



DAILY INFORMATION BULLETIN

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TELEPHONE CHARGES: FINANCIAL SECRETARY OUTLINES
GOVERNMENT'S PROPOSALS

THE APPLICATION BY THE HONG KONG TELEPHONE COMPANY FOR INCREASES RANGING FROM 71 TO 76 PER CENT IN RENTAL AND INSTALLATION CHARGES HAS NOT BEEN ACCEPTED BY THE GOVERNMENT.

INSTEAD, THE GOVERNMENT IS PROPOSING A +PACKAGE OF IMMEDIATE MEASURES+ INCLUDING INCREASES OF JUST UNDER 30 PER CENT IN ANNUAL RENTALS FOR BUSINESS AND RESIDENTIAL LINES.

ANNOUNCING THE DECISION IN THE LEGISLATIVE COUNCIL THIS AFTERNOON, THE FINANCIAL SECRETARY, MR. PHILIP HADDON-CAVE, SAID THAT IF THE PROPOSED INCREASES WERE APPROVED THE NEW RENTALS WOULD BE \$528 FOR BUSINESS LINES, \$360 FOR RESIDENTIAL LINES, \$396 FOR BUSINESS PARTY LINES AND \$276 FOR RESIDENTIAL PARTY LINES. THESE COMPARED WITH \$700 FOR A BUSINESS LINE AND \$480 FOR A RESIDENTIAL LINE IN THE APPLICATION SUBMITTED BY THE COMPANY.

HE SAID HE INTENDED TO INTRODUCE A RESOLUTION INTO THE LEGISLATIVE COUNCIL ON FEBRUARY 5 SEEKING APPROVAL FOR THE INCREASES FROM MARCH 1.

OTHER MEASURES WHICH THE FINANCIAL SECRETARY HAS PROPOSED TO THE COMPANY ARE :-

- * THAT THE COMPANY'S BOARD RECOMMEND TO SHAREHOLDERS THAT NO DIVIDEND PAYMENTS BE MADE IN 1975- AND
- * THAT A GOVERNMENT DIRECTOR SHOULD BE APPOINTED TO THE BOARD OF THE TELEPHONE COMPANY.

IF THESE ARE AGREED, THE GOVERNMENT WILL WAIVE ROYALTY PAYMENTS BY THE COMPANY FOR 1974 AND 1975.

AT THE SAME TIME, THE FINANCIAL SECRETARY ANNOUNCED THAT THE GOVERNMENT INTENDED TO SET UP A COMMISSION OF ENQUIRY TO EXAMINE ALL ASPECTS OF THE COMPANY'S OPERATIONS.

HE POINTED OUT THAT THE REVISION IN RENTALS WAS NECESSARY NOW AS TO REFUSE ANY INCREASES IN CHARGES AT THIS TIME WOULD PRECIPITATE A CRISIS IN THE COMPANY'S AFFAIRS WHICH WOULD NOT BE IN THE PUBLIC INTEREST.

MR. HADDON-CAVE SAID THESE INCREASES +WILL NOT BE ENOUGH TO KEEP THE COMPANY'S HEAD ABOVE WATER AND UNDOUBTEDLY EXTENDED BANK CREDITS WILL BE NECESSARY+.

IN ADDITION TO THE INCREASES, HOWEVER, +IT WILL BE NECESSARY FOR THE COMPANY'S BOARD TO RECOMMEND TO SHAREHOLDERS THAT NO DIVIDEND PAYMENTS SHOULD BE MADE IN 1975. APART FROM THE FINANCIAL REASONS FOR THIS +IT IS THE GOVERNMENT'S VIEW THAT THE SHAREHOLDERS SHOULD BEAR SOME OF THE CONSEQUENCES OF THE COMPANY'S PAST FAILURE IN MANAGEMENT.+

/MR. HADDON-CAVE SAID

MR. HADDON-CAVE SAID THAT AS AN INDICATION OF THE GOVERNMENT'S INTEREST IN THE AFFAIRS OF AN ESSENTIAL PUBLIC UTILITY COMPANY, THE COMPANY'S CONSENT WAS ALSO BEING SOUGHT TO THE APPOINTMENT OF A GOVERNMENT DIRECTOR TO THE BOARD.

THE FINANCIAL SECRETARY ALSO ANNOUNCED THAT IF THE COMPANY ACCEPTS THE GOVERNMENT'S PROPOSALS, A BILL WILL BE INTRODUCED ON FEBRUARY 5 SEEKING TO WAIVE ROYALTY PAYMENTS BY THE COMPANY FOR 1974 AND 1975. THE BILL WILL ALSO PROVIDE FOR THE APPOINTMENT OF A GOVERNMENT DIRECTOR.

HE EMPHASISED THAT THE MEASURES TO BE ADOPTED WERE ALL IMMEDIATE MEASURES AND REPRESENT THE GOVERNMENT'S RESPONSE TO THE URGENT AND DIFFICULT SITUATION FACED BY THE COMPANY AND THE PUBLIC ALIKE. + BUT ON THE INFORMATION AVAILABLE THE GOVERNMENT IS NOT IN A POSITION TO SUGGEST LONG TERM SOLUTIONS TO THE COMPANY'S FINANCIAL SITUATION.

TO DEAL WITH THE LONGER TERM, THE GOVERNMENT WILL SET UP A COMMISSION OF ENQUIRY + TO GIVE THE PUBLIC SOME ASSURANCE THAT IT WILL NOT BE FACED WITH A RECURRENCE OF THIS SORT OF SITUATION IN FUTURE. +

+ THE TERMS OF REFERENCE HAVE YET TO BE WORKED OUT, BUT THEY WOULD INCLUDE AN EXAMINATION OF THE COMPANY'S PRESENT MANAGEMENT STRUCTURE AND FUTURE PLANS, ITS DEBT LIABILITIES AND ITS PROFITABILITY, + MR. HADDON-CAVE SAID.

THE COMMISSION, HE SAID, WOULD ALSO BE ASKED TO RECOMMEND WHETHER, AND IF SO WHEN, FURTHER INCREASES IN RENTALS WOULD BE NECESSARY TO SECURE THE + PERMANENT VIABILITY + OF THE COMPANY.

IN ADDITION, IT WOULD BE ABLE TO MAKE RECOMMENDATIONS ON AMENDMENTS WHICH MIGHT BE MADE TO THE TELEPHONE ORDINANCE TO ENSURE ADEQUATE PUBLIC CONTROL OVER THE FUTURE OPERATIONS OF THE COMPANY AS A PUBLIC UTILITY.

REFERRING TO THE ADVISORY COMMITTEE ON TELEPHONE SERVICES REPORT, THE FINANCIAL SECRETARY SAID IT HAD BEEN ESTABLISHED THAT THE COMPANY WAS FACING A + CHRONIC CASH SHORTFALL + DUE TO ITS LARGE CAPITAL EXPANSION PROGRAMME AND INTEREST COSTS ON PAST BORROWINGS, TOGETHER WITH A CONSIDERABLE SLOWING DOWN IN 1974 IN THE DEMAND FOR NEW TELEPHONE LINES.

+ IN OTHER WORDS, THE COMPANY HAS SPENT MORE THAN IT HAS EARNED, + HE SAID.

IN 1974, THE COMPANY'S NET CASH SHORTFALL WAS ABOUT \$160 MILLION AND THIS IS ESTIMATED TO RISE TO \$250 MILLION THIS YEAR IF CHARGES ARE NOT INCREASED.

THE ADVISORY COMMITTEE ALSO ESTABLISHED THAT ADDITIONAL LOANS TO MEET SUCH CASH SHORTFALLS COULD NOT BE RAISED, AND IF THE FINANCING HAD TO BE MET BY INCREASED CHARGES, IT WOULD BE NECESSARY FOR ANNUAL BUSINESS AND RESIDENTIAL LINE RENTALS TO BE INCREASED BY 52 PER CENT AND 50 PER CENT RESPECTIVELY AND INCREASES MADE TO MANY OF THE OTHER CHARGES.

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EVEN ON THESE CALCULATIONS, THE COMPANY WOULD NOT BE VIABLE AND IT WAS ESTIMATED THERE WOULD STILL BE A NET CASH SHORTFALL OF ABOUT \$100 MILLION IN 1975.

EXPLAINING WHY A 30 PER CENT INCREASE IN TELEPHONE RENTALS WAS BEING PROPOSED, THE FINANCIAL SECRETARY SAID THAT THE EFFECT OF THIS LEVEL OF INCREASE ON THE COMPANY'S FINANCES, TOGETHER WITH THE WAIVER OF ROYALTY AND NO DIVIDEND PAYMENTS IN 1975, WOULD ROUGHLY EQUATE TO A 50 PER CENT INCREASE IN TELEPHONE RENTALS, AS PROPOSED BY THE ADVISORY COMMITTEE.

WITH THE 50 PER CENT INCREASE THE CASH SHORTFALL IN 1975 WOULD BE ABOUT \$100 MILLION. WITH A 30 PER CENT INCREASE IN RENTALS AND NO DIVIDEND AND ROYALTY PAYMENTS, THE CASH SHORTFALL SHOULD BE NOT VERY DIFFERENT AND, IN FACT, A LITTLE LESS (JUST UNDER \$90 MILLION), HE SAID.

MR. HADDON-CAVE SAID THE SITUATION REVEALED BY THE ADVISORY COMMITTEE'S REPORT INDICATES A FAILURE OF THE MANAGEMENT AND THE BOARD OF THE COMPANY IN THE PAST TO MONITOR PROPERLY ITS FINANCIAL POSITION AND TO DRAW APPROPRIATE CONCLUSIONS FOR FUTURE PLANNING.

IT ALSO POINTED TO THE FACT THAT EVEN AN EXAMINATION AS CAREFUL AS THE ONE CARRIED OUT BY THE ADVISORY COMMITTEE IN THE TIME AVAILABLE, WAS NOT COMPREHENSIVE ENOUGH TO REVEAL THE WHOLE POSITION OF THE COMPANY AND TO MAKE RECOMMENDATIONS FOR FUTURE CORRECTIVE ACTION, HE SAID.

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JAPANESE CONSORTIUM'S HANDLING OF MTR NEGOTIATIONS CRITICISED
UNOFFICIAL LEGCO MEMBERS DEMAND +JUST COMPENSATION+

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UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL ARE ALMOST UNANIMOUS IN THEIR CONDEMNATION OF THE JAPANESE CONSORTIUM'S +UNILATERAL BREACH+ OF THE LETTER OF INTENT TO NEGOTIATE A CONTRACT TO BUILD THE UNDERGROUND RAILWAY.

THE FEELINGS OF THE UNOFFICIALS WERE AIDED DURING AN ADJOURNMENT DEBATE IN THE LEGISLATIVE COUNCIL TODAY, WITH THREE OF THE FOUR SPEAKERS CRITICISING THE CONSORTIUM'S CONDUCT IN THE MATTER, AND DEMANDING JUST AND FAIR COMPENSATION FOR THE CONSIDERABLE LOSS OF TIME AND MONEY THE CONSORTIUM'S +SERIOUS ERROR OF JUDGEMENT+ WILL COST HONG KONG.

SPEAKING ON BEHALF OF MOST OF HIS COLLEAGUES, THE SENIOR UNOFFICIAL MEMBER, DR. THE HON. CHUNG SZE-YUEN DECLARED THAT THE GOVERNMENT WAS RIGHT IN NOT ACCEPTING THE CONSORTIUM'S +UNREASONABLE REQUEST, FIRST, FOR A REVISED PRICE CEILING OF \$6,000 MILLION TOGETHER WITH NEW PROVISION FOR PRICE ESCALATION, AND SECONDLY FOR A DEGRADED STANDARD OF DESIGN SPECIFICATIONS.+

THE MAJORITY OF THE UNOFFICIALS, HE ADDED, ALSO SUPPORTED THE GOVERNMENT'S VIEW THAT THE CONSORTIUM, THROUGH NO FAULT OF HONG KONG, HAD COMMITTED A SERIOUS ERROR OF JUDGEMENT.

HOWEVER, THE HON. LO TAK-SHING CONSIDERED IT +INVIDIOUS+ TO DEBATE OR TO LAY THE BLAME OF THE ABORTIVE NEGOTIATIONS ON ANYONE WITHOUT THE OPPORTUNITY OF STUDYING THE RELATED PAPERS, AND HE ASKED FOR ALL THE RELEVANT INFORMATION TO BE MADE AVAILABLE TO MEMBERS OF THE COUNCIL.

+WE SHOULD BE FULLY INFORMED AS TO WHAT WAS ACTUALLY AGREED IN THE LETTER OF INTENT, WHAT IT WAS THAT THE CONSORTIUM DID NOT DO WHICH IT HAD AGREED TO DO, HOW THE NEGOTIATIONS WERE BROKEN OFF AND WHAT WAS DONE BY THE CONSORTIUM DURING 1974 PURSUANT TO THE LETTER OF INTENT,+ HE STRESSED.

MR. LO SAID MEMBERS SHOULD ALSO BE FULLY INFORMED AS REGARDS THE AMOUNT OR THE KIND OF FINANCIAL LOSSES SUFFERED BY THE GOVERNMENT, THE AMOUNT OR THE KIND OF COMPENSATION WHICH THE GOVERNMENT IS ASKING FOR OR IS ENTITLED TO, AND ABOUT THE POSSIBLE BENEFITS THAT MIGHT HAVE ACCRUED WHICH PERSUADED THE GOVERNMENT TO TAKE THE RISK OF INCURRING SUCH LOSSES WITHOUT BEING COVERED LEGALLY.

IN OPENING THE DEBATE, DR. CHUNG NOTED THAT THE GOVERNMENT WAS NOW BEING CRITICISED FOR ACCEPTING THE JAPANESE CONSORTIUM'S PRE-EMPTIVE BID - THE ONLY ONE WHICH OFFERED A FIRM PRICE WITHIN THE \$5,000 MILLION CEILING PRICE WITHOUT ANY COST ESCALATION. +BUT THIS CRITICISM IS MISPLACED,+ HE SAID.

/+THIS IS A

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+THIS IS A CONSORTIUM OF THE BIGGEST JAPANESE INDUSTRIAL ENTERPRISES, KNOWN TO BE BACKED BY THE JAPANESE GOVERNMENT. FURTHERMORE, THE GOVERNMENT HAD NO ALTERNATIVE BUT TO ACCEPT THIS ATTRACTIVE BID, THE ONLY BID WITHIN THE STIPULATED CEILING PRICE.+

IN THE LIGHT OF RAPID INFLATION AT THE TIME, HOWEVER, DR. CHUNG SOUGHT CONFIRMATION THAT THE GOVERNMENT HAD SOUGHT AND RECEIVED ASSURANCE FROM THE CONSORTIUM ON QUESTION OF NO COST ESCALATION.

DR. CHUNG TRACED THE VARIOUS STAGES LEADING TO THE SIGNING OF THE LETTER OF INTENT AND POINTED OUT THAT THE SIGNING TOOK PLACE IN THE MIDST OF THE WORST PERIOD OF RISING PRICES AND SHORTAGES OF BASIC MATERIALS. . +AT THAT TIME, ANY COMPETENT BUSINESS-MAN WOULD HAVE TAKEN INTO CONSIDERATION THE MOST LIKELY EVENT OF CONTINUING RAPID INFLATION.+

HE FURTHER POINTED OUT THAT THE LETTER OF INTENT WAS SIGNED ON A DATE MORE THAN FOUR MONTHS AFTER THE ANNOUNCEMENT OF THE ARAB OIL EMBARGO AND IN THE MIDST OF THE 'SPRING LABOUR OFFENCE' IN JAPAN.

DR. CHUNG, ON BEHALF OF HIS COLLEAGUES, EXPRESSED CONCERN OVER THE \$160 MILLION LOSS INCURRED BY THE GOVERNMENT IN ACTUAL SPENDING SINCE THE ACCEPTANCE OF THE CONSORTIUM'S PRE-EMPTIVE BID IN MID-DECEMBER 1973 UP TO MID-JANUARY 1975.

ON BEHALF OF HIS COLLEAGUES, HE URGED THE GOVERNMENT TO CONTINUALLY PRESS THE CONSORTIUM FOR A MUCH MORE JUST AND FAIR COMPENSATION THAN THE \$5 MILLION EX-GRATIA PAYMENT OFFERED BY THE CONSORTIUM. DR. CHUNG SAID HE COULDN'T AGREE MORE WITH THOSE WHO HAD DESCRIBED THE CONSORTIUM'S +RIDICULOUS+ \$5 MILLION OFFER AS +ADDING INSULT TO INJURY.+

FURTHERMORE, THERE WAS THE QUESTION OF THE INTERNATIONAL REPUTATION AND PRESTIGE NOT ONLY OF THE PARTICULAR FIRMS CONCERNED BUT OF PRESTIGE OF JAPANESE CONTRACTORS GENERALLY.

+FROM THAT POINT OF VIEW ALONE, I WOULD HAVE EXPECTED THE CONSORTIUM TO OFFER COMPENSATION OF A SUM MORE IN LINE WITH THE EXTENT OF THE LOSS DIRECTLY ATTRIBUTABLE TO THE UNILATERAL BREACH OF THE LETTER OF INTENT.+

THE HON. WILSON WANG ENDORSED DR. CHUNG'S REMARKS AND SAID HE KNEW OF NO PRECEDENT WHERE +ANY CONSORTIUM OF INTERNATIONAL REPUTATION HAS EVER BEHAVED SO ADOMINABLY AS IN THE CASE IN THIS INSTANCE.+

WHILE NOT A LEGAL CONTRACT, A LETTER OF INTENT WAS AN AGREEMENT COMMONLY MADE BETWEEN TWO PARTIES OF HONOURABLE STANDING AND SAVE FOR A BREACH OF GOOD FAITH OR AN ACT OF GOD BEYOND HUMAN CONTROL, +IT IS NOT TO BE DISHONOURED WITHOUT THE MOST SERIOUS CONSEQUENCES,+ HE SAID.

/MR. WANG ALSO

MR. WANG ALSO EXPRESSED DISAPPOINTMENT AND DISAPPROVAL OF THOSE IN OUR MIDST WHO FOR REASONS BEST KNOWN TO THEMSELVES APPEAR IN THE ROLE OF JUDAS. I REFER TO THOSE FEW PEOPLE WHO AT TIMES, OR ANY MOMENT OF DISTRESS, ARE READY TO RAISE AN ACCUSING FINGER WITHOUT FIRST ASCERTAINING THE RIGHT TARGET.

HE ADDED THAT WHILE HE HAD NOT ALWAYS SEEN EYE TO EYE WITH THE FINANCIAL SECRETARY, THERE COULD BE NO DOUBT THAT IN THIS PARTICULAR CASE THE GOVERNMENT, INCLUDING THE FINANCIAL SECRETARY, HAD ACTED IN THE MOST COMMENDABLE GOOD FAITH.

ANOTHER SPEAKER, THE HON. P.G. WILLIAMS, EXPRESSED THE HOPE THAT THE JAPANESE CONSORTIUM WOULD SERIOUSLY CONSIDER TODAY'S STATEMENTS IN COUNCIL AND THAT THE MATTER COULD BE SETTLED WITHOUT FURTHER DAMAGE TO BOTH SIDES.

ON THE BASIS OF THE FACTS PRESENTED AND, AS FAR AS I AM AWARE, THEY HAVE NOT BEEN CHALLENGED BY THE JAPANESE CONSORTIUM, THE SITUATION IS TOTALLY UNACCEPTABLE, AND WE MUST OBTAIN FULL REPAYMENT OF OUR LOSSES, HE STRESSED.

MR. WILLIAMS EMPHASISED THAT THE MAIN THRUST OF THE UNOFFICIALS' COMPLAINT WAS THE LATENESS OF THE CONSORTIUM'S WITHDRAWAL. A LETTER OF INTENT MAY NOT BE A CONTRACT BUT IT IS AS GOOD AS A HANDSHAKE, AND THAT'S GOOD ENOUGH FOR MOST OF US.

IF THE CONSORTIUM HAD ADMITTED EARLIER THAT IT COULD NOT MEET ITS OBLIGATIONS, THE MATTER COULD HAVE BEEN SETTLED MORE SATISFACTORILY. WE ARE NOT UNREASONABLE PEOPLE AND WE ARE PREPARED TO FACE FACTS, HE SAID.

BUT FOR TEN MONTHS WE HAVE VISIBLY BEEN SPENDING LARGE SUMS OF MONEY ON THIS ABORTIVE SCHEME, A GOOD PART OF WHICH IS NOW IRRECOVERABLE. AND THEY COME TO US WITH A DERISORY OFFER OF COMPENSATION: TO USE A JAPANESE WORD, AN OKUYAMIRYO OR CONDOLENCE PAYMENT WITH, AS FAR AS I KNOW, A MINIMAL EXPRESSION OF REGRET.

MR. WILLIAMS EMPHASISED THAT GOOD RELATIONS WITH JAPAN ARE OF THE UTMOST IMPORTANCE TO BOTH HONG KONG AND THE JAPANESE. THIS UNHAPPY EVENT COULD SERIOUSLY DAMAGE THIS RELATIONSHIP ADDING HUGELY TO THE LOSSES ON BOTH SIDES, HE SAID, STRESSING THE NEED FOR EARLY AND FAIR SETTLEMENT ON THE ISSUE.

IN WINDING UP THE DEBATE, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID HE FULLY ENDORSED THE REMARKS MADE BY THE UNOFFICIALS ABOUT THE JAPANESE CONSORTIUM'S UNILATERAL WITHDRAWAL FROM THE NEGOTIATIONS.

ON THE QUESTION OF PRESSING THE CONSORTIUM FOR A JUST AND FAIR COMPENSATION SETTLEMENT, HE ASSURED THE COUNCIL THAT THE PROVISIONAL AUTHORITY HAD DONE ITS BEST IN THIS RESPECT IN MEETINGS WITH THE JAPANESE CONSORTIUM.

/RCHEVER, MR.

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HOWEVER, MR. HADDON-CAVE SAID HE HAD GRAVE DOUBTS ABOUT THE LIKELY SUCCESS OF PURSUING THE CLAIM FOR COMPENSATION.

♦ON THE OTHER HAND, I CAN ASSURE HONOURABLE MEMBERS THAT THE CONCERN OF THE HONG KONG GOVERNMENT ABOUT THE COURSE OF EVENTS IS WELL KNOWN TO THE RELEVANT JAPANESE AUTHORITIES,♦ HE ADDED.

THE FINANCIAL SECRETARY ALSO OUTLINED THE SEQUENCE OF EVENTS ABOUT THE JAPANESE GROUP'S WITHDRAWAL FROM BUILDING THE RAILWAY.

IN CONCLUSION, HE REITERATED THAT IT REMAINED THE GOVERNMENT'S POLICY TO BUILD THE MASS TRANSIT SYSTEM ♦FOR WE BELIEVE IT TO BE A VITAL NECESSITY FOR THE YEARS AHEAD.♦

THE PROVISIONAL AUTHORITY HAD ALREADY INVITED INTERESTED PARTIES TO TENDER FOR CONSTRUCTION, EQUIPMENT, AND FINANCING OF THE MODIFIED INITIAL SYSTEM.

♦WHEN TENDERS HAVE BEEN RECEIVED AND ANALYSED, THE PROVISIONAL AUTHORITY WILL REPORT BACK TO THE GOVERNOR IN COUNCIL AND I BELIEVE WE SHALL BE ABLE TO CONFIRM THAT THE MODIFIED INITIAL SYSTEM IS A FEASIBLE PROPOSITION, IN WHICH EVENT THE FIRST CONTRACTS WILL BE LET IN AUGUST.

♦THE AIM IS TO COMPLETE CONSTRUCTION OF THE MODIFIED INITIAL SYSTEM AND TO HAVE IT FULLY OPERATIONAL BY MID-1980,♦ MR. HADDON-CAVE SAID.

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CHILD CARE CENTRES BILL

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UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL TODAY SPOKE IN FAVOUR OF THE CHILD CARE CENTRES BILL 1974 WHICH IS DESIGNED TO CONTROL AND REGULATE THE OPERATION OF CHILD CARE CENTRES.

SPEAKING ON THE SECOND READING OF THE BILL AT THE LEGISLATIVE COUNCIL, THE HON. MISS KO SIU WAH DESCRIBED THE PROPOSED LEGISLATION AS +NECESSARY AND TIMELY+.

SHE SAID: +THE BILL IS A SIGNIFICANT STEP FORWARD IN ESTABLISHING A SYSTEM OF REGISTRATION, CONTROL AND INSPECTION OVER THE OPERATION OF CHILD CARE CENTRES.

+IN VIEW OF THE NEED FOR PROPERLY-RUN NURSERIES - SOME 1,000 PLACES YEARLY AS STATED IN THE SOCIAL WELFARE FIVE YEAR PLAN - PROPER GUIDANCE IN THIS FIELD HAS BECOME MORE IMPORTANT, ESPECIALLY REGARDING CHILDREN'S SAFETY AND CARE.+

MISS KO EXPRESSED THE HOPE THAT THE DIRECTOR OF SOCIAL WELFARE WOULD EXERCISE HIS AUTHORITY TO WAIVE CERTAIN REQUIREMENTS TEMPORARILY AT THE BEGINNING STAGE IN ORDER TO HELP OPERATORS OF CHILD CARE CENTRES TO MEET THE REQUIRED STANDARDS OVER SOME YEARS.

+IT IS OBVIOUS,+ SHE SAID, +THAT GOVERNMENT HAS TAKEN INTO ACCOUNT THE DIFFICULTIES FACING THOSE WHO WISH TO OPERATE CHILD CARE CENTRES BUT WHO FEAR THEY CANNOT COPE WITH THE FINANCIAL BURDEN OR OTHER PROBLEMS OF SUCH A VENTURE.+

SHE HOPED, HOWEVER, THAT THE REQUIREMENTS OF THE NEW LEGISLATION AND THE PHASED IMPLEMENTATION WOULD NOT BE AN UNBEARABLE BURDEN FOR THEM.

MISS KO ALSO CALLED ON THE GOVERNMENT TO REVIEW AND REVISE, IF NECESSARY FROM TIME TO TIME, THE REGULATIONS WHICH WOULD BE MADE UNDER THE BILL IN ORDER TO COPE WITH THE CHANGING NEEDS.

SPEAKING IN SUPPORT OF THE BILL, THE HON. MRS JOYCE SYMONS SAID: +WITH THE PARTIAL BREAK-UP OF THE TRADITIONAL PATTERN OF CHINESE FAMILY LIFE, THIS BILL IS SORELY NEEDED AND MUST BE NURSED ALONG WITH IMAGINATION AND CARE.+

+THE FLEXIBILITY AND REALISM OF THE BILL IN ALLOWING THE DIRECTOR OF SOCIAL WELFARE DISCRETION IN THE IMPLEMENTATION OF ITS PROVISIONS,+ SHE SAID, +MUST NOT BE ALLOWED TO DEGENERATE INTO MERE PROCRASTINATION BY THE OPERATORS OF CHILD CARE CENTRES.

MRS. SYMONS SAID THAT THE RECRUITMENT, TRAINING OF STAFF MUST ALSO BE ACCELERATED TO MAKE THE BILL WORKABLE.

ANOTHER UNOFFICIAL MEMBER, THE HON. WILSON WANG, COMMENTING ON THE PROPOSED LEGISLATION SPOKE ABOUT THE REGULATIONS WHICH WOULD ACCOMPANY THE BILL.

/HE SAID:

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HE SAID: +THE WHOLE PROSPECT OF THE ACHIEVEMENT OF THIS BILL DEPENDS ENTIRELY UPON THE STANDARDS SET BY THESE REGULATIONS WITH WHICH ALL REGISTERED OPERATORS ARE REQUIRED TO COMPLY.+

WHILE STRESSING THAT A MINIMUM STANDARD SHOULD BE SET TO ENSURE THE HEALTH, WELFARE AND SAFETY OF YOUNG CHILDREN, MR. WANG WARNED THAT TOO HIGH A STANDARD MIGHT NOT NECESSARILY BE A GOOD THING.

HE SAID : +IF TOO HIGH A STANDARD MAKES THE COST OF SUCH SERVICE PROHIBITIVE TO THOSE PARENTS WHO ARE IN GENUINE NEED OF CHILD CARE SERVICES, THE RESULT COULD BE AN ABSENCE OF CARE, AND THAT SURELY WOULD NOT BE IN THEIR INTEREST OR OF THEIR INNOCENT CHILDREN.+

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STRUCTURE OF CLERICAL CLASS UNDER STUDY * * * * *

THE RESULTS OF THE PROMOTION EXAMINATION FOR CLERICAL ASSISTANTS TAKEN IN JUNE LAST YEAR HAVE NOT YET BEEN ANNOUNCED BECAUSE OF A STUDY BEING CARRIED OUT ON THE STRUCTURE OF THE CLERICAL CLASS.

THIS WAS STATED BY THE COLONIAL SECRETARY, THE HON. DENYS ROBERTS, IN REPLY TO A QUESTION BY THE HON. WILSON WANG AT THE LEGISLATIVE COUNCIL TODAY.

MR. ROBERTS SAID: +FOR SOME TIME IT HAS BEEN THE PRACTICE, TOWARDS THE END OF EACH YEAR TO ANNOUNCE THE LIST OF THOSE CLERICAL ASSISTANTS WHO HAD SUCCEEDED AS A RESULT OF THE ANNUAL EXAMINATION IN GAINING ENTRY TO THE RANK OF CLERICAL OFFICER.+

IN NOVEMBER LAST YEAR, A JOINT COMMITTEE OF OFFICIAL AND STAFF MEMBERS WAS SET UP TO STUDY THE STRUCTURE OF THE CLERICAL CLASS.

+UNTIL THIS COMMITTEE HAS REPORTED AND THE GOVERNMENT HAS REACHED A CONCLUSION ON ITS REPORT, IT WILL NOT BE KNOWN HOW MANY CLERICAL OFFICER VACANCIES ARE AVAILABLE TO BE FILLED,+ MR. ROBERTS SAID.

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ASSURANCE GIVEN TO UNOFFICIAL LEGCO MEMBERS
ON CHILD CARE CENTRES LEGISLATION
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LEGISLATION GOVERNING CHILD CARE CENTRES WILL COME INTO OPERATION ONLY WHEN SUFFICIENT STAFF ARE AVAILABLE TO GUIDE THE SUPERVISORS OF THESE CENTRES TOWARDS THE PROPOSED IMPROVEMENTS.

THIS WAS THE ASSURANCE GIVEN BY THE SECRETARY FOR SOCIAL SERVICES, THE HON. LI FOOK-KOW, IN THE LEGISLATIVE COUNCIL TODAY WHEN HE THANKED HIS UNOFFICIAL COLLEAGUES FOR THEIR SUPPORT GIVEN TO THE CHILD CARE CENTRES BILL 1974.

REFERRING TO THE POINT RAISED BY THE HON. MRS JOYCE SYMONS ON PARENTAL RESPONSIBILITY, HE SAID HE DID NOT WISH TO DICTATE TO PARENTS ON HOW TO BRING UP THEIR CHILDREN.

MR. LI SAID HE FULLY UNDERSTOOD THE ECONOMIC PRESSURES TO WHICH THEY WERE SUBJECTED IN IMPROVING THEIR LIFE IN ORDER TO BRING TO THEIR FAMILIES A BETTER STANDARD OF LIVING WITHIN THIS COMPETITIVE SOCIETY.

HOWEVER, HE AGREED THAT IN THE SEARCH FOR MORE PROSPERITY PARENTS SHOULD NOT LIGHTLY REGARD RESIDENTIAL CENTRES AS MERELY A SUBSTITUTE FOR THE HOME ENVIRONMENT.

HE ALSO AGREED THAT PARENTS SHOULD NOT TRY TO ABSOLVE THEMSELVES OF THE RESPONSIBILITY FOR LOOKING AFTER THEIR CHILDREN.

+SIMILARLY,+ MR. LI SAID, +I AM AWARE OF THE NEED TO ENSURE THAT CHILDREN ARE CARED FOR AND NOT MERELY PARKED IN THESE CENTRES.+

HE EXPRESSED THE HOPE THAT THE REGULATIONS GOVERNING THE DAY TO DAY MAINTENANCE AND ADMINISTRATION OF THE CHILD CARE CENTRES AND THE WORDS OF GUIDANCE IN THE CODE OF PRACTICE WOULD ENSURE THAT THIS CARE IS PRACTISED AND IS EFFECTIVE.

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REVISED PROFITS TAX BILL PASSED IN LEGCO
BILL SERVES BALANCED INTERESTS OF COMMUNITY - SAY UNOFFICIALS

THE LEGISLATIVE COUNCIL TODAY PASSED, WITH CERTAIN AMENDMENTS, THE INLAND REVENUE (AMENDMENT) (NO. 3) BILL WHICH CHANGES THE METHOD OF COMPUTING PROFITS TAX FROM A PRECEDING YEAR TO A CURRENT YEAR BASIS, IN LINE WITH OTHER TAXES.

THE AMENDMENTS FOLLOW RECOMMENDATIONS FROM THE UNOFFICIAL MEMBERS AFTER A LONG AND INTENSIVE STUDY OF PUBLIC REPRESENTATIONS TO THE GOVERNMENT, UMELCO AND IN THE PRESS.

THE MOST IMPORTANT CHANGES ARE:

* INITIAL ALLOWANCE WILL BE GRANTED FOR THE HIGHER CAPITAL EXPENDITURE OF THE TRANSITIONAL YEARS, IRRESPECTIVE OF WHICHEVER YEAR'S PROFIT IS DROPPED OUT, I.E. WHERE TRANSITIONAL ADJUSTMENT APPLIES AND 1974/75 IS THE YEAR OF HIGHER PROFITS, INITIAL ALLOWANCE WILL BE GRANTED ON THE HIGHER OF CAPITAL EXPENDITURE IN 1974/75 OR 1973/74 WHICH WOULD BE THE DROP-OUT YEAR. WHERE TRANSITIONAL ADJUSTMENT DOES NOT APPLY AND 1974/75 IS THE DROP-OUT YEAR, THE HIGHER OF THE CAPITAL EXPENDITURE IN 1974/75 OR 1975/76 WILL BE TAKEN FOR THE PURPOSES OF INITIAL ALLOWANCE FOR THE YEAR OF ASSESSMENT 1975/76.

* A BUSINESS WILL BE ABLE TO APPLY FOR PART OR THE WHOLE PROVISIONAL TAX TO BE HELD-OVER IF ITS CURRENT YEAR PROFITS ARE LESS THAN 90 PER CENT (INSTEAD OF 80 PER CENT AS ORIGINALLY PROPOSED) OF THE PRECEDING YEAR'S PROFITS. THE NEW CRITERION FOR STAND-OVER OF PROVISIONAL TAX WILL ALSO BE EXTENDED TO SALARIES TAXPAYERS.

* A CHANGE IN ADMINISTRATIVE PROCEDURES TO ENABLE BUSINESSES CLOSING THEIR ACCOUNTS BETWEEN JANUARY AND MARCH TO PAY THE PROVISIONAL TAX IN TWO INSTALMENTS -- THE FIRST OF 75 PER CENT ON THE NORMAL DUE DATE, AND THE SECOND ABOUT THREE MONTHS LATER. THE SAME FACILITY WILL APPLY TO SALARIES TAXPAYERS.

IN OUTLINING THE CHANGES, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TOLD COUNCIL THAT IF ALL TAXPAYERS TOOK ADVANTAGE OF THIS INSTALMENT FACILITY, THE ONCE-OVER COST TO THE REVENUE IN 1975/76 WOULD BE ABOUT \$200 MILLION.

HE ADDED: +I PROPOSE TO FINANCE THIS SHORTFALL BY TEMPORARILY DRAWING DOWN THE RESERVES, AND I STRESS TEMPORARILY.+

HE SAID THERE WOULD BE A RECURRING LOSS OF SOME INTEREST ON HONG KONG'S BALANCES AND A PERMANENT RE-SCHEDULING OF OUR CASH FLOW, BUT THE LATTER EFFECT WAS NOT UNWELCOME.

THE FINANCIAL SECRETARY MADE IT CLEAR THAT IF THERE WAS ABUSE OF THE MORE GENEROUS CRITERION FOR STAND-OVER OF PROVISIONAL TAX, HE WOULD NOT HESITATE TO CONSIDER INTRODUCING PENALTIES.

WEDNESDAY, JANUARY 22, 1975

AT THE REQUEST OF THE HON. LEE QUO-WEI, MR. HADDON-CAVE GAVE AN ASSURANCE THAT STAND-OVER OF PROVISIONAL TAX WOULD NOT BE 'UNREASONABLY WITHHELD' BUT HE POINTED OUT THAT THE COMMISSIONER OF INLAND REVENUE HAD CERTAIN OBLIGATIONS TO THE REVENUE AND HENCE TO THE PUBLIC INTEREST. +AND SO INEVITABLY, HIS ATTITUDE MUST DEPEND IN PART ON HIS ACTUAL EXPERIENCE WITH INDIVIDUAL TAXPAYERS.+

MR. HADDON-CAVE REPEATED THE GENERAL EFFECT OF THE NEW SYSTEM OF CALCULATING ASSESSABLE PROFITS FOR PROFITS TAX PURPOSES. AS FROM THE YEAR OF ASSESSMENT STARTING APRIL 1, 1975, HE SAID, BUSINESSES WILL BE FINALLY TAXED FOR EACH YEAR OF ASSESSMENT ON THEIR ACTUAL PROFITS EARNED FOR THAT YEAR OF ASSESSMENT. SO, IN FUTURE, THEIR TAX LIABILITY WILL ALWAYS HAVE AN EXACT RELATIONSHIP WITH THEIR ACTUAL PROFITS EARNED, BOTH IN THE SHORT TERM AND OVER THE LIFE OF A BUSINESS.

FOR ALL BUSINESSES THE NEW SYSTEM WILL MEAN THAT, FROM THE YEAR OF ASSESSMENT BEGINNING APRIL 1, 1975, THEIR TAX LIABILITY WILL BE NO MORE AND NO LESS THAN THE STANDARD RATE OF TAX APPLIED TO THEIR ACTUAL PROFITS, HE ADDED.

EARLIER, THE HON. LEE QUO-WEI, SPEAKING ON BEHALF OF HIS UNOFFICIAL COLLEAGUES, SAID THEY SUPPORTED THE MAIN PRINCIPLE OF THE BILL.

HE DESCRIBED THE BILL AS A GOOD ONE WHICH GREATLY IMPROVED ON THE OLD SYSTEM BOTH FROM THE REVENUE POINT OF VIEW AND THAT OF THE TAXPAYER'S.

THE UNOFFICIALS' HAD SPENT A GREAT DEAL OF EFFORT ANALYSING THE BILL'S PROVISIONS AND PUBLIC REPRESENTATIONS TO ENSURE THAT THE LEGISLATION WAS SOUND AND FAIR TO ALL CONCERNED, HE SAID. THEY CONCLUDED THAT GENERALLY IT WAS EXCEPT FOR CERTAIN ASPECTS WHICH COULD BE IMPROVED. REPRESENTATIONS ON THESE WERE MADE TO THE GOVERNMENT AND MOST OF THEM WERE ACCEPTED.

ON THE QUESTION OF THE RIGHT FOR APPEAL IN CASES WHERE THE COMMISSIONER OF INLAND REVENUE REFUSED STAND-OVER OF PROVISIONAL TAX, MR. LEE SAID THE UNOFFICIALS DECIDED, AFTER CAREFUL CONSIDERATION, NOT TO PURSUE THE ISSUE. THIS WAS BECAUSE, SO FAR AS THE RIGHT OF APPEAL WAS CONCERNED, IT WAS FELT THAT THERE WOULD BE INADEQUATE TIME FOR THE APPEAL BODY TO CONVENE AND DELIVER ITS DECISION BEFORE THE DUE DATE FOR PAYMENT OF TAX.

+SINCE A NOTICE OF APPEAL WOULD HAVE TO CARRY WITH IT AN AUTOMATIC DEFERRAL PENDING THE OUTCOME OF THE APPEAL IT WOULD BE POSSIBLE FOR ANY TAXPAYER TO AVOID PAYING ON TIME SIMPLY BY LODGING AN APPEAL, THEREBY FRUSTRATING THE PURPOSE OF THE NEW SYSTEM,+ HE SAID.

/MR. LEE REVIEWED

MR. LEE REVIEWED IN GREAT DETAIL THE OLD AND NEW SYSTEMS, POINTING OUT THE WEAKNESSES OF THE FORMER AND THE MERITS OF THE LATTER. HE STRESSED THAT THE NEW SYSTEM WOULD NOT WORK TO THE DISADVANTAGE OF THE TAXPAYER BECAUSE THE AMOUNT OF PROVISIONAL TAX WILL STILL RELATE TO THE PRECEDING YEAR'S PROFIT WITH ADJUSTMENTS FOR EXCESS OR SMALL SHORTFALL TO BE MADE IN THE FOLLOWING ASSESSMENT- AND THE TIME OF PAYMENT WILL STILL BE THE SAME AS UNDER THE EXISTING SYSTEM.

+IT DOES NOT SEEK TO IMPOSE ANY ADDITIONAL BURDEN ON THE TAXPAYERS OR TO REQUIRE THEM TO PAY IN ADVANCE.

THE TIMING OF THE BILL, IN THE PRESENT SLACKENED ECONOMY, SHOULD ALSO HAVE NO EFFECT ON THE TAXPAYER BECAUSE, ACCEPTING THAT 1973/74 WAS GENERALLY A BETTER YEAR THAN 1974/75 AND THAT TAX ON THE 1973/74 PROFITS HAS TO BE PAID ANY WAY AT PRESENT BY JANUARY THIS YEAR, THE FIRST PAYMENT OF PROVISIONAL TAX WILL BE IN JANUARY 1976 AND ON THE SMALLER PROFIT.

+PROVIDED THAT EACH BUSINESS MAKES PROVISION FOR TAX BASED ON THE ACTUAL PROFIT EARNED, AND SETS ASIDE FUNDS AS ANY PRUDENT MANAGER WILL DO, NO HARDSHIP SHOULD EVER EXIST IN MEETING THE TAX PAYMENTS,+ HE SAID.

THE HON. J.H. BREMRIDGE ALSO SPOKE IN SUPPORT OF THE BILL WHICH, HE SAID, SERVED THE BALANCED INTERESTS OF THE COMMUNITY AS A WHOLE.

HIS REASON FOR SUPPORTING THE LEGISLATION WAS THAT THE GOVERNMENT BADLY NEEDED THE MONEY AND +I CANNOT ACCEPT IN ALL FAIRNESS THAT COMPANY AND INDIVIDUAL TAXATION SHOULD NOT BE PLACED ON THE SAME FOOTING.+

HOWEVER, HE NOTED THAT HE DID NOT FIND ALL THE PROVISIONS OF THE BILL ATTRACTIVE. IN PARTICULAR, HE WAS DISAPPOINTED BY THE FACT THAT THE UNOFFICIALS WERE UNABLE TO PERSUADE THE GOVERNMENT TO CHANGE FURTHER ITS APPROACH TO THE TRANSITIONAL ARRANGEMENT FOR INITIAL ALLOWANCES.

MR. BREMRIDGE SAID THE EFFECT OF THE LEGISLATION WAS THAT IN ONE OF THE TWO FINANCIAL YEARS 1973/74 OR 1974/75, INITIAL ALLOWANCES WILL NOT BE GRANTED AGAINST CAPITAL EXPENDITURE.

FOR INSTANCE, IF CAPITAL EXPENDITURE OF \$10 MILLION DID NOT ATTRACT INITIAL ALLOWANCES FOR YEAR 1974/75, THE EFFECT WOULD BE THAT A COMPANY'S CASH FLOW IN THAT YEAR WOULD COME DOWN BY \$544,000.

+THIS WILL IN THEORY REPRESENT NO TAX INCREASE BECAUSE THE MONEY WILL BE RECOVERED BY GREATER ANNUAL ALLOWANCES IN SUBSEQUENT YEARS. I SAY IN THEORY BECAUSE IN PRACTICE THIS IS NOT THE CASE. WITH A SIMPLE APPROACH IT WILL TAKE UNTIL 1991 TO RECOVER. WITH A DISCOUNT OF 20 PER CENT TO ALLOW FOR THE PRICE OF MONEY AND ITS CERTAIN DEPRECIATION, IT WILL NEVER COME BACK IN FULL.+

MR. BREMRIDGE

MR. BREMIDGE DESCRIBED THIS AS +ALMOST DISGUISED ADDITIONAL TAXATION+ ALTHOUGH HE ACKNOWLEDGED THAT IT WOULD BE HARD TO FIND AN ABSOLUTELY FAIR SOLUTION TO THE TRANSITIONAL PROBLEM OF INITIAL ALLOWANCES. HE ADDED THAT NO COMPANY MERITING INITIAL ALLOWANCES COULD AVOID THIS OUTCOME, AND ALL PREVIOUS PLANS FOR FUTURE INVESTMENT WERE INVOLVED.

+IT IS MOREOVER RETROACTIVE LEGISLATION, WHICH IS ALWAYS TO BE DEPLORED. APART FROM OTHER COMPANIES, MAJOR UTILITIES INCLUDING PERHAPS THE TELEPHONE COMPANY MAY EXPECT TO HAVE AN ANNUAL EXPENDITURE ON CAPITAL INVESTMENT IN EXCESS OF \$100 MILLION. THIS NEW BILL WILL WORSEN THEIR CASH FLOW IN THE ONE YEAR BY OVER \$5 MILLION,+ HE SAID.

MR. BREMIDGE BELIEVED THAT THE TOTAL AMOUNT OF LOSS OF ONE YEAR'S INITIAL ALLOWANCES WAS OF THE ORDER OF \$75 MILLION.

FAILING FURTHER COMPROMISE, HE ADDED, THE COUNCIL WOULD HAVE TO DECIDE WHETHER THIS WAS BETTER LEFT, FOR THE TIME BEING, IN THE HANDS OF THE GOVERNMENT, BECAUSE IF INDUSTRY THUS ASUFFERED AN ADVERSE CASH FLOW IT MUST BE MIRRORED BY AN EQUIVALENT CREDIT IN THE GOVERNMENT'S HANDS.

HE FELT THAT THIS OUTCOME WOULD BE IN THE COMMUNITY'S INTERESTS, THOUGH NOT IN THE INTERESTS OF INDUSTRIAL COMPANIES WHO HAD LONG BEEN ENCOURAGED BY INITIAL ALLOWANCES TO INVEST IN CAPITAL EQUIPMENT IN ORDER TO PROVIDE MORE WORK FOR THEIR EMPLOYEES.

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**EFFECT OF URBAN IMPROVEMENT SCHEMES
ON PRIVATE PROPERTIES**

THE COLONIAL SECRETARY, THE HON. DENYS ROBERTS, SAID TODAY THAT GOVERNMENT WILL HAVE TO CONSIDER WAYS OF REDUCING THE EFFECT OF THE URBAN IMPROVEMENT SCHEMES ON PRIVATE PROPERTIES IN VIEW OF THE FINANCIAL CONSTRAINTS WHICH THE GOVERNMENT IS LIKELY TO FACE IN THE NEXT YEAR.

HE WAS REPLYING TO A QUESTION BY THE HON. T.S. LO WHO ASKED WHEN WILL GOVERNMENT DECIDE EITHER TO PAY FOR OR DEFROST THE PROPERTIES LOCATED IN THE URBAN RENEWAL AND URBAN IMPROVEMENT DISTRICTS WHICH HAVE BEEN FROZEN BY TOWN PLANNING DECISIONS.

THE COLONIAL SECRETARY RECALLED THAT THE EARLIER DECISION TO IMPLEMENT THE URBAN IMPROVEMENT SCHEMES (INCLUDING THAT FOR THE URBAN RENEWAL DISTRICT IN WESTERN) WAS CONFIRMED BY THE EXECUTIVE COUNCIL IN SEPTEMBER.

♦A REVISED ESTIMATE OF THE COST OF ACQUISITION OF PRIVATE PROPERTY AFFECTED BY THESE SCHEMES AND THE NECESSARY FINANCIAL PROVISION WERE APPROVED BY FINANCE COMMITTEE SHORTLY THEREAFTER, ♦ HE SAID.

SINCE THEN, NEGOTIATIONS HAVE BEEN PROCEEDING WITH OWNERS AND AGREEMENT ON ACQUISITION TERMS HAS BEEN REACHED IN MANY CASES.

♦HOWEVER, IN VIEW OF THE FINANCIAL CONSTRAINTS TO WHICH WE ARE LIKELY TO BE SUBJECTED IN THE NEXT YEAR, THE GOVERNMENT IS HAVING TO CONSIDER WAYS OF REDUCING THE EFFECT OF THESE SCHEMES ON PRIVATE PROPERTY IN THESE AREAS, ♦ MR. ROBERTS SAID.

PROPOSALS, HE CONTINUED, WOULD PROBABLY BE SUBMITTED TO THE EXECUTIVE COUNCIL IN THE NEAR FUTURE.

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MORE SENIOR GOVERNMENT POSTS FILLED BY LOCAL OFFICERS
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THERE HAS BEEN A STEADY INCREASE IN THE NUMBER OF LOCAL OFFICERS APPOINTED TO THE DIRECTORATE AND EQUIVALENT LEVELS IN THE GOVERNMENT, THE COLONIAL SECRETARY, THE HON. DENYS ROBERTS SAID TODAY.

IN REPLY TO A QUESTION BY THE HON. WILSON WANG IN THE LEGISLATIVE COUNCIL, HE SAID THAT ON JANUARY 1 THIS YEAR, THERE WERE 118 LOCAL OFFICERS AT THIS LEVEL OUT OF A TOTAL OF 471 OFFICERS.

GOVERNMENT POLICY ON LOCALISATION IS TO RECRUIT PEOPLE FROM OVERSEAS ONLY WHEN SUITABLE AND QUALIFIED LOCAL CANDIDATES ARE NOT AVAILABLE.

MR. ROBERTS SAID: +OVERSEAS OFFICERS ARE NORMALLY RECRUITED ON CONTRACT TERMS AND MAY TRANSFER TO PERMANENT TERMS ONLY IF IT IS APPARENT THAT A LOCAL CANDIDATE IS UNLIKELY TO BECOME AVAILABLE TO REPLACE THE OVERSEAS OFFICERS IN THE REASONABLY FORESEEABLE FUTURE.

+ONLY IN THE ADMINISTRATIVE CLASS AND THE POLICE INSPECTORATE IS THERE A REGULAR INTAKE OF A PROPORTION OF OVERSEAS OFFICERS.+

HE POINTED OUT: +MOST SENIOR POSTS ARE FILLED BY PROMOTION WITHIN THE SERVICE AND ALL QUALIFIED CANDIDATES ARE CONSIDERED FOR PROMOTION ON EQUAL TERMS.+

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EMPLOYMENT (AMENDMENT) BILL 1975
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A BILL TO RESTORE THE RIGHT OF EMPLOYERS AND EMPLOYEES TO CLAIM LIQUIDATED DAMAGES FOR WAGES IN LIEU OF NOTICE WAS INTRODUCED INTO THE LEGISLATIVE COUNCIL TODAY.

MOVING THE SECOND READING OF THE EMPLOYMENT (AMENDMENT) BILL 1975, THE COMMISSIONER FOR LABOUR, THE HON. IAN PRICE SAID THAT A CONTRACT OF EMPLOYMENT COULD NORMALLY BE TERMINATED UNDER THE EMPLOYMENT ORDINANCE BY GIVING ADVANCE NOTICE OR BY PAYMENT OF WAGES IN LIEU.

+UNTIL VERY RECENTLY, IT WAS THOUGHT THAT WHERE A CONTRACT OF EMPLOYMENT IS WRONGFULLY TERMINATED BY EITHER PARTY, A LIQUIDATED SUM EQUAL TO WAGES IN LIEU OF NOTICE WAS PAYABLE TO THE OTHER PARTY,+ HE SAID.

HOWEVER, THE FULL COURT HAD RECENTLY HELD THAT THIS WAS NOT THE CASE UNDER THE LAW AS WORDED AT PRESENT.

THE FULL COURT HAD RULED THAT THE REMEDY WAS THE ORDINARY COMMON LAW ACTION TO CLAIM UNLIQUIDATED DAMAGES FOR BREACH OF CONTRACT.

HE ADDED THAT UNLIQUIDATED DAMAGES COULD NOT BE PREDETERMINED AND HAD TO BE PROVED IN EACH CASE.

+THIS WAS NOT THE INTENTION OF THE LAW,+ HE SAID. +HENCE, IT IS PROPOSED, UNDER A NEW SECTION 8A IN CLAUSE 2, TO RESTORE THE LEGAL POSITION TO THAT WHICH IT WAS ALWAYS THOUGHT TO BE.+

THE DEBATE ON THE SECOND READING WAS ADJOURNED.

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HONG KONG'S OVERSEAS FUNDS
DEPOSITED WITH TEN INSTITUTIONS
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HONG KONG NOW EMPLOYS TEN INSTITUTIONS, INCLUDING THREE CENTRAL BANKS, AS DEPOSITORIES AND CUSTODIANS FOR ITS OVERSEAS FUNDS AND ASSETS WHICH AMOUNT AT CURRENT MARKET VALUE TO MORE THAN US\$1,000 MILLION, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE TOLD THE LEGISLATIVE COUNCIL TODAY.

THE CROWN AGENTS WITH WHOM ALL HONG KONG'S OVERSEAS FUNDS AND ASSETS WERE DEPOSITED IN DECEMBER 1974, ARE ONLY ONE OF THESE TEN.

IN REPLY TO A QUESTION BY THE HON. R.H. LOBO, THE FINANCIAL SECRETARY SAID HE COULD NOT DISCLOSE THE AMOUNT OF FUNDS THE CROWN AGENTS WERE CURRENTLY MANAGING FOR HONG KONG BECAUSE TO DO SO WOULD BE A BREACH OF CUSTOMARY COMMERCIAL CONFIDENTIALITY.

HE SAID THAT MR. LOBO'S QUESTION MIGHT HAVE BEEN PROMPTED BY DOUBTS ABOUT THE SAFETY OF THE FUNDS DEPOSITED WITH THE CROWN AGENTS.

TO REMOVE THESE DOUBTS, HE QUOTED PART OF A STATEMENT MADE BY THE MINISTER FOR OVERSEAS DEVELOPMENT IN THE HOUSE OF COMMONS IN DECEMBER LAST YEAR.

IN DESCRIBING THE FINANCIAL ARRANGEMENTS WHICH HAD BEEN MADE TO ASSIST THE CROWN AGENTS, THE MINISTER SAID: THESE ARRANGEMENTS WILL DEMONSTRATE BEYOND ALL DOUBT THAT THE GOVERNMENT STANDS BEHIND THE CROWN AGENTS SO THAT THE POSITION OF ALL DEPOSITORS IS FULLY SAFEGUARDED.

MR. HADDON-CAVE SAID: OF COURSE, TO THE EXTENT THAT THE CROWN AGENTS ACT IN A CUSTODIAL AND MANAGEMENT ROLE FOR PART OF OUR SECURITIES PORTFOLIO, THEIR OWN FINANCIAL POSITION IS NOT RELEVANT.

HE ADDED, HOWEVER, THAT THE HONG KONG GOVERNMENT HAD NO COMPLAINT ABOUT THE WAY IN WHICH THE CROWN AGENTS HAD, OVER THE YEARS, CARRIED OUT ITS INSTRUCTIONS RELATING TO THE MANAGEMENT OF THIS PORTFOLIO.

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SAFETY REGULATIONS FOR CARGO HANDLING WORKERS

THE LEGISLATIVE COUNCIL TODAY APPROVED REGULATIONS MADE BY THE COMMISSIONER FOR LABOUR TO ENSURE GREATER SAFETY OF WORKERS EMPLOYED IN CARGO HANDLING IN DOCKS, QUAYS AND WHARVES.

MOVING THE MOTION FOR THE APPROVAL OF THE REGULATIONS, THE COMMISSIONER FOR LABOUR, THE HON. IAN PRICE SAID THE INCREASING USE OF MODERN DEVICES AND SOPHISTICATED TECHNIQUES FOR CARGO HANDLING, INCLUDING CONTAINERISATION, HAD BROUGHT WITH IT NEW SAFETY PROBLEMS THAT REQUIRED SPECIALISED TREATMENT.

THE FACTORIES AND INDUSTRIAL UNDERTAKINGS (CARGO HANDLING) REGULATIONS 1975 - COMPLEMENTARY TO THE FACTORIES AND INDUSTRIAL UNDERTAKINGS (LIFTING APPLIANCES AND LIFTING GEAR) REGULATIONS 1974 - SET OUT SAFETY REQUIREMENTS AND PROVIDE FOR SAFE ACCESS TO, AND EFFICIENT LIGHTING OF, DOCKS, QUAYS AND WHARVES AS WELL AS FACILITIES FOR RESCUE FROM DROWNING.

TO ENSURE THE WORKERS' SAFETY, THE REGULATIONS ALSO PROVIDE FOR THE PROPER MAINTENANCE, PROTECTION AND USE OF ELECTRICAL EQUIPMENT WHICH MUST BE INSPECTED DAILY BY A COMPETENT PERSON- THE MAINTENANCE AND USE OF FORK-LIFT TRUCKS- THE SAFE STACKING OR UNSTACKING OF CARGO OR GOODS- AND THE PROHIBITION OF ANY UNAUTHORISED REMOVAL OF SAFETY APPLIANCES OR FENCING.

♦THE REGULATIONS WILL COME INTO EFFECT ON APRIL 1, 1975 TO ALLOW TIME FOR PROPRIETORS TO COMPLY WITH THE NEW REQUIREMENT, ♦ MR. PRICE SAID.

♦THERE ARE ALSO PROVISIONS FOR FIRST AID FACILITIES SIMILAR TO THOSE CONTAINED IN THE CONSTRUCTION SITES (SAFETY) REGULATIONS 1973 WHICH CAME INTO OPERATION ON MAY 1, 1974, ♦ HE SAID.

♦IT IS NECESSARY TO INCLUDE FIRST AID FACILITIES IN THE REGULATIONS BECAUSE, WHILE CARGO HANDLING AT DOCKS, QUAYS AND WHARVES IS AN INDUSTRIAL UNDERTAKING, SUCH ACTIVITIES DO NOT FALL WITHIN THE DEFINITION OF REGISTRABLE WORKPLACES UNDER SECTION 9 OF THE FACTORIES AND INDUSTRIAL UNDERTAKINGS ORDINANCE, ♦ HE POINTED OUT.

♦THEREFORE THE FIRST AID IN REGISTRABLE WORKPLACES REGULATIONS WILL NOT APPLY.♦

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PRACTICAL TRAINING FOR ENGINEERING STUDENTS
DIFFICULT TO OBTAIN IN BRITAIN

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HONG KONG MUST BE PREPARED TO PROVIDE THE BULK OF PRACTICAL ON-THE-JOB TRAINING FOR ITS ENGINEERING STUDENTS BECAUSE IT IS BECOMING INCREASINGLY DIFFICULT TO GET SUCH TRAINING IN BRITAIN IF THEY ARE NOT STUDENTS THERE.

THIS WAS STATED BY THE SECRETARY FOR SOCIAL SERVICES, THE HON. LI FOOK-KOW, IN REPLY TO A QUESTION BY THE HON. JAMES WU IN THE LEGISLATIVE COUNCIL TODAY.

IN BRITAIN, MR. LI SAID, THERE WERE USUALLY MORE STUDENTS WANTING PRACTICAL TRAINING THAN THERE WERE VACANCIES OFFERED BY FIRMS.

+MOST LARGE FIRMS GIVE SOME TRAINING TO THEIR OWN EMPLOYEES AND MANY ALLOCATE HIGHER PRIORITY TO REQUESTS FROM THEIR OVERSEAS SUBSIDIARIES, ASSOCIATES AND IMPORTANT CUSTOMERS,+ HE SAID.

+A RELUCTANCE ON THEIR PART TO SUPPORT INDIVIDUAL APPLICATIONS FOR WORK PERMITS IS UNDERSTANDABLE IN THE PRESENT WORLD ECONOMIC CIRCUMSTANCES IS INDEED UNDERSTANDABLE.+

MR. LI SAID: +I THINK IT WOULD NOT BE UNFAIR TO SAY THAT IT IS PREFERABLE FOR STUDENTS TO RECEIVE THEIR PRACTICAL TRAINING IN HONG KONG, WHERE THEY WILL BE EMPLOYED WHEN QUALIFIED.+

HE SAID HE APPRECIATED THAT THERE MIGHT BE AREAS IN WHICH PRACTICAL TRAINING IS NOT YET AVAILABLE LOCALLY AND HE HAD, THEREFORE, ASKED THE HONG KONG TRAINING COUNCIL TO ADVISE THE GOVERNMENT ON THE PROBLEMS RELATING TO THE PRACTICAL TRAINING OF TECHNOLOGISTS LOCALLY.

THE COUNCIL HAS SINCE SET UP AN AD HOC COMMITTEE TO LOOK INTO THE AVAILABILITY OF THIS TYPE OF TRAINING IN HONG KONG.

MR. LI SAID HE LOOKED FORWARD TO THE EARLY RECEIPT OF THEIR ADVICE.

THE SECRETARY MENTIONED THREE MAIN CHANNELS THROUGH WHICH A HONG KONG ENGINEERING STUDENT CAN OBTAIN A TEMPORARY WORK PERMIT IN ORDER TO RECEIVE PRACTICAL TRAINING IN BRITAIN.

BUT, HE STRONGLY ADVISED THOSE WHO WANTED TO SEEK TRAINING IN BRITAIN TO REGISTER WITH THE HONG KONG GOVERNMENT OFFICE IN LONDON THROUGH THE EDUCATION DEPARTMENT BEFORE LEAVING HONG KONG.

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NO INCREASE OF TRIAD INFLUENCE IN SCHOOLS

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THE DIRECTOR OF EDUCATION, THE HON. KENNETH TOPLEY TOLD THE LEGISLATIVE COUNCIL TODAY THAT +THERE IS NO EVIDENCE OF INCREASING TRIAD INFLUENCE IN SCHOOLS- NOR IS THERE ANY EVIDENCE OF PLANNED INFILTRATION.+

MR. TOPLEY MADE THIS ASSESSMENT IN CLOSE CONSULTATION WITH THE COMMISSIONER OF POLICE.

HE WAS REPLYING TO QUESTIONS RAISED BY THE HON. MISS KO SIU-WAH WHO ASKED:

- (A) DOES GOVERNMENT AGREE THAT THERE IS AN INCREASINGLY SERIOUS INFLUENCE OF TRIAD SOCIETIES IN SCHOOLS?
- (B) IF SO, WHAT INSTRUCTION OR ASSISTANCE WILL GOVERNMENT GIVE TO SCHOOLS TO HELP TACKLE THE PROBLEM.

THE DIRECTOR SAID: +LAST YEAR ONLY EIGHT REPORTS FROM SCHOOLS COMPLAINING OF SUSPECTED TRIAD ACTIVITIES WERE RECEIVED BY THE POLICE. BESIDES, OF THE TOTAL OF 1,618 PEOPLE UNDER 21 YEARS OF AGE ARRESTED FOR TRIAD OFFENCES IN 1974, ONLY 120 WERE STUDENTS. WHEN COMPARED WITH THE ONE MILLION CHILDREN IN THE 12-21 AGE GROUP, THE PERCENTAGE IS VERY SMALL INDEED.

+AS INDICATED ON AUGUST 14 LAST YEAR BY MY HON. COLLEAGUE THE SECRETARY FOR SECURITY, IN MOST OF THOSE CASES INVESTIGATED BY THE POLICE IT WAS ESTABLISHED THAT THE STUDENTS HAD JOINED TRIAD SOCIETIES OR GROUPS PROFESSING TO BE TRIADS IN THE NEIGHBOURHOOD WHERE THEY LIVE AND OUTSIDE SCHOOL HOURS.+

THE EDUCATION DEPARTMENT HAS ADVISED SCHOOLS TO BE ON THE ALERT AT ALL TIMES AND TO CONTACT THE POLICE DIRECT IF THEY RECEIVE ANY REPORTS OF TRIAD ACTIVITIES IN THEIR SCHOOLS. SEPARATELY,

THE POLICE HAVE ARRANGED AND HELD MEETINGS WITH HEADMASTERS.

IN RESPONSE TO THE +FIGHT VIOLENT CRIME+ CAMPAIGN, THE EDUCATION DEPARTMENT PRODUCED A SPECIAL ETV PROGRAMME, ISSUED TEACHING MATERIALS, AND ASSISTED SCHOOLS IN ORGANISING EXHIBITIONS, FORUMS AND TALKS INCLUDING ADVICE ON COMBATING TRIAD ACTIVITIES.

+MOREOVER,+ MR. TOPLEY SAID, +A 'REACHING OUT' SCHEME OF SCHOOL SOCIAL WORK HAS BEEN INITIATED BY THE SOCIAL WELFARE AND EDUCATION DEPARTMENTS TO HELP SCHOOLS SOLVE THEIR PUPILS' BEHAVIOUR PROBLEMS.+

HE CONCLUDED: +IN SHORT, ALTHOUGH THERE IS NO EVIDENCE OF INCREASING TRIAD INFLUENCE IN SCHOOLS, THE GOVERNMENT IS CONCERNED ABOUT ANY REPORTED ATTEMPT BY TRIADS TO INFILTRATE SCHOOLS. THE POLICE FORCE AND THE EDUCATION DEPARTMENT ARE KEEPING A VIGILANT EYE ON THIS PROBLEM.+

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DIRECTOR OF EDUCATION VISITS SPECIAL CLASSES

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MR. KENNETH TOPLEY, DIRECTOR OF EDUCATION, SPENT THREE HOURS THIS (WEDNESDAY) MORNING VISITING TWO SCHOOLS WHICH PROVIDE SPECIAL TRAINING FOR PARTIALLY HEARING, SLOW LEARNING AND PARTIALLY SIGHTED CHILDREN.

HE WAS ACCOMPANIED BY MISS ELIZABETH ROWE, PRINCIPAL EDUCATION OFFICER (SPECIAL EDUCATION).

AT THE PERTH STREET GOVERNMENT PRIMARY SCHOOL MR. TOPLEY SAW CHILDREN WITH HEARING AIDS BEING TAUGHT TO MAKE USE OF THEIR RESIDUAL HEARING AND TO SPEECH READ IN ORDER TO ACQUIRE BETTER SPEECH AND LANGUAGE.

LAST YEAR WAS THE FIRST TIME CHILDREN FROM PARTIALLY HEARING CLASSES PARTICIPATED IN THE SECONDARY SCHOOLS ENTRANCE EXAMINATION. TWO OUT OF A CLASS OF EIGHT WERE GIVEN AIDED SECONDARY PLACES AND THREE OTHERS WERE ABLE TO CONTINUE THEIR SECONDARY EDUCATION IN PRIVATE SCHOOLS.

AT PRESENT THERE ARE 160 PLACES FOR PARTIALLY HEARING CHILDREN AND UNDER THE SECOND DEVELOPMENT PROGRAMME IT IS INTENDED TO PROVIDE 440 PLACES BY 1977 IN GOVERNMENT AND AIDED SCHOOLS.

DURING HIS TOUR OF CLASSES FOR SLOW LEARNERS, MR. TOPLEY SAW GRADED SUPPLEMENTARY AND REMEDIAL TEACHING MATERIALS BEING USED TO TEACH THESE CHILDREN.

AS NO REMEDIAL TEACHING MATERIALS IN THE MEDIUM OF CHINESE ARE AVAILABLE IN HONG KONG, THESE ARE PREPARED BY SPECIAL EDUCATION INSPECTORS, INDIVIDUAL TEACHERS AND BY GROUPS OF TEACHERS.

AFTER A TRIAL PERIOD TEACHING MATERIALS FOUND USEFUL TO ALL SPECIAL TEACHERS ARE PRINTED WITH THE HELP OF THE GOVERNMENT PRINTER.

THERE ARE 3,150 PLACES FOR SLOW LEARNING CHILDREN AND IT IS THE INTENTION UNDER THE SECOND DEVELOPMENT PROGRAMME TO PROVIDE 9,400 PLACES IN GOVERNMENT AND AIDED SCHOOLS.

AT THE SAN PO KONG GOVERNMENT PRIMARY SCHOOL, THE DIRECTOR SAW PUPILS BEING ENCOURAGED TO MAKE FULL USE OF THEIR RESIDUAL VISION BY USING MAGNIFIERS AND DOCK STANDS. THE PUPILS USE EXERCISE BOOKS SPECIALLY DESIGNED BY THE SPECIAL EDUCATION SECTION.

FLASH CARDS IN LARGE PRINT ARE PREPARED BY THE TEACHERS AND THEY ARE PRINTED BY THE GOVERNMENT PRINTER.

/AT PRESENT THERE

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AT PRESENT THERE ARE 45 PLACES FOR PARTIALLY SIGHTED CHILDREN AND UNDER THE SECOND DEVELOPMENT PROGRAMME IT IS INTENDED TO PROVIDE 420 PLACES FOR SUCH CHILDREN IN GOVERNMENT AND AIDED PRIMARY SCHOOLS.

MR. TOPLEY SAID AFTER HIS TOUR THAT HE WAS PLEASED WITH THE DEVELOPMENTS BEING MADE TO PROVIDE MORE CLASSES FOR PARTIALLY HEARING, SLOW LEARNING AND PARTIALLY SIGHTED CHILDREN.

HE COMPLIMENTED THE TEACHERS FOR THEIR DEDICATION AND THE SPECIAL ATTENTION GIVEN TO INDIVIDUAL PUPILS.

THE DIRECTOR SAID IT WAS HIS INTENTION TO VISIT MORE SCHOOLS THIS YEAR AS HE FOUND HIS FAMILIARISATION TOURS IN 1974 TO BE VERY USEFUL.

HE BELIEVED THAT HIS EXCHANGES OF VIEWS WITH TEACHERS AND HEADMASTERS DURING THESE VISITS HAD PLAYED A PART TOWARDS IMPROVING RELATIONS BETWEEN MEMBERS OF THE TEACHING PROFESSION AND THE EDUCATION DEPARTMENT.

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BILLS PASSED

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FOUR BILLS COMPLETED THEIR PASSAGE THROUGH THE LEGISLATIVE COUNCIL TODAY.

THEY WERE : THE INLAND REVENUE (AMENDMENT) (NO. 3) BILL 1974, THE EXCHANGE FUND (AMENDMENT) BILL 1975, THE ACETYLATED SUBSTANCES (CONTROL) BILL 1975 AND THE LANDLORD AND TENANT (CONSOLIDATION) (AMENDMENT) (NO. 2) BILL 1975.

ANOTHER BILL - THE EMPLOYMENT (AMENDMENT) BILL 1975 WAS INTRODUCED INTO THE COUNCIL FOR ITS FIRST AND SECOND READINGS.

DEBATE WAS ALSO RESUMED ON THE CHILD CARE CENTRES BILL 1974.

IN ADDITION, FOUR REPORTS WERE TABLED IN COUNCIL.

THEY WERE: THE ANNUAL REPORT OF THE ACCOUNTANT GENERAL WITH THE ACCOUNTS OF HONG KONG 1973-74, REPORT AND CERTIFICATE ON THE ACCOUNTS OF THE HONG KONG GOVERNMENT FOR THE YEAR ENDED MARCH 31, 1974, A DESPATCH TO THE SECRETARY OF STATE ON THE REPORT BY THE DIRECTOR OF AUDIT FOR THE YEAR ENDED MARCH 31, 1974 AND THE FIRST ANNUAL REPORT OF THE CRIMINAL AND LAW ENFORCEMENT INJURIES COMPENSATION BOARDS FOR THE YEAR ENDED MARCH 31, 1974.

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