



# DAILY INFORMATION BULLETIN

Wednesday, February 14, 1973

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## GO-AHEAD FOR MASS TRANSIT RAILWAY

### Government To Build First Four Stages Immediately

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A firm decision has been taken to go ahead with the massive multi-million-dollar Mass Transit Railway system.

Announcing this today, the Financial Secretary, the Hon. C.P. Haddon-Cave, told the Legislative Council: "The Government has decided to proceed immediately with constructing the first four of the nine stages of the full system."

"To this end, preparatory engineering design work, soil investigation and so on are already on hand."

The Financial Secretary also stated that:

- \* There would have to be a body responsible for implementing the project.
- \* An independent public corporation would have to be established by law to operate and maintain the system after construction.
- \* Further consultations were necessary to determine the best approach of contracting for the project.

The final decision to proceed with the giant project followed the findings of the Steering Group -- set up to investigate the best means of financing, tendering for and operating the system -- that it should be possible to raise the capital required for constructing the full Mass Transit Railway.

Mr. Haddon-Cave told the Council the Steering Group had concluded that the necessary capital could come from a combination of sources on terms "which, by present indications, are likely to be acceptable."

/"This conclusion, .....

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"This conclusion, in turn, has strengthened the Government's belief that the system would be financially viable, in the sense that a sufficient cash flow would be generated to enable the capital cost and accumulated interest to be repaid from the revenue from fares and other sources, over a given period of years," he said.

But whatever arrangements were made to finance, construct and equip the Mass Transit Railway, he went on, a special body would be needed to implement the project.

#### Government Supervision

Mr. Haddon-Cave said an entity would also be required to operate and maintain the system after it was constructed, but in this respect the sheer size and nature of the project had created requirements which were in a way "conflicting."

He explained that on the one hand the system would need to be operated on commercial lines if its financial viability was to be assured.

"On the other hand, the magnitude of the capital requirement, the length of the construction period, and the important role which the system will have to play in the Government's overall transport policy in the 1980s, all point to a greater degree of Government supervision and control than has hitherto been applied to public utility undertakings in Hong Kong," he said.

With regard to these factors, it had been decided that the operation of the Mass Transit Railway should be entrusted to a public corporation established under special Ordinance.

/"This corporation .....

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"This corporation is to be independent of the Government -- in the sense that it will not be a government department -- but will, at least initially, be owned entirely by the Government," he stressed.

The capital structure of the corporation, he said, would of necessity have "a very high loan gearing" but the Government intended to take an equity position in the form of a cash subscription, land and expenditure so far charged to public revenue.

"Later on, the public might well be invited to subscribe further equity capital," he added.

#### Contracting

On the question of contracting, the Financial Secretary said no confident decision could be made at this stage as to whether to award a single contract for the entire project, or whether to split the project into a number of contracts, letting each one separately by international competitive tender with the financing arrangements being handled by a group of merchant bankers specially retained for the purpose.

This, he explained, was because not enough information was available on the prices and credit terms likely to be available from the various consortia which had put up single-contract proposals.

Further consultations with several consortia, he said, were necessary before a decision could be reached.

The Financial Secretary emphasized that both approaches were "equally feasible" and said the fact that further consultations would be held with certain consortia "does not indicate a preference for the single-contract approach."

/Mr. Haddon-Cave .....

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Mr. Haddon-Cave informed the Council that 21 companies and consortia had already submitted preliminary proposals for the financing, construction, equipment and even the operation of the mass transit railway.

These included financial, engineering and other interests in Hong Kong and seven major industrial countries.

In addition, nearly 30 others had expressed an interest or offered assistance in one way or another for the project.

"This widespread international interest in the project means that we can look forward to true international competition for the contract or contracts for the construction and equipment of the Mass Transit Railway," he said.

He described the decision to go ahead with the project as an important one which ultimately would affect every member of the community.

He assured the Council that every effort would be made to ensure that the planning and coordination of the project would be undertaken effectively, and to ensure that appropriate arrangements would be made in time for the financing, construction and equipment of the system.

Above all, he added, every step would be taken to ensure that the railway would be constructed with the minimum possible degree of disruption and inconvenience to the ordinary life of the community.

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REPORT ON TEACHERS' PAY PUBLISHED

Scale Of \$1,175 - \$1,750 Recommended For Certificated Masters

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A scale of \$1,175 - \$1,750 has been recommended by the Working Group appointed, under the chairmanship of Mr. J.C. Morgan, to consider salaries for certificated masters.

The former salary scale for the grade was \$1,044 - \$1,598. The Government offered to raise this to \$1,175 - \$1,750, but the staff side maintained that the appropriate scale should be set at \$1,250 - \$1,950.

The matter was referred to the Working Group, after lengthy discussions had proved inconclusive in the Senior Civil Service Council.

In its report, published today, the Working Group has also recommended an "extra-scale", applicable to long-serving teachers who for one reason or another do not continue to have normal promotion prospects, or who prefer not to accept the additional responsibility which goes with promotion.

Such teachers, once over the age of 30, and with at least five years service at the top of the new scale, would receive three further increments over a period of years to a maximum of \$1,975.

Following publication of the report, comments received from interested parties in the next four weeks will be considered by the Government before any decisions are taken on the Working Group's recommendations. It is likely that in the implementation of the proposals, the five-year period recommended would be backdated to April 1, 1971.

/The Working .....

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The Working Group, reconvened from the 1971 Salaries Commission, was appointed by the Governor last October, following the breakdown of consultations in the Senior Civil Service Council on the question of an appropriate scale for the rank of certificated master.

Pending completion of the Working Group's report, and without prejudice to any recommendations it might make, the Government implemented an interim scale of \$1,100 - \$1,750 last November, backdated to April 1, 1971.

In recommending \$1,175 for the new starting salary, compared with \$1,044 in the original scale, the Working Group considered factors such as the academic qualifications required for entry into a teacher training college, the length of the training course, the duties and level of responsibility on appointment and working conditions.

#### Readjustment

These factors were compared with those of certain other occupations in the public service.

Should higher academic qualifications be required in future for entry into teacher training colleges, the group has proposed that the Government should consider readjustment of the starting salary for certificated masters.

With regard to the maximum point of the salary scale, the Group noted particularly the substantial number of teachers who reach the top of the scale by the age of 35, and remain there for the rest of their career.

The Group appreciated that many of these are married women who, for reasons of family responsibilities, do not seek more demanding posts on promotion, but prefer to remain as classroom teachers in a morning or afternoon primary school.

/The Group .....

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The Group proposes that such teachers should be given an "extra-scale", over the normal salary scale for certificated masters.

This extra scale provides for an increment of \$75 per month to those who have reached the age of 30, and have served five years at the top of the scale. Two further increments of \$75 per month would follow at intervals of three years.

In addition, the Group confirmed that the present arrangements should continue, whereby workshop instructors enter the certificated master's scale two points above the minimum, in recognition of their longer period of training and experience.

The Working Group also considered a workshop instructors' claim for a longer scale, or a "through scale" into the assistant master rank. On this question it commented: "We understand that a scheme for providing promotion prospects, on a functional basis, is under consideration, and without committing ourselves in this instance to a detailed recommendation, we support it".

The existing structure provides for two ranks on a functional basis, of workshop instructors II and I, with the latter scale being the same as that of assistant master.

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## HOUSING BILL SYMBOLISES HOPES FOR BETTER HOUSING

### Essential First Step To New Targets

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The Housing Bill 1973, designed to create a new, streamlined Housing Authority, "symbolises all our hopes and ambitions for better housing for the people of Hong Kong," the Secretary for Housing, the Hon. I.M. Lightbody, said today.

In introducing the bill into the Legislative Council, he said that the bill reflected the conviction that Hong Kong's housing problem required "a concentrated attack" and "the formulation of sound policies to govern the allocation of available public housing."

Mr. Lightbody described the bill as an "essential first step" on the road leading to the fulfilment of the new public housing targets which the Governor disclosed at the opening of the Legislative Council session last October.

The Bill, if passed, will vest in the new Housing Authority the powers and functions now exercised by the Housing Board, the present Housing Authority, the Urban Council and the Commissioner for Resettlement.

Referring to the financial aspects of the bill, Mr. Lightbody said a very important provision required the new Authority to ensure that the revenue accruing to it from its estates was sufficient to meet its recurrent expenditure on its estates.

"This Authority will take over existing Housing Authority and Low Cost Housing estates, which meet this injunction; but it will also take over all existing resettlement estates where revenue falls by a wide margin to cover outgoings," he said.

/Mr. Lightbody .....

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Mr. Lightbody said that this deficit would have to be covered temporarily by grants from general revenue, "but the new Authority will have to consider how this unsatisfactory state of affairs should be put right."

The Authority's squatter control and squatter clearance activities would be financed by outright grants from general revenue.

Mr. Lightbody said that the new Authority would have to keep the Government continually informed on its forward spending plans because of the Authority's heavy demands on general revenue for its large building programme.

#### Building Programme

This was to ensure that the earliest notice could be given to the Authority of any cut-back in funds, which could have "the most serious consequences" for its housing programme.

Mr. Lightbody added that "we must make sure that time is never lost in the ten-year building programme."

The bill proposes a maximum of 20 seats on the new Housing Authority, of which up to 13 are to be occupied by unofficial members.

Of these unofficial seats, eight are to be filled by members of the Urban Council appointed on a personal basis.

Mr. Lightbody said this provision reflected the long experience of Urban Councillors in public housing affairs and their continuing interest in this field of endeavour.

"To ensure the necessary departmental involvement in and commitment to the Authority's endeavours, the bill proposes an official membership of six, with the Secretary for Housing as Chairman," he said. All members are to be appointed by the Governor.

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"It is necessary to reconcile a suitably widely-based membership with the need to keep the Authority's size down to manageable proportions, in the interests of speed and efficiency," he added.

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WIDE PUBLICITY FOR DISABILITY AND INFIRMITY ALLOWANCE SCHEME

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All publicity measures will be used to bring home to those in need the message that the Government's new severe disability and infirmity allowance scheme is to be operative from April 1 this year.

The Hon. F.K. Li, Director of Social Welfare, gave the Legislative Council this assurance today in reply to the Hon. Mrs. Mary Wong Wing-cheung, who had asked if the Government would publish a pamphlet in the two languages describing the conditions of eligibility in detail.

Mr. Li said publicity measures being contemplated included the press, radio, television, and possibly cinema advertising, all taken to ensure that the scope of the scheme became known to those who might benefit from it.

In addition, the Social Welfare Department was arranging for 30,000 copies of a Chinese leaflet to be printed - with the first consignment expected to be ready in two weeks.

The English leaflet, intended mostly for those working in the social welfare field, would be textually longer, and so would not be ready until later in March. Two thousand copies would be printed initially.

"As with similar leaflets on the public assistance scheme," Mr. Li said, "they will be distributed widely through all Government departments which have frequent dealings with the public, and through the volunteer social welfare agencies."

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AUTOMATIC STATUTORY RENEWAL OF RENEWABLE LEASES

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A bill providing for the automatic statutory renewal of all renewable leases will be introduced into the Legislative Council next month, the Attorney General, the Hon. D.T.E. Roberts, said today.

The bill will enable the Government "to meet its obligations to the lessees and to deal with the problems which arise when lessees are unable to exercise an option to renew."

The Attorney General, replying to the Hon. Wilfred Wong in the Legislative Council, said it would be "impracticable" for the Government to renew individually the 5,000 leases which would be due for renewal at the end of June this year.

Under the Renewable Crown Leases (Statutory Renewal) Bill, Mr. Roberts said, leases would be renewed on substantially the same terms as were contained in the proviso for renewal in the existing leases.

The legislation would not affect the concessions relating to the reassessment of Crown Rents, he added.

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## UNOFFICIALS SUPPORT URBAN COUNCIL BILL

### More Powers For Council Welcomed

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The Hon. Wilfred Wong today welcomed the Urban Council Bill 1973 which provides for the reconstitution of the Urban Council with a substantial degree of financial autonomy.

Speaking in the resumed debate on the bill in the Legislative Council this afternoon, Mr. Wong said that he was pleased that "the Urban Council would be able to exercise more powers and perform further duties."

He described as "most significant" a provision contained in the Bill which gives the Council virtual financial autonomy.

This means that the Council will, in future, prepare its own budget and thus will have closer coordination between estimates and expenditure.

Mr. Wong said it was noteworthy that in future a member of the Urban Council would be required to declare his pecuniary interest in any proposed contract or other matter under consideration.

"This is in line with the requirements for the members of other councils," he said.

Another improvement in the bill, he added, was that the Urban Council standing orders would no longer be subject to approval by the Legislative Council.

/Speaking .....

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Speaking on the same bill, the Hon. P.C. Woo called on the Government to scrap as soon as possible the English-speaking requirement for Urban Council members so as to enable people who speak only Chinese to take part in the Council's affairs.

Mr. Woo, while welcoming the provisions contained in the Bill, said it was unfortunate that the atmosphere of goodwill had been spoiled at this particular time by the exclusion of certain candidates for the coming Urban Council elections because of an inadequate standard of English.

He recalled the explanation given last month by the Colonial Secretary that the English-speaking requirement had to be retained for the time due to the shortage of qualified translators to translate the large numbers of Urban Council papers which members were required to study.

"But I would urge Government to overcome this problem at the earliest possible date," he stressed.

Mr. Woo noted that the Colonial Secretary had promised an amendment to the language requirement and said he looked forward to the time when this could come about.

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LEGCO PROCEEDINGS ON TAPE

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Note to Editors: Proceedings in today's Legislative Council meeting have been recorded. You are welcome to consult the tapes in the G.I.S. press room.

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RENT CONTROLS FOR MIDDLE INCOME GROUP ACCOMMODATION

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The Government will keep in mind opinions expressed by a number of Legislative Councillors that permanent arrangements should be made to prevent "excessive rent increases", when it makes rent control proposals for the future.

The Colonial Secretary, Sir Hugh Norman Walker, said this in the Legislative Council today when he replied to a question by the Hon. Mrs. Mary Wong.

Sir Hugh said there were now estimated to be about 250,000 families with monthly incomes between \$1,000 and \$3,000.

He said that at present about 175,000 tenancies were subject to one or the other form of control under the existing legislation.

"Moreover," the Colonial Secretary said, "some of these families of course live in public housing whilst others own flats."

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FIVE BILLS PASSED

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Five bills passed their committee stage and third reading in Legislative Council this afternoon and became law.

They are the Administration of Justice (Miscellaneous) Bill, the Juvenile Offenders (Amendment) Bill, the Royal Hong Kong Regiment (Amendment) Bill, the Royal Hong Kong Auxiliary Air Force (Amendment) Bill and the Census (Amendment) Bill.

Debate was resumed on the second reading of the Urban Council Bill 1973, and the Public Health and Urban Services (Amendment) Bill 1973.

The Housing Bill 1973 had its first and second readings, and debate on it was adjourned.

The Report of the Working Group of the 1971 Salaries Commission, together with five sessional papers, was tabled.

The five sessional papers were the 1971/72 annual reports by the Director of Royal Observatory, the Commissioner of Registration of Persons, the Commissioner for Labour and the Director of Fire Services, and the Report on the Administration of the Fire Services Welfare Fund for the year ended March 31, 1972.

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PRISONS CHIEF TO ATTEND SEMINAR IN JAPAN

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The Commissioner of Prisons Mr. T.G. Garner, will leave for Japan on Friday (February 16) to attend a seminar in Tokyo on reforms of criminals.

Mr. Garner has been invited by the United Nations Asia and Far East Institute for the Prevention of Crime and Treatment of Offenders in the capacity of a visiting expert.

He is to assist the Faculty members of the Institute in the running of a seminar course for senior officials from the region. The course will be held from February 16 to March 23.

The purpose of this seminar is to provide participants with an opportunity for studying and discussing the various problems involved in the reform of criminal justice administration in the light of economic and social changes, new crime problems and technological developments.

The main emphasis will be on the practical aspects of criminal justice in the region.

Proposed reforms or recent changes in the countries from which participants come will be of special interest.

The course is specially designed and intended for those in policy-making positions.

Among the countries taking part will be Afghanistan, Indonesia, Laos, Malaysia, Nepal, Republic of Korea, Singapore, Sri Lanka, South Vietnam and Thailand.

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2 N.T. SCHOOLS TO RECEIVE FIRST PRIZES

At Painting Exhibition

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The prize winners of the painting competition among primary and secondary pupils sponsored by Indian Independence 25th Anniversary Committee will receive their prizes in the main concourse of the Ocean Terminal on Friday afternoon at the opening of a three-day exhibition of the best entries.

The Director of Education, Mr. J. Canning, will preside at the ceremony and Mrs. M.G.R. Sandberg, wife of the General Manager of the Hong Kong Branch of the Hongkong and Shanghai Banking Corporation, will distribute the prizes.

Eighty schools took part in the contest. The 1,171 entries included oil paintings, water colour, crayons, prints, and sketches. About 200 of these have been selected for the exhibition.

The winning entries were selected by a panel of seven judges, including Mr. Canning, Mr. John Warner, Curator of the City Museum and Art Gallery, and Mr. Liu Kao-chung, Director of the Department of Fine Art of the New Asia College.

The first, second and third prize winners in both the primary and secondary groups will receive \$1,000, \$500 and \$250 respectively.

The first prize in the primary group was won by Miss Wong Kwai-sun and Miss Lui Wai-chun of the Hoh Fuk Tong School in Castle Peak while a group of pupils in the Yuen Long Lutheran Middle School took the first prize in the secondary section.

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Note to Editors: You are invited to have the opening of the exhibition and the prize-giving ceremony covered on February 16 at 5.30 p.m.

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BUILDINGS DECLARED DANGEROUS

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Three buildings in Kowloon City, Nos. 6, 8, and 10 Shing Lung Street, were today (Wednesday) declared liable to become dangerous by the Building Authority.

The Principal Government Building Surveyor said in a statement this morning that these pre-war buildings were inspected following a fire resulting in damage to Nos. 12, 14 and 16 Shing Lung Street. These buildings have already been closed and are awaiting demolition.

Investigations showed that the party walls of these buildings are in an unsatisfactory condition. There is a risk of collapse during or after the demolition of the adjoining buildings.

Notices of intention to apply for Closure Orders in Kowloon District Court at 9.30 a.m. on March 15, 1973 were posted today.

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GUIDELINES FOR FILM CENSORSHIP UNDER REVIEW

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The general guiding principles of the Panel of Film Censors are to be reviewed, the Secretary for Home Affairs, the Hon. D.C.C. Luddington, told the Legislative Council today.

Speaking at the end of an adjournment debate on "Reduction of Violence on the Screen," he said the Commissioner for Television and Films had also been instructed to consider how best the Censors and the Board of Review could be kept aware of the public's attitude towards violence shown in local cinemas.

Three Members had earlier called for a review of the guidelines in an attempt to reduce violence shown in Hong Kong cinemas.

The Hon. H.J.C. Browne felt there was a relationship between the increase in violence among young people and the "horrible films" being screened locally.

Although such films were labelled "Not Suitable For Children," he said, this was not a valid argument to justify their showing.

He cited a recent film, "Macbeth," as an example of pictures containing horrifying scenes of violence.

"Because it involved stabbing by a knife it was, I felt, totally unsuitable for Hong Kong," he said.

Cleaning up the screen, he added, would make cinemas once again "places of entertainment."

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The second speaker, Mr. Wilfred Wong, stressed that when violence is over-emphasised, "it sets in motion a de-civilising process which results in retrogression."

Human beings, said Mr. Wong, tended to behave in accordance with the patterns of behaviour of others, and such behaviour tended to respond in proportion to impulses created by others, whether in person or on the stage or on the screen.

The Hon. Mrs. Joyce Symons also called for the review of the Codes of Practice under the terms of the Television Ordinance in addition to a revision of the censors' guidelines.

One-Sided View

She felt that films and television programmes featuring violence offered a one-sided view of life, implying that all conflict had to be resolved by force.

"The danger lies less in imitation than in acceptance of violence as manly and inevitable.

"It is not a matter of simple economics to allow freedom of enterprise when the minds of our younger citizens are at stake.

"We know that some films are banned and others cut, but the net result is still too many films depicting violence as a way of life," she said.

Mrs. Symons said she was looking forward to the proposed campaign on the reduction of crime and suggested that "our reflections this afternoon are but a fore-runner of a concerted movement that affects us all."

/In reply .....

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In reply, Mr. Luddington said the concern expressed over the extent to which violence forms part of films provided for entertainment in Hong Kong was shared by many, including the Chief Film Censor and his colleagues.

However, he wondered whether there was as close a relationship between the portrayal of violence in the cinemas and the prevalence of violent crime in Hong Kong.

He assured the Council that he had given serious thought to the need for stricter censorship not only in respect of television and films but in other areas as well in the light that this might help reduce serious crime.

Caution

"This is however a realm in which one must move with caution because Hong Kong cannot afford either to be out of touch with the rest of the world, or to have a lot of bored people," he added.

"Thus if Government attempted to cut out all violence in films, public entertainment might be very severely reduced, for there are virtually no films made for the Hong Kong market alone."

Mr. Luddington emphasised that the Censor's role was primarily a "negative one," and the censor was in no way responsible for the material put before him.

He agreed, however, that the purpose of censorship was positive in that it encouraged the production of films which would entertain rather than corrupt.

"Our task," he added, "is to maintain acceptable public standards without unreasonably infringing the private rights of the individual."

NEW FINANCIAL ARRANGEMENTS FOR URBAN COUNCIL, ANNOUNCED

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The Government will put the Urban Council in a healthy financial position for the next two or three years under the new financial arrangements.

The Financial Secretary, the Hon. C.P. Haddon-Cave stressed this in the Legislative Council today when he moved a motion that under the Rating Ordinance 1973, the General Rates should be nine per cent and the Urban Council Rates six per cent of the rateable value of every tenement.

He said the Urban Council White Paper recommended that the Council's rate would be calculated initially from estimates of net expenditure in the year preceding the introduction of the new arrangements.

Briefly, he explained, the calculation of the Council's initial rate was based on the following main elements:

- \* The personal emoluments of the Urban Services Department staff;
- \* The annual recurrent expenditure and other charges of the department;
- \* Special expenditure:
- \* Cost of services provided by other Government departments ; and
- \* Expenditure by the Council on capital works.

These five elements would, for the year 1973-74, result in a gross expenditure of about \$240 million. Deducting the estimated fee income of \$35 million, this would reach a net expenditure of \$205 million.

The Financial Secretary pointed out that the estimated yield from a 15 per cent rate in the coming fiscal year in the urban area was \$516 million.

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And the share of the Council's six per cent rate would be more than adequate to meet the net expenditure figure, he added.

Commenting on criticisms from certain members of the Urban Council, Mr. Haddon-Cave said the financial autonomy given to the Council "has been not only scrupulously fair but also, in particular areas, manifestly generous."

He explained that, for instance, in assessing the salary bill payable by the Council for the U.S.D. staff, the Government had used the full establishment of the department rather than the actual or probable strength.

#### Capital Works

This alone had made a difference of at least \$6 million to the benefit of the Council.

On financing the Council's capital works programme, he said the Government had offered to complete, as a charge to General Revenue, all Urban Council items in Categories A, D and E of the Public Works Programme.

The total cost for these extra public works commitment would amount to \$25 million .

In addition, he said the Government would continue to be responsible for such larger and more technical projects as abattoirs, stadia, museums and civic centres.

/He also .....

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He also promised the Council that, in the event of any error in the calculation or any unforeseen developments which should have been taken into account in launching the Council, he would seek the agreement of the Legislative Council for the provision of appropriate financial assistance -- either by way of an adjustment in the rate or by way of a grant.

Further more, he added that the Government would pay the Council an initial "pump-priming grant or dowry" for spending on capital or recurrent items.

This sum would be subject to the approval of the Finance Committee of the Legislative Council.

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Release time: 9.00 p.m.



HONG KONG GOVERNMENT

**INFORMATION SERVICES****DAILY INFORMATION BULLETIN  
SUPPLEMENT**

Wednesday, February 14, 1973

## STATEMENT BY FINANCIAL SECRETARY

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The Hong Kong dollar has been revalued in relation to the U.S. dollar, so that its present gold parity will remain unchanged.

Announcing this decision by Government, the Financial Secretary, Mr. C.P. Haddon-Cave, said that the new central rate between the Hong Kong dollar and the U.S. dollar will be HK\$5.0850 = US\$1. The upper and lower limits within which the foreign exchange market can operate will be HK\$4.9706 and HK\$5.1994. "This fully reflects the ten percent devaluation of the U.S. dollar announced yesterday" he added.

Commenting on the decision, Mr. Haddon-Cave said, "Following a careful and detailed consideration of all the factors involved, we have come to the conclusion that there is no justification for, and no real advantage in, any devaluation of the Hong Kong dollar.

"This is also the view that has been taken of their own currencies by most Western European countries and by Malaysia and Singapore. In addition, the Japanese yen is floating upwards and has already effectively revalued against all other currencies and by more than ten percent against the U.S. dollar" he said.

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"These moves have all been made in a concerted effort to bring more order into the international monetary system and to set the scene for the opening of a new round of multilateral trade negotiations in the autumn.

"As an important trading centre Hong Kong must also play its part in this stabilising process from which we can in turn expect to receive significant benefits" Mr. Haddon-Cave added.

Turning to the effects of these developments on Hong Kong's own trading position, the Financial Secretary said that, although the prices of our imports from Japan can be expected to rise to some extent this should be offset by cheaper imports from the United States and perhaps a few other countries. "Our export position should not be seriously affected" he said, "particularly since there will be no change in our exchange rates with most Western European countries, which together make up a growth area for our trade. It will be more difficult to sell to the United States but, as these new arrangements are intended to correct the large deficit in the U.S. balance of payments, most countries will be similarly affected. Furthermore, textiles account for over 40% of our exports to this market and these are, in any event, limited by quota", Mr. Haddon-Cave said.

"Generally speaking" he said, "Hong Kong should continue to maintain a strong trading position."

Commenting on the effects of the decision on the general level of prices within Hong Kong the Financial Secretary said, "As we estimate that the net effect on our import prices

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is likely to be neutral there should be no increase in our cost of living as a result of these moves. In particular, we do not think there will be any increase in the prices of our substantial imports of food and consumer goods from China.

"This was one of the major factors influencing the decision today" he said.

Concluding, the Financial Secretary said: "We have a fully employed economy and our national income is growing at a rate which demonstrates the underlying strength of the Hong Kong dollar. Continuing economic progress can best be achieved in conditions of stability both internally and in the international trading environment in which we operate. I have no doubt, therefore, the decision we have taken today is the correct one."

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