



# DAILY INFORMATION BULLETIN

Wednesday, March 28, 1973

## CONTENTS

	<u>Page No.</u>
The Financial Secretary says the quality of life of the people of Hong Kong has always been a primary concern of the Government .....	1
The reconstituted Board of Education is considering the secondary expansion programme .....	5
The Director of Medical and Health Services speaks of the need to reduce overcrowding in Government hospitals .....	7
The Government is moving forward in the social welfare field as quickly as practicable .....	9
The sale of public housing units to the tenants is under study by the Government .....	11
A new department may be created within the Public Works Department to concentrate on the rapid development of the New Territories ...	13
Minimum government interference with industry is an important factor of Hong Kong's success in the past 20 years .....	17
The Financial Secretary is confident in the state of the economy .....	19
The Government's measures to dampen down the volume of share transactions are defended .....	21
Supply is beginning to catch up with demand in the building industry .....	24
A general debate in the Legislative Council on the mass transit railway is called for .....	25
New proposals on domestic rents are expected to go before the Executive Council very shortly .....	27
Hong Kong will press the U.K. Government for clarifications regarding the sterling guarantee arrangements .....	30
Two more tax concessions to help the family man have been proposed .....	33
	/2 .....

Page No.

The Financial Secretary says measures must be taken to curb the increase in vehicles .....	36
Seven bills received their second reading at the Legislative Council meeting today .....	38
A Fight Violent Crime Committee has been formed .....	39
An Assistant Registrar of Shipping retires .....	39
The out-patient department of the Fanling Hospital will close for eight days for renovation soon .....	40

Page No.

The Financial Secretary says measures must be taken to curb the increase in vehicles .....	36
Seven bills received their second reading at the Legislative Council meeting today .....	38
A Fight Violent Crime Committee has been formed .....	39
An Assistant Registrar of Shipping retires .....	39
The out-patient department of the Fanling Hospital will close for eight days for renovation soon .....	40

Wednesday, March 28, 1973

- 1 -

QUALITY OF LIFE IS GOVERNMENT'S MAIN CONCERN

Development Possible Because Of Past Sound Policies

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The quality of life of the people of Hong Kong has always been a primary concern of the Government, and not just in recent months as has been suggested, the Financial Secretary, the Hon. C.P. Haddon-Cave, said today.

Winding up the budget debate, he said that any acceleration of development now possible was the result of sound policies in the past.

"Policies are modified in response not only to enhanced resources, but also as a result of a better understanding of people's needs and circumstances," he added.

However, the underlying concern remained the same and the essential continuity of policy remained.

Mr. Haddon-Cave defined "good housekeeping" on the Government's part as being concerned with two essential objectives: The provision of a stable administration and an economic environment in which all can prosper.

Both these requirements, he felt, had been satisfied.

"In my view we have also provided for a third objective, which is the development of our services to the public and they have been provided for not simply with immediate needs in mind," he added.

He noted that this was not a new departure but had been the Government's objective for many years.

The test of the Government achieving its three objectives "is whether or not there is a better than average, and sustained, improvement in the material standard of living," he said.

/A fuller .....

Wednesday, March 28, 1973

- 2 -

A fuller and better life for the people of Hong Kong, he added, was dependent, to an unusual extent, on the attainment of a higher material standard of living.

"This in turn depends on the growth rate of the economy and on the careful and imaginative use of those resources appropriated for the public services and public works programmes."

Mr. Haddon-Cave believed that, in general, the aim must be to allow expenditure to grow in line with the trend in rising revenue "and no faster."

He disagreed with the contention that the growth rate of expenditure was not being maintained and pointed out that if supplementary provisions in 1973-74 were on a similar scale as in the current financial year the budgeted increase in expenditure would be 27 per cent.

If achieved, this would be the largest increase for 20 years.

#### Capital Expenditure

"The reserves we are now accumulating," he went on, "will be available to help meet capital expenditure in future years. They will also help to ease the results of any unforeseen temporary fluctuations in revenue."

The Financial Secretary reiterated that there was abundant evidence that Hong Kong's developing policies would prove very expensive in future.

Taking up a plea that there should be no cuts in spending on education in the event of a recession in the economy, the Financial Secretary said the fact was that expenditure on education would continue increasingly to dominate Government spending.

"Where precisely the axe would fall must depend on the cause of the recession in revenue and the demands of other public services," he explained.

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Wednesday, March 28, 1973

- 3 -

While recognising the importance of education, he shared the conviction that the provision of free primary education was "contrary to our basic financial policies."

"With our narrow and low tax system," he said, "I find elusive the arguments that those who can afford to contribute directly towards the inevitably very high costs of the education of their children should not do so."

The same arguments applied to an expensive medical service, he said, adding that there were strong financial reasons for raising medical fees "provided always that there is an adequate system for relieving the burden on those who generally cannot afford to pay."

#### Social Development

He disagreed with the contention that social development involved providing services free of charge and said he could see no virtue in raising taxes from people simply to provide the same people with free facilities.

Refuting criticism that he had under-estimated revenue for the coming financial year, Mr. Haddon-Cave pointed out that the effects of his tax proposals were not included in the figure of three per cent by which total revenue in 1973-74 was expected to exceed the 1972-73 revised estimate.

The effects of the tax proposals, he explained, would raise revenue in the next financial year to seven per cent over the revised estimate for the current year.

"This may seem a low figure, but capital revenue is so difficult to forecast."

/He also .....

Wednesday, March 28, 1973

- 4 -

He also denied that revenue from stamp duties would be reduced despite the doubling of the duty on share transactions. This alone, he said, would bring in an extra \$300 million.

In any case, he added, there was little wisdom in assuming that the stock market was going to maintain its then level of activity.

"We cannot afford to be over-confident on share prices and turnover, as recent events have indicated," he said.

"Indeed, although revenue from stamp duty on contract notes is recurrent revenue it has an uncertainty about it similar to some items of capital revenue."

The Financial Secretary conceded that his estimated revenue from land sales might be on the conservative side but said there were too many variables to enable an exact prediction on how much land would be available for sale in the second half of next year.

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Wednesday, March 28, 1973

- 5 -

SECONDARY EDUCATION EXPANSION PROGRAMME

Director Of Education Replies To Unofficials

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The reconstituted Board of Education is at present considering the secondary expansion programme and it is as much concerned about the quality as the quantity of education.

This was stated during the resumed Budget debate in Legislative Council this afternoon by the Director of Education, Mr. J. Canning, when he replied to points raised by three Unofficial Members, Mrs. Joyce Symons, Mr. H.J.C. Browne and Mr. James Wu.

Included in the Board's terms of reference is the need to get the balance right between secondary schools offering technical and vocational courses. This is receiving close attention, he said.

Meanwhile, Mr. Canning is waiting for a report from Mr. K.G. Lavender, Principal of Wandsworth Technical College, who spent three weeks here to advise on the future development of secondary technical schools.

"I propose to present his report to the Board of Education in order that they may have the benefit of Mr. Lavender's advice in their deliberations," the Director said.

On the training of teachers for mentally handicapped children, Mr. Canning said his department's Special Education Section had been running one-year in-service training courses for teachers of slow-learning children since 1970.

He said: "To date 27 teachers in special schools and special classes in ordinary schools have been trained in these courses. The Special Education Section also gives lectures in special education treatment to teachers in training in the colleges of education."

/Mr. Canning .....

Wednesday, March 28, 1973

- 6 -

Mr. Canning pointed out that at present he did not have sufficient resources to be able to offer full-time training of teachers for mentally handicapped children. But he stressed that "full-time training is our aim and courses will be established as soon as resources permit."

On the provision of scholarships and study leave for technical teachers, the Director said that 13 of them were sent overseas for professional training and attachments during the period 1971-73. Six more were expected to go in 1973-74.

Since September 1969 when the Morrison Hill Technical Institute's Technical Teachers Training Department was first established, 556 technical teachers had been trained or were undergoing training.

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17 .....

Wednesday, March 28, 1973

- 7 -

EFFECTIVE FREE MEDICAL SERVICE ALREADY IN HONG KONG

Dr. Choa Speaks Of Need To Reduce Overcrowding In Government Hospitals

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Dr. the Hon. G.H. Choa, Director of Medical and Health Services, said today that, in effect, a free medical service was already in operation in Hong Kong -- and there was no intention to change this.

He was speaking in the Legislative Council during the resumed debate on the Appropriation Bill 1973-74.

He reminded members that patients were charged \$1 for attendance at a government clinic, and \$2 a day in a government hospital -- both charges being waived or remitted on proof of hardship.

Dr. Choa said the possibility of raising fees would be carefully considered by the newly-appointed Medical Development Advisory Committee, although, in his view, there was a case for a slight increase in the \$2 daily maintenance in general wards.

Charges in a number of assisted hospitals for similar accommodation had been raised to \$8 or \$10 a day, with the result that their bed occupancy had declined while government hospitals were overcrowded.

He felt a slight increase would serve to narrow the gap -- "not to force patients to shift from government to subsidised hospitals, but to relieve the congestion in government hospitals, and to make full use of vacant beds in assisted hospitals."

For 1st and 2nd class accommodation, he described an increase in fees as "inevitable," because the charges had fallen "very much behind."

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Wednesday, March 28, 1973

- 8 -

On direct government involvement with family planning, Dr. Choa told the Council that, as a first step, it had been decided to provide family planning clinic sessions in government hospitals and clinics alongside maternal and child health clinics.

The intention was to integrate family planning work into the maternal and child health service. Despite such problems as the recruitment of trained staff and revision of schedules, the matter was being given priority in view of the expected increase in the number of women in the fertility group in the next 10 to 15 years.

On care for the aged, Dr. Choa said 300 beds in the new Princess Margaret Hospital would be set aside as acute beds for elderly patients. In addition, the department was considering a proposal to provide a number of day beds in new clinics for the elderly who needed some medical or nursing treatment, but not hospitalisation.

"An ageing population is tending to emerge in Hong Kong, and we will follow closely the ways with which other developed countries are taking care of the elderly sick," he commented.

With regard to severely mentally retarded children, there was already accommodation at Siu Lam Hospital for 200. He hoped that, with the assistance of a subvented hospital, another 300 beds would become available in the future.

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/9 .....

Wednesday, March 28, 1973

- 9 -

EXPANSION OF SOCIAL WELFARE SERVICES

Government Moving As Fast As Practicable

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The Director of Social Welfare, Mr. F.K. Li, said today that government is determined that the social welfare services in Hong Kong should match up to the various needs of the community.

He stressed that the government is moving forward in the social welfare field as quickly as practicable.

"But there is a limit to how fast we can expand," Mr. Li added, "and once we went beyond that limit the services as a whole would suffer.

"I believe the same is broadly true both of the Social Welfare Department and of the voluntary agencies."

Mr. Li was speaking at today's resumed Legislative Council budget debate in reply to points raised by Mr. Roger Lobo, an unofficial member of the council.

He noted that Mr. Lobo had wondered whether the estimate for social welfare expenditure in the budget was on the low side.

Mr. Li said the reason for this was that the draft estimates did not reflect a number of the proposals made in the draft white paper on the social services. Once these had been approved, necessary provision would be made.

/This was .....

Wednesday, March 28, 1973

- 10 -

This was so of the proposals for community development, which include the establishment of the community and youth officer scheme, and the provision of additional community centres facilities and children and youth services.

Moreover, Mr. Li pointed out, the 1973-74 cost of the disability and infirmity allowance scheme was assumed to be considerably less than the cost in a full year, because it was unusual for everyone eligible under a new scheme to apply at once, however extensive a publicity campaign was conducted.

If the actual numbers of applicants proved to be higher than expected it would be necessary to seek supplementary provision.

It may well be, therefore, that expenditure on social welfare for 1973-74 may finish up by being higher than was now estimated.

Mr. Li said he shared Mr. Lobo's hope that some way could be found of streamlining the present system of processing social welfare subventions.

Possible changes in the system were being actively studied and as soon as the preliminary examination of these changes had been completed the proposals would be put before the Social Welfare Advisory Committee for consideration.

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/11 .....

Wednesday, March 28, 1973

- 11 -

## SELLING PUBLIC HOUSING UNITS TO PEOPLE

### Government Studying The Matter

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The Government has, over the past few months, been studying the matter of selling public housing units, such as those being built by the present Housing Authority, to the tenants.

This was disclosed by the Secretary for Housing, the Hon. Ian Lightbody, at the resumed budget debate in the Legislative Council today in reply to points raised by the Hon. Mrs. Ellen Li.

Mr. Lightbody said that the new Housing Authority would have to take a decision on how much housing to build for the lower middle-income group, and how much for families in the bottom-income range.

He said the decision on the former would no doubt be influenced by financial considerations.

He added that "if we can help to meet the needs of this group, and at the same time avoid locking up large capital sums, so much the better."

While agreeing that problems are unavoidable, Mr. Lightbody saw no reason why the Government should not be able to devise some suitable scheme which would "meet both these objectives, at prices within the means of the families who need this sort of help."

He assured the Council that studies in this field would be pushed ahead as rapidly as possible and he expressed the hope that it would prove possible to introduce some such scheme "fairly soon".

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Wednesday, March 28, 1973

- 12 -

On the suggestion to provide small rooms in public housing estates for young married couples, Mr. Lightbody said the plight of many such couples must command our sympathy.

But, he added that "the housing problems of the larger families are ever greater."

Turning to the present 35 square foot design standard for public housing estates, he explained that this referred only to the main living area, and the balcony and toilet space was additional.

"Furthermore, in practice the problem of matching families to rooms of different sizes usually results in an allocation closer to 40 square feet than 35," he said.

Mr. Lightbody was confident that the new Housing Authority would look closely at these standards, and at the financial and other implications of bettering them.

"A more generous space allocation would have a negligible effect on building costs, and should not require larger sites for estates," he added.

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/13 .....

Wednesday, March 28, 1973

- 13 -

NEW DEPARTMENT TO TACKLE DEVELOPMENT OF N.T.

D.P.W. Reviews Urban Renewal, Land Sales And Housing

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Detailed proposals have recently been put forward for the creation of a new department within the Public Works Department to concentrate on the rapid development of the New Territories.

This was disclosed by the Director of Public Works, the Hon. J.J. Robson, at the resumed Budget Debate in the Legislative Council today.

Referring to a suggestion by the Hon. Szeto Wai that the approved town plan for Sha Tin be re-examined, Mr. Robson said a new draft plan was in fact being prepared.

It was prepared "on the basis of less intense residential densities and improved community facilities which will reduce the ultimate planned population from one million to half a million people."

"This is possible because the latest Colony population forecasts indicate a reduction in 1986 from 7 million to 5.3 million," he said.

On the allocation of \$30 million in the draft estimates for land resumption, survey and investigation of the mass transit railway, Mr. Robson said this related only to the investigation of the system and the acquisition of properties about to be redeveloped.

Now it had been decided to go ahead with the construction of the underground railway, "it will be necessary to acquire a very large number of private properties and to clear large areas of Crown land both for the running line and for works areas," he said.

/"The cost .....

Wednesday, March 28, 1973

- 14 -

"The cost of all this has yet to be fully assessed but for the coming financial year alone it is proposed to seek supplementary provision of \$30 million for acquisition of properties together with \$10 million for clearances, demolitions, etc."

With regard to this year's provision of only \$40 million for urban renewal, Mr. Robson said that this "reflects slower progress on acquisition of land than was originally foreseen."

This was due almost wholly to the shortage and the difficulty of recruiting and retaining professional estate staff in the Crown Lands and Survey Office.

#### Tempo Of Development

Nevertheless, Mr. Robson said although only two third of the professional posts were filled, he managed to keep all the New Territories estate surveyor posts manned and he expressed the hope that their output could be expanded to keep pace with the increasing tempo of development in the New Territories.

On the question of the need to place more land on the market as speedily as possible, Mr. Robson said as far as the urban areas are concerned, "every endeavour has been made to search out any residential land that can be sold without resort to clearance."

"As regards the old Naval Yard, all that can be sold has been, the remainder will be required for a considerable period for the construction of the mass transit line or its associated works."

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Wednesday, March 28, 1973

- 15 -

However, he hoped to place one or two commercial sites on Wan Chai Reclamation in the Land Sales Programme for the second half of the coming financial year.

While agreeing with the Hon. P.C. Woo that swamping the market with land may be very desirable to bring down land costs, Mr. Robson warned that this could cause a very rapid increase in building costs, by over-committing the building industry.

For the same reason, it would also cause a great increase in the cost of all public works, including that of the mass transit system.

#### Over-Committing

On housing, Mr. Robson said over the next ten years private enterprise would have the opportunity of providing accommodation for 550,000 people.

These include 300,000 people to be accommodated on land made available for private development and 250,000 people in redevelopment of old property in the urban areas.

Referring to Lantau, Mr. Robson said a paper recommending that a study be made for developing not only the island, but also the Sai Kung Peninsula, Ma Wan and Middle Island for recreation and tourism, had been circulated to the Public Works Sub-Committee of the Legislative Council.

In broad terms, he said, the study would consider the potential of the area for formal and informal recreational purposes.

/The market .....

Wednesday, March 28, 1973

- 16 -

The market potential for residential development would also be examined.

"But, this study will not be allowed to delay existing plans for Lantau namely housing for the present inhabitants and road improvements," he added.

Mr. Robson agreed with the Hon. P.G. Williams that more multi-purpose games halls were required.

He said: "Four sites have already been reserved and sites for a further eight could be found."

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Wednesday, March 28, 1973

- 17 -

MINIMUM GOVERNMENT INTERFERENCE IN INDUSTRY

Proposal For Industrial Development Council Rejected

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The policy of keeping Government interference with commercial and industrial decisions to the minimum has been an important factor of Hong Kong's success in the past 20 years, the Director of Commerce and Industry, the Hon. D.H. Jordan, said today.

Speaking at the resumed debate in the Legislative Council this afternoon, he said however that "changing circumstances will in the future make it necessary for the Government to take a bigger hand in 'planning, regulation and assistance' for industrial development."

He expressed doubts over a suggestion to set up a high-powered Industrial Development Council.

He said there were no "clear signs that the community in general or industry in particular wants the Government to abandon our traditional role and take on a more active one."

The existing Trade and Industry Advisory Board, Mr. Jordan said, had "considerable potential as a more effective link between Government and the industrial and commercial sectors."

Referring to the decline in the rate of growth in the value of Hong Kong's exports, Mr. Jordan said too much emphasis should not be put on the "exceptional" growth in the years 1968 and 1969.

He said that Hong Kong could not expect to sustain a compound rate of growth of 25 per cent.

/"Such .....

Wednesday, March 28, 1973

- 18 -

"Such a rate," he said, "would create intolerable stresses in the economy."

Mr. Jordan said that because "we are calculating the percentage each year on the higher base figure achieved the previous year, emphasis on the percentage rate masks the actual increases."

Last year, the reduced percentage increases masked the fact that for the first time in the past four years, the increase in the dollar value of Hong Kong's exports was higher than in the previous year, he added.

Commenting on trading prospects, Mr. Jordan said his department would "continue its efforts to protect our access to our markets, while the Trade Development Council has an ambitious programme of trade promotion activities."

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/19 .....

Wednesday, March 28, 1973

- 19 -

ECONOMY IS FUNDAMENTALLY HEALTHY

Inflation No Serious Threat

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The Financial Secretary, the Hon. C.P. Haddon-Cave, today expressed confidence in the health of the economy, which he described as "fundamentally sound."

He was speaking at the resumed debate on the budget in today's Legislative Council meeting.

He noted that virtually all members viewed the economy with "varying degrees of foreboding."

They had referred to inflation generally, to land prices and rents, to the effect of changes in the exchange rate of the Hong Kong dollar and to the stock exchanges.

But he said "they do not seriously affect the fundamental health of our economy or require fundamental changes to our policies."

He admitted that consumer price index had increased by 3½ per cent in 1971 and five per cent in 1972.

Export prices rose by between six and 7½ per cent, and import prices by two per cent and 4½ per cent respectively in each of these two years.

But, he said, Hong Kong's economy was still growing rapidly by any reasonable standards, and real incomes measured in terms of G.D.P. rose by as much as eight per cent in 1972.

The Financial Secretary said the Hong Kong economy was externally oriented and "we must necessarily be affected by developments in the economies of our trading partners."

/"If they .....

Wednesday, March 28, 1973

- 20 -

"If they are suffering inflation, as most of them are - and many of them at rates faster than our own - this is bound to affect us, either in higher prices for our imports or in our exporters' ability to obtain higher prices for their own sales overseas," he said.

"Given our very heavy dependence on external trade and commerce, the rate of inflation would have been significantly greater had we heeded the promptings of some of the exchange rate for the Hong Kong dollar."

Mr. Haddon-Cave recalled that, two weeks ago, some Unofficial Members had argued the "real inflation engine" operating in Hong Kong's economy was the "rising cost of land, rents and the state of stock exchanges."

Exaggeration

They had suggested that rising prices in these areas would filter through the entire cost/price structure and make Hong Kong uncompetitive in world market.

"I think there are large elements of exaggeration in this picture," the Financial Secretary said.

He believed the corrective mechanism built into Hong Kong's economy had already begun to dampen down exceptional developments.

He said that "as this year wears on, we shall see more and more of the exaggerated recent features of our economy ironed out by the forces of market."

He added that "in the Hong Kong economy, market forces exercise a corrective influence, and will continue to do so, provided we are prepared to face up to some exaggerations in the short term and provided Government intervention is designed either to replace the market mechanism completely or correct imperfections in the way it operates."

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/21 .....

Wednesday, March 28, 1973

- 21 -

MEASURE TO COOL DOWN STOCK MARKET DEFENDED

Securities Bill To Be Introduced In Early Summer

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The Financial Secretary, the Hon. C.P. Haddon-Cave, today defended the measures taken by the Government to dampen down and smooth out the volume of transactions on the stock exchanges and to restore an orderly market.

Speaking at the resumed Budget Debate in the Legislative Council, he said it was not for Government to pass judgement on the level of share prices, but it was concerned to see that an orderly market was being maintained.

To ensure the orderliness of trading, he said the "Government must accept an obligation, where there was frenetic activity, to dampen down the volume of activity so that it could be assimilated within the market."

The Government was also concerned with maintaining an orderly market in terms "of the absence of questionable practices designed to distort or influence prices to the benefit of particular traders."

The Financial Secretary referred to the "critical references made by a number of Unofficial Members to the state of the stock exchanges, and said: "I do not know whether, if they were speaking today, they would say the same things or whether their criticisms might have become somewhat more muted as a result of the not entirely unexpected events of the past two weeks."

/Speaking on .....

Wednesday, March 28, 1973

- 22 -

Speaking on the Securities Advisory Council, which would come into being after the enactment of the proposed Securities Bill, Mr. Haddon-Cave said the Council would be provided with legal powers to curb more fundamental abuses which had the effect, in one way or another, of rigging or distorting the market in particular securities.

"But again the Securities Bill will not give the Securities Council powers to pass judgement on the general level of prices in the stock market, which is a matter for market forces to decide," he said.

The Financial Secretary said the complicated legal drafting of the Securities Bill was well in hand and should be before the Legislative Council in the early summer. The Bill, he said, would cover all aspects of trading in securities.

Mr. Haddon-Cave said he did not believe there was any more the Government should do to control stock market operations at the present time beyond the measures he had re-stated.

"In other words, I am afraid I cannot agree with my honourable friend Mr. Wilfred Wong that there is either a short term or longer term need to increase further the rate of stamp duty on share transactions announced in the Budget Speech, and I doubt whether on reflection, he would press it today.

/"Certainly, .....

Wednesday, March 28, 1973

- 23 -

Certainly, I am sure he would agree with me that any intervention in the market must be done in a certainty that it is necessary and timely."

The Financial Secretary recalled he had announced in his Budget Speech that the Commissioner of Inland Revenue was being given extra staff to make enquiries into the activities of the habitual buyers and sellers of shares."

Whilst waiting for the additional, the Commissioner was, in the meantime, deploying some of his existing staff in order to begin the issue of returns and enquiries immediately.

"The Commissioner will, of course, need to make extensive enquiries and I sense the feeling of this Council is that if the brokers, banks, nominee companies and so on refuse to furnish the required information, then the law should be amended to strengthen the hand of the Commissioner," the Financial Secretary said.

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/24 .....

Wednesday, March 28, 1973

- 24 -

SUPPLY CATCHING UP WITH DEMAND IN BUILDING INDUSTRY

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Supply is beginning to catch up with demand in the building industry, the Financial Secretary, the Hon. C.P. Haddon-Cave, said today.

Speaking at the resumed Budget Debate in the Legislative Council, he said the construction industry was now able to pay higher wages, thus attracting more labour.

He said "the rising cost of labour is also providing an incentive for greater mechanisation and capital intensive operations."

As a result, he said, investment in buildings had increased steadily.

Mr. Haddon-Cave pointed out that the bottleneck in recent years had not been so much the availability of land as such, but rather the capacity of the construction industry to meet all the demands laid upon it, "demands that is which have risen at an unprecedented pace due to the buoyancy and expansion of our economy."

Referring to the competition for scarce land by productive enterprises, he said this must inevitably be reflected in the price of land to them and in their costs of production.

"But this ensures that those enterprises which bring the greatest benefit to the economy are the ones which survive and prosper," he said.

"It also ensures that land is developed to its maximum potential."

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/25 .....

Wednesday, March 28, 1973

- 25 -

GOVERNMENT DETERMINED TO GET ON WITH UNDERGROUND

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Dr. the Hon. S.Y. Chung today said that the decision to set up a Mass Transit Fund showed that the Government was determined to get on with the construction of the mass transit railway.

He was speaking in the Legislative Council in support of a motion to establish a fund of \$500 million for the project.

Dr. Chung hoped that "before the Government makes its final decision on the award of contracts, there will be an opportunity for a general-debate in this Council as we did in 1965 for the Cross Harbour Road Tunnel."

He believed that this was the largest project in term of capital cost that was ever carried out in Hong Kong.

"Assuming an inflation rate of 10 per cent per annum in the future years," he said, "the total cost for the full system will probably be close to HK\$15,000 million, which will be spread over the next 12 years at an average rate of about HK\$1,000 to \$1,500 million each year," he said.

He added: "In order to appreciate the magnitude of the cost involved, Honourable Members may be interested to know that it will cost about HK\$90,000 per foot length of the railway and that with the same money we could build more than 20 cross-harbour road tunnels."

Dr. Chung urged the Government to look at the project from the full system point of view and not only the first four of the nine stages.

He said that the mass transit railway would not really be serving its purpose if the remaining stages were not eventually built.

/In reply .....

Wednesday, March 28, 1973

- 26 -

In reply, the Financial Secretary, the Hon. C.P. Haddon-Cave assured Dr. Chung that the Government was working with the full mass transit system very much in mind, although the Government had so far committed firmly to constructing only the first four stages.

Mr. Haddon-Cave agreed with Dr. Chung that the estimated capital cost of the full system had increased by about 15 per cent in each of the two years between mid-1970 and mid-1972.

But he described these two years as "somewhat unusual" and thought Dr. Chung was "a little too pessimistic" in predicting a rate of cost escalation of 10 per cent per annum over the entire construction period for the full system.

Indications from a number of sources were that it would be reasonable to assume an average five-per-cent annual increase in costs from mid-1972 levels.

"On this basis, it is estimated that the total cost of the full system, excluding interest charges, would be in the region of \$10,000 million," he added.

The Financial Secretary said the Government had come to the conclusion that the project would be "financial viable" on the basis of this estimate and of a series of assumptions about interest rates, repayment terms, operating costs and revenue.

"It now remains to be seen whether a price is likely to be obtained for the contract or contracts to fit into our projected cash flow table," he said.

To this end, he told the Council, further consultations were currently being held with a number of consortia so that a decision could be reached as to the most appropriate contractual arrangements to be adopted.

The motion was later adopted by the Council.

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/27 .....

Wednesday, March 28, 1973

- 27 -

NEW RENT CONTROL PROPOSALS EXPECTED SOON

Examination Of Rent Situation Nearly Complete

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The Colonial Secretary, Sir Hugh Norman-Walker, said today that the task of examining the whole field of domestic rents was "nearing completion" and he hoped to be able to put proposals before the Executive Council very shortly.

Sir Hugh Norman-Walker was speaking in the resumed Budget debate in the Legislative Council.

He said that while the examination of the problem of rents would take a considerable time, he had every confidence that the information necessary for a decision by the Governor in Council would be ready well before the expiry of the present legislation in 1974.

Referring to his recommendation, the Colonial Secretary said its objective will be "general measures of restraint."

It would, he hoped, avoid the "disadvantages of a stop-go policy of rent control" and would not at the same time act as a "disincentive to our property developers".

"In short," he said, "what is required is a bridging operation over the period until the forces of supply and demand can operate naturally."

He referred to a suggestion by the Hon. P.C. Woo that the key to a solution to the problem of rising rents was to speed up land sales.

He said the provision of more land for private housing development would undoubtedly help, but there was a limit to what could be done in the short term.

/Sir Hugh .....

Wednesday, March 28, 1973

- 28 -

Sir Hugh said: "Many acres of land are being provided for our massive public housing programme and the faster we get ahead with that programme the better."

The availability of an adequate supply of decent public housing would have a restraining influence on private rents, he said.

The Colonial Secretary said that since he spoke on rent control in the Council in December 1971, the rate of building had increased dramatically.

Even more dramatic, he said, was the rise in demand for all types of residential accommodation.

#### Reasons

"This has happened for a number of reasons -- increasing prosperity; the desire for more living room, as incomes increase and customs change; the situation has been stimulated by activity on our stock exchanges; and the attraction of Hong Kong as a centre for business activity in the Far East has increased the demand for domestic premises," he added.

The Colonial Secretary also pointed out that the supply situation with regard to domestic flats had improved since he last spoke on the subject of rents.

In 1971, he said, a total of 12,242 flats were completed.

In 1972, the number rose to 20,589, an increase of 68 per cent over the 1971 figure.

The forecast for completions in 1973 is 30,000.

But, despite this improvement in supply, rents for newly completed property have moved upwards during the last two years.

/Sir Hugh agreed .....

Wednesday, March 28, 1973

- 29 -

Sir Hugh agreed with the Hon. James Wu that Hong Kong had some of the highest domestic rents in the world.

But he pointed out that "we should not forget in our public housing estates in which over 40 per cent of the population live, we have some of the lowest."

Turning to business premises, Sir Hugh said that on the evidence available there was no reason to interfere in the situation regarding this type of buildings.

He said: "It is neither practical nor in our best interest to protect certain spheres of commercial activity and not others.

"The best regulator in a responsive economy such as ours is the law of supply and demand."

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/30 .....

Wednesday, March 28, 1973

- 30 -

H.K. TO PRESS BRITAIN FOR CLARIFICATION

On Sterling Guarantee Arrangements

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Hong Kong will continue to press the British government for clarification of their future intentions regarding the present sterling guarantee arrangements.

This undertaking was given today by the Financial Secretary, the Hon. C.P. Haddon-Cave, when winding up the resumed budget debate.

Referring to a suggestion by the Hon. Q.W. Lee, the Financial Secretary said that the British government was not prepared to guarantee all or at least a substantial part of Hong Kong's sterling assets in terms of the Hong Kong dollar or gold.

The U.K. Government, he added, had indicated that any extension of the present guarantee arrangements must continue to be expressed in terms of the U.S. dollar, which was the only alternative reserve currency to sterling for any substantial block of assets.

"I am afraid, therefore, that fluctuations in the value of our reserves is a price we have to pay for the instability in world currency markets, but we live also, remember, in a world of high interest rates," he said.

The Financial Secretary said that Hong Kong had now diversified its total official external reserves up to the limit of its 10 per cent diversification facility, having regard to daily shifts in prices of various securities and relative currency values.

/This, .....

Wednesday, March 28, 1973

- 31 -

This, he added, had not been an easy task "for many countries are unwilling to accept investments in their currencies in other than modest amounts on any reasonable terms."

Noting the fears expressed that Hong Kong might price itself out of overseas markets as a result of rising costs, the Financial Secretary said it should not be so easily concluded that Hong Kong was "becoming uncompetitive."

He pointed out that despite the difficulties in 1971 and 1972, the value of Hong Kong's exports had expanded by more than 10 per cent in both years. The Gross Domestic Product had also increased by 10 per cent in 1971 and 17 per cent in the following year while a full employment situation and a booming economy were maintained.

#### Strength

In his view, these were in direct "testimony to the strength of the Hong Kong economy over this period rather than the opposite."

"In these circumstances, and given the overwhelming importance of external trade to our economy, the best policy for the exchange rate of the Hong Kong dollar is stability," he stressed.

By this he meant stability in relation to the average of other currencies as a whole.

He explained that in these terms, Hong Kong had more or less broken even over the last two years, although the Hong Kong dollar had appreciated in relation to both the pound sterling and U.S. dollar due to their devaluations or downward floats.

/The Financial .....

Wednesday, March 28, 1973

- 32 -

The Financial Secretary agreed that recent Government decisions might have made things more difficult, in the short term, for Hong Kong exporters in the United States and British markets and elsewhere in relation to one or two of our competitors.

He also accepted that if internal costs, including wages and rents, were to rise unduly at the present exchange rate then Hong Kong's exports could become less competitive abroad.

However, he did not believe that devaluation was an appropriate corrective instrument for any weakness which might appear in our balance of payments because it would be an inefficient and inflationary corrective.

#### Flexible

The Financial Secretary said Hong Kong's economy was still expanding rapidly and he believed that it was flexible enough to maintain this growth.

One encouraging feature was that investment in buildings, plant and equipment was now running at 25 per cent of the Gross Domestic Product and he felt that this should produce a stimulating effect on productivity in industry as well as assist in keeping down costs.

He described as unusual the rate of expansion in Hong Kong's money supply over the last year but said this was not a bad development because it pointed to a high and growing degree of confidence in the Hong Kong economy.

This expansion, he said, was due not so much to external factors but rather to a significant increase in bank loans and advances, particularly to increased internal demands.

"However, it clearly cannot go beyond certain limits dictated by prudent banking practices and liquidity considerations," he said.

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/33 .....

Wednesday, March 28, 1973

- 33 -

TWO MORE TAX CONCESSIONS TO HELP FAMILY MAN

Allowance For Second And Third Child To Be Raised

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Two more tax concessions to aid the family man were proposed today by the Financial Secretary, the Hon. C.P. Haddon-Cave.

In addition to his tax relief package announced in his budget speech last month, he proposed to raise by \$500 each the allowance for the second and third child to \$2,500 and \$1,500 respectively.

This would lift the permissible total of child allowances to \$11,500.

He was speaking at the resumed Budget debate in this afternoon's Legislative Council meeting.

These new concessions would cost the Government \$1.3 million in the next financial year and bring to \$16.6 million the total net cost of the tax reform package.

For the married man with two children on an annual gross income of \$42,000, the new concessions will mean a reduction in his tax bill by a further \$50 to \$1,150, while a married man with three children with an annual gross income of \$60,000 will save another \$200.

Mr. Haddon-Cave said he had re-examined the tax relief package in view of the concern expressed by Unofficial Members for the tax position of the family man.

He noted that he had reduced the yield from salaries tax and personal assessment this year by nearly five per cent or \$9.5 million, and he was now proposing to reduce it further next year by over seven per cent or \$16.8 million.

/He felt .....

Wednesday, March 28, 1973

- 34 -

He felt that this "sacrifice" to the revenue could be made to bring the system back to the basic philosophy for a low tax structured economy.

"Certainly having done this, I hope to avoid the turbulent waters of personal tax reform for some years to come," he said.

At the same time, the Financial Secretary rejected suggestions by Unofficial Members that tax relief for life insurance and for dependent parents should be retained.

He said he had proposed to abolish the dependent parent allowance "because of its abuse and its inequity due to territorial limitation."

#### Difficulties

Aside from the difficulties involved in administering this allowance, he said, there had been deliberate attempts to mislead the Inland Revenue Department, including cases where claims had been made for deceased parents.

A stage had been reached, he went on, where it was impossible to judge the genuine claim from the false and he thought it better to reincorporate this allowance into a wider one for everybody.

Of the proposed abolition of life insurance relief, the Financial Secretary said "its subsidy effect makes it inappropriate in terms of the philosophy of the Hong Kong tax system."

He said he had advocated its abolition in the context of a major reform of the personal tax system.

"I consider this to be the correct moment to do this exercise because, with revenue buoyant, I can take a sympathetic approach to the question of basic allowances."

/Mr. Haddon-Cave .....

Wednesday, March 28, 1973

- 35 -

Mr. Haddon-Cave explained that if these two selective allowances were to be reinstated, he would have to withdraw the whole tax relief package and redesign it.

He said it would not have been possible to do this in time to be effective in the coming financial year.

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136 .....

Wednesday, March 28, 1973

- 36 -

ACTION MUST BE TAKEN TO CURB VEHICLE INCREASE

Public Transport Companies Must Improve Service

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The Financial Secretary said today that measures must be taken to curb the increase in vehicles.

Speaking at the resumed Budget Debate in the Legislative Council, the Hon. C.P. Haddon-Cave said that with nearly 200,000 vehicles now on the roads, new vehicle registrations continued to rise at almost 15 per cent a year.

He said that "as the most dramatic increase in recent years has been in private cars, motor cycles and goods vehicles, these categories are the ones which most need to be restrained."

However, the Financial Secretary recognised that a condition of making "a real dent" in this problem was the provision of adequate and efficient public transport services.

Mr. Haddon-Cave said the franchised companies "are not generally providing adequate services."

He said that unless the Government received firm and enforceable undertakings from the existing companies that their services would be substantially improved, the renewal of their franchises would be seriously in doubt.

The Financial Secretary referred to a suggestion by the Hon. Szeto Wai to speed up the construction of multi-storey car parks and automatic vehicle inspection centres.

He said the proposal for an automatic vehicle inspection centre was being considered.

/On parking, .....

Wednesday, March 28, 1973

- 37 -

On parking, Mr. Haddon-Cave said that an important way to make the most efficient use of road space was to reduce on-street parking and replace it by off-street facilities.

He was confident that the present programme for building off-street car parks was correct bearing in mind that too many would only lead to choked roads.

The Financial Secretary rejected a suggestion by the Hon. <sup>Wilson</sup> ~~Wilfred~~ Wang <sup>Wong</sup> to remove the toll charge at the Lion Rock Tunnel.

He said: "The system of charging serves two purposes. First, it imposes on the user of this special facility the cost of its provision. Secondly, charges act as a restraint on the use of the tunnel which, if freely available, would be choked with traffic diverted from Tai Po Road."

Mr. Haddon-Cave said that expenditure on roads and traffic management generally in the four years ending 1976-77 would exceed revenue at present rates by \$1,000 million.

He expressed the hope that in due course a debate could be arranged in the Legislative Council on the whole range of problems connected with a viable and acceptable transport policy for the 70s and 80s.

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/38 .....

Wednesday, March 28, 1973

- 38 -

SECOND READING OF BILLS

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Seven bills received their second reading at the Legislative Council meeting this (Wednesday) afternoon.

They are the Crown Leases Bill 1973, the Crown Rent and Premium (apportionment) (Amendment) Bill 1973, the Appropriation Bill 1973, the Dangerous Goods (Amendment) Bill 1973, the Entertainment Tax (Amendment) Bill 1973, the Fixed Penalty (Traffic Contraventions) (Amendment) Bill 1973, and the Public Health and Urban Services (Amendment) (No. 2) Bill 1973.

Debate on the first two bills was adjourned while that on the other five was resumed.

One sessional paper, the Report of the Finance Committee on the Draft Estimates of Revenue and Expenditure for 1973-74, was table at the session.

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PROCEEDINGS RECORDED

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Note to Editors: Proceedings in this afternoon's Legislative Council meeting have been recorded. Press representatives are welcome to consult the tape in the Press Room, Government Information Services, 6th floor, Beaconsfield House.

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/39 .....

- 39 -

FIGHT VIOLENT CRIME COMMITTEE SET UP

Headed By Secretary For Information

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The Government announced today the formation of a Fight Violent Crime Committee under the chairmanship of the Hon. Jack Cater, Secretary for Information.

The committee will coordinate the Government's and public efforts to assist the Police to combat crime.

It comprises senior officials from the Royal Hong Kong Police Force, Secretariat for Home Affairs, New Territories Administration, Information Services Department and the Colonial Secretariat.

Commenting on the announcement, Mr. Cater said that his committee had already started to plan the fight crime programme, and in particular the campaign which is to start in the summer.

"The detailed proposals will be announced in early May," he added.

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ASSISTANT REGISTRAR OF SHIPPING RETIRING

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Mr. Ng Kui-to, Assistant Registrar of Shipping, is retiring from the Marine Department for which he has served 27 years.

To mark the occasion, Mr. A. Fletcher, Director of Marine, will present him with a memento on Thursday (March 29) on behalf of his friends and colleagues.

Mr. Ng first joined the department in 1941 as a clerk. He was promoted to his present post in 1965.

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Note to Editors: You are invited to have the presentation ceremony covered. It will take place in the Director of Marine's office at No. 102, Connaught Road Central at 4.30 p.m.

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Wednesday, March 28, 1973

- 40 -

OUT-PATIENT DEPARTMENT AT FANLING HOSPITAL

Eight-Day Closure For Renovation Following Takeover

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The out-patient department of the Fanling Hospital will close for eight days for renovation after the Government takes the hospital over from the Lutheran World Federation on April 1.

The renovations are necessary to bring this department into line with the others maintained by the Medical and Health Department.

Dr. J.H. Webber, the present medical superintendent, and certain other staff, will transfer to government employ, and remain at their posts.

The hospital will be fully operational in its new role as a government institution on Monday, April 9, and it is hoped that it will be able to deal with more than the current 100 out-patients a day.

When the Government's decision to take the hospital over was announced in February, it was explained that this was at the request of the Lutheran World Federation who thought the time had come for the Government to assume responsibility for the hospital.

The hospital was opened in 1960 by the Federation, and built with funds provided by the Royal Hong Kong Jockey Club and the United States.

Until 1971, the recurrent costs were met by the Federation. In that year, a subvention was requested from the Government as the financial contribution of the Federation to its services in Hong Kong had begun to run down.

The Medical and Health Department will develop this 54-bed hospital as a district hospital. The staff will be increased so as to maintain a 24-hour duty roster. Specialist clinics are also planned.

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Release time: 9.00 p.m.