



DAILY INFORMATION BULLETIN

Friday, March 2, 1973

CONTENTS

	<u>Page No.</u>
Spending on education is estimated at more than \$800 million in the new financial year	1
A census of industrial production is to be undertaken	2
Work on the plant foundation for the desalter is expected to start shortly	3
Applications are invited for a technical teacher training course at the Morrison Hill Technical Institute	4
More piers for Jumbo jets are to be built at Kai Tak Airport	5
The Government plans to reclaim land in Sham Shui Po for a new ferry pier	6
Two senior Education Officers have raised nearly \$90,000 for the Community Chest	7
A number of buildings in Bonham Strand have been declared dangerous	8
Shipmasters are warned against navigating too close to piers	9
Factory owners have been warned against bogus Labour Officers	10
Money Order services have been suspended	11
A minimum paid up capital has been fixed for companies offering shares publicly	12
The Chinese version of the report on teachers' pay has been published	13

Friday, March 2, 1973

- 1 -

CONTINUING RISE IN EXPENDITURE ON EDUCATION

The Government's spending on Hong Kong's expanding educational system is estimated at \$816 million in the next financial year beginning on April 1.

This is \$63 million more than the present year's revised expenditure.

It is also \$229 million more than the actual expenditure of over \$587 million on education during the year 1971-72.

Of the \$816 million education bill, grants, refunds and assistance for various types of schools account for \$506 million.

This represents an increase of \$119 million on the approved estimate for 1972-73 and of \$191 million on actual expenditure in 1971-72.

The \$506 million include annual grants, capital grants and refunds under the Grant and Subsidy Codes for Anglo-Chinese primary schools, for schools and classes providing special education, for secondary grammar schools, secondary technical schools, pre-vocational schools and secondary modern schools.

Also included are grants to the English Schools Foundation, and approved recurrent and capital assistance for private secondary schools and for subsidies for miscellaneous educational activities.

The estimate of the amount required in 1973-74 for recurrent and capital grants to the two Universities and to the Polytechnic, for student grants, for the salaries and expenses of the Secretariat of the Universities and Polytechnic Grants Committee, and for the expenses of the Committee itself is more than \$132 million.

This represents a decrease of over \$13 million on the approved estimate for 1972-73 and of more than \$10 million on actual expenditure in 1971-72.

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/2

Friday, March 2, 1973

- 2 -

INDUSTRIAL CENSUS TO BE UNDERTAKEN

Results Should Be Of Value To Manufacturers

The Census and Statistics Department will carry out a comprehensive census of industrial production in Hong Kong.

The Census Order 1973, published in today's Gazette for general information, stipulates that the particulars obtained from the census will be in relation to the year 1973.

All types of manufacturing, mining and quarrying, as well as the supply of electricity, gas and water would be covered by the census, a spokesman for the Department said.

Questions would be asked relating to employment, costs of raw materials, services and wages, value of stocks and sales of finished products, and capital expenditure.

"This information will enable an estimate to be made of the contribution of the manufacturing section to the Hong Kong economy," the spokesman said.

Consultations with manufacturers' associations and with individual factories had already started, he added, and it appeared that the information required could be provided by the major industrial persons in Hong Kong.

When published, the results of this census would be of considerable value to manufacturers in enabling them to make comparisons of production efficiency with other firms in the same industry or in other industries, he added. "It will also show the productive potential of the various manufacturing sections in Hong Kong.

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Friday, March 2, 1973

- 3 -

"This will demonstrate the opportunities for local investment and facilitate commercial negotiations with other trading countries."

The Census Order defines industrial establishments as well as industrial production.

It also specifies the census period as one of 12 consecutive months within the period of July 1, 1972 and June 30, 1974 and contains a schedule of the items on which information will be sought in the census.

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Morrison Hill Technical Institute .

Applications For Technical Teacher Training Course Invited

The Morrison Hill Technical Institute is inviting applications for its one-year full-time technical teacher training course which starts in September of this year.

Applicants must have had at least one year's industrial experience in the field of either electrical or mechanical engineering or building/construction or commerce.

They must also have either a technicians' diploma of the Technical Institute; an ordinary diploma of the Hong Kong Technical College; a one-year full-time Commercial/Secretarial Certificate of the Technical Institute/Technical College or an equivalent part-time qualification.

The closing date for applications is March 21.

Further details may be obtained from the Head of the Department of Technical Teacher and Workshop Instructor Training, Morrison Hill Technical Institute, Tel. No. H-745321 Ext. 49.

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/4

Friday, March 2, 1973

- 4 -

PLANT FOUNDATION AND BUILDINGS FOR DESALTER

Work To Start Next Month

Work on the plant foundation and site buildings for the desalting plant in Castle Peak is expected to begin in April.

The work includes the construction of six evaporator bases, an auxiliary plant building, boiler foundations, an intake screen building, and a chemical building.

Completion of the various buildings will be phased to fit in with the installation of the evaporators and associated electrical and mechanical plants.

The desalting plant is expected to become fully operational in January 1976, when it will have a daily output of 40 million gallons of fresh water.

It will consist of six units, each complete with steam boilers and evaporators.

The first of these units is expected to be commissioned in December next year. The remaining units will come into operation thereafter at three-month intervals.

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/5

Friday, March 2, 1973

- 5 -

MORE PARKING PIERS FOR JUMBO JETS AT KAI TAK

Two 747 nose-in piers and three bus docks will be built at Kai Tak Airport shortly.

The principal work of this project will be carried out at bays 3 and 4 on the apron side of the Terminal Building.

On completion, the total number of 747 nose-in piers will increase to five.

Three apron bus docks will also be built to provide better transfer facilities to speed up the movement of passengers between the Terminal Building and aircraft parked at the outer stands.

Docks will be three storeys high with escalators for inter-floor connection.

Work on the project is expected to begin in April and will take about eleven months to complete.

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/6

Friday, March 2, 1973

- 6 -

LAND RECLAIMED FOR NEW FERRY PIER

The Government proposes to reclaim about 30 acres of land in Sham Shui Po to provide more spaces for a new ferry pier and other community facilities.

The proposed reclamation is situated to the north of the existing Sham Shui Po Ferry Pier and will extend about 1,000 feet from the present seawall along Tung Chau Street.

The new passenger ferry pier will have a substantial concourse area. It will replace the old existing pier.

Sites will also be available for Government, institutional and community uses. A sewage treatment plant and a cargo handling basin will be provided for on the reclamation.

The boundaries of the proposed reclamation are fully described in a notice published in today's Gazette.

People having any objections to the proposed reclamation or any claims of private right in the matter should submit them in writing to the Director of Public Works within two months of the date of the notice.

The notice, both in Chinese and English, can also be seen on notice boards posted on the site.

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/7

Friday, March 2, 1973

- 7 -

NEARLY \$90,000 RAISED BY 2 SENIOR EDUCATION OFFICERS

For Community Chest

Two Senior Education Officers who serve schools in the New Territories raised more than \$89,200 as a result of their participation in last Sunday's Walk for a Million.

They are Mr. David Leung and Mr. Tang Yan. Mr. Leung, who is responsible for the western area of the New Territories, was sponsored for over \$47,150 while Mr. Tang, who looks after the eastern area, was backed for nearly \$42,100.

The pledges for these amounts have been received. Money for a small number of outstanding pledges is still coming in.

The sponsors of these two officers were supervisors, head teachers and students from more than 200 schools as well as prominent leaders in the New Territories.

Mr. Leung and Mr. Tang walked the full distance of 22 miles in the fund-raising drive on behalf of the Community Chest. They were joined by at least 30 headmasters and headmistresses of New Territories schools who walked part of the full distance.

The walk by these two officers was sparked off by a challenge from Mr. Cheung Chi-fan, Chairman of the New Territories Schools Sports Association. Although Mr. Cheung himself did not join in, he supported the two officers.

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/8

Friday, March 2, 1973

- 8 -

DANGEROUS BUILDINGS IN BONHAM STRAND

The Building Authority today declared Nos. 8, 10 and 12 Bonham Strand to be in a dangerous condition and Nos. 6 and 14 Bonham Strand liable to become dangerous.

In a statement issued this morning, the Principal Government Building Surveyor said that No. 8 was inspected in the course of a routine inspection in connection with an application to demolish an adjoining building.

This inspection revealed that the rear walls of the building were badly fractured and bulged while the chimney stack and wall above the kitchen roof were in such a condition that there is risk of collapse.

The adjoining buildings at Nos. 10, 12 and 14 Bonham Strand were also inspected and extensive fracturing of the party wall between Nos. 10 and 12 was observed together with extensive decay to timber work, indicating the risk of a collapse.

No. 6 and No. 14 Bonham Strand are considered to be liable to become dangerous during or after the demolition of adjoining buildings due to fractures in party walls.

Notices of intention to apply for Closure Orders in Victoria District Court at 9.30 a.m. on April 3, 1973 were posted today.

No Closure Order is required for Nos. 6 and 10 Bonham Strand as these buildings have already been vacated and sealed.

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/9

Friday, March 2, 1973

- 9 -

WARNING ON NAVIGATION NEAR PIERS

The Director of Marine, Mr. A. Fletcher, today warned shipmasters, pilots and coxswains against navigating too close to ferry piers, government piers and public piers.

In a public notice, he said "this practice is both imprudent and dangerous and has resulted in loss of life."

He said shipmasters, pilots, and coxswains must give all these piers "as wide a berth as is commensurate with other navigational commitments and with the regulations of the port."

People in charge of small vessels, whether powered or under sail must pass these piers at a distance of not less than 300 feet.

"This precaution is particularly important during the morning and evening rush hours when additional 'Star' ferries will be using both the west and east arms of the ferry piers at Tsim Sha Tsui and Edinburgh Place," Mr. Fletcher said.

In another public notice, the Director of Marine also drew the attention of shipmasters and operators of motor boats, speedboats and pleasure craft to the speed limits in ports of Hong Kong.

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/10

Friday, March 2, 1973

- 10 -

DON'T BE DUPED BY BOGUS LABOUR OFFICERS

Factory proprietors were today warned against bogus Labour Department officers who sought money for advertisements in a departmental publication, "Guide to Workmen's Compensation Legislation".

The Assistant Commissioner of Labour, Mr. David Lin, said that in the past few weeks two proprietors had complained to the department that a man claiming to be a member of the Labour Department had sought money for that purpose.

"No Labour Department officer is authorised to solicit money for any purpose whatsoever", he stressed.

Mr. Lin advised that any proprietor who was approached by anyone purporting to be a member of the Labour Department should immediately report the matter either to the nearest police station or to the Senior Labour Officer (Industry) at Tel. No. 3-688842.

The "Guide to Workmen's Compensation Legislation", he pointed out, was available free of charge at the offices of the Labour Department.

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/11

Friday, March 2, 1973

- 11 -

FINANCIAL SECRETARY ON INSURANCE

Note to Editors: The full text of the Financial Secretary's speech at the Insurance Institute dinner tonight is contained in a supplement to the Daily Information Bulletin. The speech should not be published or broadcast until 10.15 p.m. tonight.

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MONEY ORDER SERVICES SUSPENDED

Money order and postal order services have been suspended until further notice, the Post Office announced today.

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/12

Friday, March 2, 1973

- 12 -

MINIMUM PAID UP CAPITAL SET
For Purpose Of Public Offer Or Placement

At their meeting held yesterday, the Securities Advisory Council proposed to the Financial Secretary that as from today, companies whose shares are to be offered publicly should have a minimum paid up capital of \$50 million, and those companies for which there is to be a placement should have a minimum paid up capital of \$20 million.

In each case the figure of paid up capital should include any capital to be issued for the purpose of the public offer or placement.

The Financial Secretary accepted these proposals and the Commissioner for Securities spoke accordingly to the Chairmen of the four stock exchanges this afternoon.

The provisions previously announced relating to the minimum proportion of share capital to be made available will therefore be simplified as follows:-

Public Offers - 25 per cent of paid up share capital.

Placements	- <u>paid up share capital</u>	<u>proportion</u>
	\$20 m. and up to \$25 m.	40 per cent
	\$25 m. " " " \$30 m.	35 per cent
	\$30 m. " " " \$35 m.	30 per cent
	\$35 m. and over.	25 per cent

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/13

Friday, March 2, 1973

- 13 -

CHINESE VERSION OF REPORT ON TEACHERS' PAY

The Chinese language version of the report on salary scales for Certificated Masters was published today and copies will be distributed to all government primary and secondary schools and the subsidised school councils. They will also be on sale at the Government Publications Centre at the Star Ferry Concourse.

When the report was tabled in Legislative Council last month, the Colonial Secretary, Sir Hugh Norman-Walker, said that the government would welcome comments from civil service associations and other interested persons, or groups of persons.

He added that any comments received before March 14 would be carefully considered before a decision is taken on the recommendations contained in the report.

A government spokesman said today that it was hoped the appearance of the Chinese version would help to clarify certain misconceptions with regard to the position of the Working Group responsible for the study.

He stressed that the group was a completely independent review body appointed only after the Senior Civil Service Council had failed to reach agreement on scales for Certificated Masters.

Its members had previously served on the larger Salaries Commission, which met in 1971 to consider salaries in the middle ranks of the public service.

The spokesman recalled that the question of teachers' pay had been expressly excluded - at the request of the Staff Side - from the Commission's work, as the matter was then still under negotiation by the Senior Civil Service Council.

The Council

Friday, March 2, 1973

- 14 -

The Council subsequently agreed upon all aspects of teachers' pay, with the exception of the scales for Certificated Masters. The Government offered a scale of \$1,175 to \$1,750, to replace the original scale of \$1,044 to \$1,598. But the staff side rejected the offer and insisted on a scale of \$1,250 to \$1,950.

When the talks ended in deadlock, in August last year, it was felt that, to be fair to teachers, independent advice should be obtained from among the people who in 1971 had reviewed salaries of the middle ranks of the civil service.

Accordingly, three members of the 1971 Salaries Commission were invited to reassemble so that their advice could be sought on this issue, having regard to the best interests of the teaching profession as a whole.

Arrears Of Pay

Meanwhile, to save teachers from having to wait any longer for their arrears of pay, a salary scale of \$1,100 to \$1,750 per month was introduced with effect from April 1, 1971 pending a decision on the recommendations of the Working Group.

"When the Working Group of the 1971 Salaries Commission, as it became known, reconvened last November, every opportunity was taken to ascertain the views of all parties concerned," the spokesman pointed out. "Submissions were invited from interested bodies, and the suggestions forthcoming were given very careful consideration."

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Friday, March 2, 1973

- 15 -

"In fact the process has not stopped there. Now that the Working Group's report is available, interested parties are being given a further opportunity to comment on its proposals. A number of useful and constructive comments have already been received."

"The government does not propose to arrive at any decision on the recommendations of the Working Group until all these views have been obtained. There is still time for further submissions to be received."

The following table, expressed in dollars per month, compares the original scale, the interim award back-dated to April 1, 1971, the Working Group's recommendations and the teachers' proposals, indicating, in each case, the percentage increases over the original salaries.

	<u>pre-1st April 1971</u>	<u>As implemented by Government with effect from 1st April 1971</u>	<u>Morgan's Recommendations</u>	<u>Teachers' proposals</u>
Bottom of scale	1044	1100 (5.4%)	1175 (12.5 %)	1250 (19.7%)
Top of scale	1598	1750 (9.5%)	1750 (9.5 %) followed by three additional increments to 1975.	1950 (22.0%)

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Release time: 9.00 p.m.



DAILY INFORMATION BULLETIN

SUPPLEMENT

Friday, March 2, 1973

FINANCIAL SECRETARY ON GOVERNMENT AND INSURANCE INDUSTRY

EMBARGO NOTE: This item should not be broadcast
or published before 10.15 p.m. tonight.

The Financial Secretary, Mr. C.P. Haddon-Cave, this evening outlined some of the guidelines the Government was following in the review now being made of existing insurance legislation in Hong Kong.

"Whilst the Government seeks to protect policy holders it does, at the same time, wish to leave the insurance industry as free as possible from constraints," he said.

He was speaking at the annual dinner of the Insurance Institute at the Peninsular Hotel.

Mr. Haddon-Cave also explained the considerations underlying his Budget proposals regarding the abolition of the selective allowance of insurance relief.

The following is the full text of the Financial Secretary's speech:

"Mr. President, Gentlemen,

"Government and the Insurance Industry' can hardly be described as a spine-tingling subject for an after-dinner speech so I hope you all feel slightly anaesthetised by the excellence of your Institute's arrangements for this evening's dinner.

/"Legislation

Friday, March 2, 1973

- 2 -

"Legislation in Hong Kong dealing with insurance matters dates back to the beginning of the century. The first piece of legislation - the Fire Insurance Companies Ordinance - was enacted on February 7, 1908. The last was completed in 1961 by the codification of the law relating to marine insurance. In the intervening years there were five other ordinances ranging from the Life Insurance Companies Ordinance which has seen some 20 amendments since its enactment in 1908 to the Motor Vehicles Insurance (Third Party Risks) which became law in 1951.

Deposits

"A feature common to the Fire and Marine Insurance Companies Deposit Ordinance, the Life Insurance Companies Ordinance and the Motor Vehicles insurance Ordinance is that each contains a provision for deposits to be made by bodies wishing to transact the insurance business to which they apply. Fire and Marine Insurance Companies are required to deposit \$100,000 in cash or acceptable securities in respect of each class of business; Life Insurance Companies \$200,000; and Motor Vehicle Insurance Company may be required to deposit up to \$400,000. In addition, Life Insurance Companies are required to ensure that their assets are never less than the aggregate of their liabilities and the amount they are required to deposit.

"As the law now stands Fire, Marine and Life Insurance Companies which can show compliance with British insurance legislation and, in certain cases, Commonwealth deposit requirements need not make the deposits specified in the ordinances and the Governor in Council has discretion to exempt Motor Vehicle Insurers from making deposits. In the case of Motor Vehicle Insurers, however, the legislation requires registration of such insurers to be authorised only after their financial stability has been established.

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Friday, March 2, 1973

- 3 -

"The several ordinances seek in differing degrees to establish procedures for the submission of financial statements whereby a check can be kept on the financial viability of the companies. Provision is made in some cases for the appointment of inspectors, and for the methods of applying for companies to be wound up. The circumstances in which companies may be struck off the register are also specified in some, while others allow authorisation to transact insurance business to be withdrawn by notice in the Gazette. Penalties for contravening the provisions of the various ordinances are laid down in the various ordinances, but these differ as between similar infringements. In short, therefore, there is little uniformity of approach to the requirements that should be met for insurance business to operate on a coherent and sound footing in Hong Kong.

"In formulating comprehensive legislation covering the field of insurance as a whole, other countries have often found it best to deal with life business separately from general business because of the basic difference between the two. However, Britain has been moving in the direction of a compact, but all embracing measure to cover all insurance and a new bill has recently been published which seeks to do just this. In Hong Kong there would appear to be a general wish for the content of insurance legislation to accord with the principles that have been adopted in British legislation, especially between the years 1958 and 1967.

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Friday, March 2, 1973

- 4 -

"The proposed British Act will give stronger and more flexible powers to the Secretary of State for Trade and Industry to control the operations of insurance companies. It includes special provisions to improve the security of long term policy holders. More frequent financial statements are required from insurance companies. The Secretary of State's powers of intervention are to be extended, and he is to have power to vary the existing statutory minima of initial share capital and free reserves and the general business solvency margin and he is to be empowered to make rules regarding the valuation of assets and liabilities.

Insurance Legislation

"Now, as you are aware I made an announcement recently in the Legislative Council to the effect that the Government is presently undertaking a comprehensive review of our existing insurance legislation and I would like to give you some indication of our thinking.

"Whilst the Government seeks to protect policy holders it does, at the same time, wish to leave the insurance industry as free as possible from constraints. Events of recent years in Britain have shown that the existing controls provide insufficient protection in some cases. The problem is to devise a way of avoiding these dangers without harming the activities of the vast majority of companies whose activities are beyond question. I think in Hong Kong we should attempt to work towards either a single ordinance, or a co-ordinated body of legislation, which would enshrine general principles for the industry as a whole. Since we do not have legislation covering certain branches of insurance business - such as accident insurance, general liability insurance and property insurance (apart from the Fire Insurance Companies Ordinance) - it would seem proper for these areas of activity to be covered. Finally, the

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Friday, March 2, 1973

- 5 -

penalties for contravening those sections dealing with the financial conduct of an insurance company could well be brought into line with the recommendations of the Companies Law Revision Committee for infringement of similar requirements in future companies legislation.

"So much for our future legislative intentions. I had better turn now to the insurance industry and Wednesday's budget speech. If I had written the budget speech when Tony Bennett telephoned me about this function several months ago I would have politely declined the invitation, but here I am, regrettably. You, or rather your policy holders, have gained to the extent that stamp duty in respect of insurance policies has been abolished, at a cost to the revenue of some \$2.7 million per annum.

"But you, or rather your policy holders, have lost by the abolition of insurance relief, one of the four selective allowances abolished in my budget proposals for the reform of our system of salaries tax at a net cost to the revenue of \$15½ mn. Now apart from my general dislike of selective allowances in the context of our low tax system, I think I should make four points to you. First, the original object of giving life assurance relief and the whole premise of subsequent legislation beginning at the end of the 18th century was to encourage thrift. Hong Kong simply inherited this type of all allowance as one of the established forms of allowance without too much thought being given to local circumstances and conditions. It was simply a traditional type of allowance found in a British-type taxing system. A feature of this allowance, peculiar to Hong Kong in the past, has been that the allowance was in the form of a straight deduction from income to reduce assessable income and so the allowance had the effect of giving immediate benefit at whatever particular schedular rate of tax was last effective on an individual taxpayer.

/Secondly

Friday, March 2, 1973

- 6 -

"Secondly, saving and providing for one's family is a matter of personal choice, purely private or domestic expenditure only ranking for deduction if legislation so specifically provided. In modern society, saving can be accomplished in many ways and these ways are open now to the majority of taxpayers who perhaps 50 or 100 years ago would have had neither the means nor the opportunity to participate in such methods. Indeed, the life assurance companies themselves by extension of their business into linked unit investment schemes have recognised this too and, in many cases, have entered into areas where investment precedes insurance. Contributions to these schemes, although accepted as qualifying for relief in Britain, are not always deductible under Hong Kong law. Taxpayers in Hong Kong have often found it difficult to appreciate the distinction between insurance premia and such annual contributions to linked schemes which only have a modicum of life cover linked with them.

"Thirdly, schemes linking life assurance and investment have also posed considerable problems for the Commissioner of Inland Revenue. He has found it difficult to identify whether the policies were predominantly for investment or insurance. In addition, where satisfaction was given as to the life insurance element, he had difficulty in identifying the capital sum assured. Another problem lay in the fact that many of the premiums were paid in currencies other than the Hong Kong dollar and payments had to be made on specified dates which could be annually, quarterly or monthly. If taxpayers showed their actual Hong Kong dollar cost of purchasing foreign currency then this was the figure allowed, but in many cases the taxpayers simply reported the amount of foreign currency paid leaving the job of conversion to the Inland Revenue Department giving rise to subsequent arguments as to the actual rate used for the calculations. In fact, it was often doubtful if premia were paid out of Hong Kong income at all.

/Finally,

Friday, March 2, 1973

- 7 -

"Finally, considerable paper work was involved in that claims for relief were required to be supported by proof of payment. Members of the Life Assurance Association of Hong Kong co-operated fully in supplying forms to their policy holders to ascertain details. However, the bulk of life assurance business is written by non-resident corporations and most of the investment schemes are run by these corporations which resulted in delay in the processing of claims.

"These then were the considerations underlying my decision to propose in the budget speech that the selective allowance of insurance relief should be abolished, but as part of a package deal, so very few taxpayers indeed will be worse off. The fact is that it is questionable whether insurance relief has a place in any tax system for I do not see why fiscal help should be given to sell a particular form of savings. This is particularly so where the schedular rates and the low standard rate provide ample incentive for thrift anyway."

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