing Orders I shall regard them as being the equivalent of a series of specific questions relating to my head of expenditure which of course I am happy to answer.

We are asked what action the Advisory Inspectorate has taken to improve the quality of music teaching and physical education and it is suggested that the present establishment of Inspectors is inadequate to cope with the demands of nine years compulsory education and modern approaches to education. Neither the question nor the suggestion do our Inspectors the justice they deserve for the multiplicity of their efforts in raising and maintaining qualitative standards in schools. I can supply Miss BENNETT and her friends an exhaustive list of the wide and comprehensive range of programmes for teacher assistance and development —seminars, workshops, in-service courses and so on—the types of service and professional advice supplied by the Advisory Inspectorate, but she has asked specifically about two areas of their concern—music and physical education. Again, without detailing exhaustively *everything* done by the Inspectors in these fields, the major thrust has been in the organization and conduct of 38 courses and seminars over the last two years (20 in music and 18 in physical education). The present establishment of Inspectors has been adequate for their current range of activities, but obviously as these expand there will be a need for more. Curriculum Development is a major area of reform and expansion, and Miss BENNETT may be assured that my coming Estimates and Five-Year Forecast will adequately reflect this. I accept that the most effective way of securing improvements in education is through influencing what actually happens in classrooms through curriculum revision and renewal; and this is why precisely these areas are my Advisory Inspectors' major concern.

I take Miss BENNETT's concern that we should not rely only on so-called surveys of language teaching undertaken by outside agencies, the motivation and methodology of which might well be dangerously loaded. We don't,

because we are constantly monitoring standards of language in schools through my Education Research Establishment, and through specialist Inspectors of English and Chinese. A great deal of preliminary work has been done and research projects are planned to coincide with major initiatives in language which are in hand. Let it suffice for the moment for me to assure Miss Bennett that the Consultancy for the Institute of Language in Education is adequately funded and that this covers her concern for both the languages of English and Chinese—a concern which I share.

Turning to the Workload of teachers in schools, their promotion prospects, the suggestion that extra-curricular duties and responsibilities might be recognized by extra allowances, and the specific request that extra staff be provided for the important work of Careers Guidance and that of deputizing for the Principal: I share Miss BENNETT'S sense of urgency that immediate consideration ought to be given to providing schools with more staff so that teachers can get to know their pupils better, to deal with their personal as well as their academic needs; but I submit that this concern must not be confused with the promotion prospects of different grades of teacher. Nor must we forget the Standing Commission dictum that senior posts must be justified on functional grounds. There has been no deep dark plot to do the graduate teacher down. Nor, may I add, has there been any sinister move to single out Vice Principal for discrimination.

Some time ago, in answer to a question from Miss BENNETT in this Council, I said that with the merger of ranks which seem to have upset Vice Principals, the *upgrading* of salary scales had benefitted 871 teachers and in no way diminished the salary scale of another 150. While that was technically correct of substantive members of the grade as a whole and their salary scales, I now find that eight teachers who had been drawing acting pay under the old arrangements, now lose that acting pay. Only eight so far of a total strength of well over a thousand. Leaving individual cases aside (although one might say that their duties ought now in fairness to be reallocated), Miss BENNETT does make a powerful plea for extra posts to cover this and other additional responsibilities in schools, notably that of Careers Guidance. These extra posts *not* to disturb the general teacher: class ratio in secondary schools.

I am prepared to look into this case in some detail, but I have to warn Miss BENNETT that this is not the opening of the floodgates. It is up to her to make the detailed case on functional grounds and in the context of the revised grade structure which benefits so many graduates in our secondary schools. The piecemeal approach can only go so far, as I shall undoubtedly be reminded myself if I push it too vigorously. It is not a question of a need for difficulties to arise, insuperable or otherwise, but of judgment as to the wisest course. The Standing Commission having made a recommendation after due consultation and deliberation, and the Government having accepted it, surely it must be tried out, even through a very small minority of those affected feel aggrieved. Obviously any decision can be reviewed in due course if it is later found to

require modification; but I cannot agree that this particular decision, so recently taken and with such an august origin, should be hastily overthrown merely because it implies some re-thinking and re-ordering of established patterns of responsibility in certain schools. We shall of course watch developments very closely and weigh up the advantages and any snags that may emerge; but to imply that we have on our hands a self-evident disaster requiring emergency measures, is not something that I can accept as a reasonable or a balanced view.

Sir, I trust that I have made it clear that Miss BENNETT and I share much common ground in our mutual concern that schools shall be staffed adequately to meet the challenges of the 1980s. Any differences that we may have must surely be those of approach: I am bound by certain rules, which I am sure Miss BENNETT appreciates, and Miss BENNETT is free to suggest variations of those rules. Together, and I stress the word together, we must work out a solution to our mutual problem and I know that I can count on Miss BENNETT'S constructive advice. She has suggested that the educational policy for which this Bill is providing the money can be re-examined along the lines mentioned this afternoon for strengthening the personnel in our Advisory Inspectorate and in our schools. I can assure Miss BENNETT that not only will this happen but that it is happening and is a never ending process. I am reminded that I shall be judged not by what I say on speech days but by what I do to strengthen the schools, and I accept this.

In closing, Sir, may I invoke the metaphor employed by Miss BENNETT to say that by her own admission she has most of the ingredients to make the educational cake she so fondly desires. She has the flour (the buildings), the sugar (educational T.V. and visual aids) and now, with assurances of a certain modicum of butter and eggs (more teachers if they can be justified for specific functions), I trust that the cake will be palatable not only to Miss BENNETT but to the children who so richly deserve it.

Heads 40 and 42 were agreed to.

Heads 44 to 192 were agreed to.

*Question that the Schedule stands part of the Bill put and agreed to.*

Clauses 1 and 2 were agreed to.

#### **KOWLOON-CANTON RAILWAY (AMENDMENT) BILL 1981**

Clauses 1 to 4 were agreed to.

#### **EMPLOYMENT (AMENDMENT) (NO. 2.) BILL 1981**

Clauses 1 to 10 were agreed to.

**INTERPRETATION AND GENERAL CLAUSES (AMENDMENT) (NO. 2) BILL  
1981**

Clauses 1 to 3 were agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL reported that the

APPROPRIATION BILL

KOWLOON-CANTON RAILWAY (AMENDMENT) BILL

EMPLOYMENT (AMENDMENT) (NO. 2) BILL

INTERPRETATION AND GENERAL CLAUSES (AMENDMENT) (NO. 2) BILL

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

*Question put on the Bills and agreed to.*

Bills read the third time and passed.

**Unofficial Member's bill**

**CHATER MASONIC SCHOLARSHIP FUND (AMENDMENT) BILL 1981**

**Resumption of debate on second reading (8 April 1981)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

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

**Committee stage of bill****CHATER MASONIC SCHOLARSHIP FUND (AMENDMENT) BILL 1981**

Clauses 1 and 2 were agreed to.

**Third reading of bill**

MR. LOBO reported that the

**CHATER MASONIC SCHOLARSHIP FUND (AMENDMENT) BILL**

had passed through Committee without amendment, and moved the third reading of the Bill.

*Question put on the Bill and agreed to.*

Bill read the third time and passed.

**Adjournment and next sitting**

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 13 May 1981.

*Adjourned accordingly at twenty-two minutes passed four o'clock.*