

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**IN THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 10 OCTOBER 1979
IN THE
TWENTY-EIGHTH YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER
Wednesday, 10 October 1979
The Council met at half-past two**

PRESENT

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

THE HONOURABLE THE CHIEF SECRETARY
SIR JACK CATER, K.B.E., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY
MR. CHARLES PHILIP HADDON-CAVE, C.M.G., J.P.

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

THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR. LI FOOK-KOW, C.M.G., J.P.

THE HONOURABLE DAVID HAROLD JORDAN, C.M.G., M.B.E., J.P.
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

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

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

THE HONOURABLE DAVID WYLIE McDONALD, C.M.G., J.P.
DIRECTOR OF PUBLIC WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, C.M.G., J.P.
DIRECTOR OF EDUCATION

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

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

THE HONOURABLE THOMAS LEE CHUN-YON, C.B.E., J.P.
DIRECTOR OF SOCIAL WELFARE

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

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

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

THE HONOURABLE JOHN CHARLES CREASEY WALDEN, J.P.
DIRECTOR OF HOME AFFAIRS

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

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

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

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

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

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

THE HONOURABLE JOHN HENRY BREMRIDGE, O.B.E., J.P.

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

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

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

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

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

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

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

THE HONOURABLE LEUNG TAT-SHING, O.B.E., J.P.

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

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

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

THE HONOURABLE CHARLES YEUNG SIU-CHO, J.P.

DR. THE HONOURABLE HO KAM-FAI

THE HONOURABLE ALLEN LEE PENG-FEI

THE HONOURABLE DAVID KENNEDY NEWBIGGING, J.P.

THE HONOURABLE ANDREW SO KWOK-WING

THE HONOURABLE HU FA-KUANG, J.P.

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

ABSENT

THE HONOURABLE EDWARD HEWITT NICHOLS, O.B.E., J.P.
DIRECTOR OF AGRICULTURE AND FISHERIES

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

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

IN ATTENDANCE

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

Affirmation and Oath

HIS EXCELLENCY THE PRESIDENT:—We have an affirmation and an oath.

Mr. HU made the Affirmation of Allegiance and assumed his seat as Member of the Council.

Mr. WONG took the Oath of Allegiance and assumed his seat as Member of the Council.

Valedictories

HIS EXCELLENCY THE PRESIDENT:—Before starting the business of a new session, I would like to pay a tribute to the contribution made to the work of this Council by Mr. WU and Mr. Hilton CHEONG-LEEN who have just retired.

Mr. WU has a distinguished record of public service and he continues to be an active member of the many public bodies. He will be remembered in this Council for the many contributions he made to debates on trade and industry during his seven years of membership. His knowledge and experience as a leading industrialist were particularly valuable and we shall certainly miss his shrewd advice.

Mr. Hilton CHEONG-LEEN has served in this Council since 1973. He had a very wide experience of social affairs and he brought this to bear through interventions over a very wide range of subjects. In fact, seldom was his name missing at question time. He has been elected a prominent member of the Urban Council since 1957 and, I am sure, will continue to play an important part in public life to the benefit of Hong Kong. I know all Members will join me in expressing gratitude to Mr. WU and Mr. CHEONG-LEEN for their contributions to the work of this Council.

MR. CHEUNG:—Sir, my Unofficial Colleagues whole-heartedly join you in the tributes you have just paid to Mr. WU and Mr. CHEONG-LEEN.

I will remember Mr. WU in particular for the constant pleas he made on behalf of the industrial sector for diversification, for upgrading of products, for increased productivity, for the establishment and support by Government of a research and development centre to match the efforts of our competitors, and for the pleas he made for the convenient passage of container trucks and their accommodation in new towns, and for his reminders from time to time that the high cost of industrial land was blunting our competitive edge.

Mr. CHEONG-LEEN's main concern was for social justice, and sprang, I think, from his sympathy and compassion for the under-privileged, hence his many contributions on their behalf in this Council.

Like you, Sir, I believe both Mr. WU and Mr. CHEONG-LEEN will have many opportunities for public service in the future, and we wish them further success and distinction in their new endeavours.

Address by H.E. the Governor

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HIS EXCELLENCY THE GOVERNOR:—

INTRODUCTION

Welcome to new Members

1. I should like to start with a special word of welcome to our two new Members. Their appointment involves membership of two interlocking bodies—this Council and the organization known as Unofficial Members of Executive and Legislative Councils—UMELCO.

The Legislative Council and UMELCO

2. The Legislative Council itself has the final word on legislation and expenditure proposed by the Government: all Unofficial Members are members of Finance Committee which has sub-committees dealing with public works and establishment.

3. UMELCO is a body unique to Hong Kong. Working groups of members study all aspects of Government business, and receive and consider representations by the public about legislation or other action proposed or taken by the Government. This is vital and time-consuming work. UMELCO is supported by its own secretariat, and its members perform a key role in receiving, and acting on, complaints and enquiries from the public. In a more formal way, they do the same thing through membership of the UMELCO Police Group and the UMELCO Committee on Complaints against the ICAC; and in these, they monitor and keep a particularly close check on how the public's complaints in these two fields are handled.

4. There are many channels for complaints by the public, including, of course, complaints officers in most departments, and these are essential parts of the whole system of communications between governed and government in the particular circumstances of Hong Kong, and I will return to this theme later on in my speech, but the importance of the means of redress available in UMELCO cannot be emphasized enough. I am glad to say that they are well used.

5. There may have been far-off time when Hong Kong was a comparatively small and uncomplicated place, and membership of this Council made smaller demands on the time and energy of members. But now it involves a task which is as arduous as it is important. It calls for a commitment to the community which can be sustained only by people who are both highly motivated, and who can contribute, from amongst their membership, a very wide spread of personal experience and professional expertise. At the opening of this session I would like to thank all Members for the dedication with which they approach their task, and the immense contribution they make to the good government of Hong Kong.

Theme of the Speech

6. The year I now review has been an unusual and in some ways rather an exciting one. Because of improved Sino-British relations over Hong Kong, but also because of the influx of refugees from Vietnam, Hong Kong has attracted considerable international interest, and been obliged to play a part in international affairs—albeit a very small part, and under the aegis of the United Kingdom Government. We are used to this in the commercial field, but in the political field it has been a new experience. We have had a massive inflow of permanent immigrants from Guangdong and other provinces. We have reinforced the garrison. In addition we have had the Vietnamese refugees who are transients, but whose administration has been a heavy additional burden. These alarms and excursions have been executed against an economic background which has been a constant source of both anxiety and relief. As so often in Hong Kong some hopes have been dupes and some fears have proved liars. The situation was very well described by the Financial Secretary in his mid-year review. In spite of the buoyancy of exports, on which in the final analysis we depend, there are elements of disequilibrium in the economy which are dangerous and which your Government is trying to correct but so far without complete success. I would put it like this: we have a new problem—learning how to live with prosperity without the erosion of social priorities on the one hand or economic prudence on the other.

7. With all this in the headlines one might be excused for an impression that in all other fields your Government had been marking time. But in fact the bulk of our programmes of social advance are on target and broadly speaking only when capital works have been involved has some rephrasing been necessary, although even in this field it looks as if there will be an increase of 7% in real terms over last year. Although this 7% must be seen in the context of a 25% increase in real terms in 1978 and 42% in 1977, it is symptomatic of the urgency of need for such works that even this substantial increase has been cause of considerable frustration and disappointment.

8. The order of my speech will be to deal with various items of special interest, then review our economic and financial situation, and against this background indicate what it has been possible to do this year and what we hope to do next.

SINO/BRITISH RELATIONS

9. Sino/British relations still further improved during the year, including relations over Hong Kong. Chairman Hua Guofeng will visit the United Kingdom later this month—the first visit of this sort by such a senior Chinese leader. Locally, there are many examples of the excellent state of our relations. During the past year communications between Hong Kong and Guangzhou by rail, air and sea, have all greatly improved. We hope that air links with other cities will also improve during the year ahead. Water supplies have been usefully and significantly increased. A new agreement

on water supplies was signed last November, and we look forward to further talks with the water authorities in Guangdong on how to meet increased demand in the longer term. I myself and Sir Yuet-keung KAN were invited to meet leaders in Beijing and Guangzhou and had talks with them. These, like subsequent remarks by Chinese leaders, reflected a positive view of Hong Kong's role in China's modernization programme which was both constructive and encouraging.

10. All this has to be seen against the background of the evolution and consolidation of the Chinese Government's new policies emphasizing modernization and economic development and providing for overseas investment. It is clear that the Chinese Government sees Hong Kong as playing a part in these programmes. Certainly Hong Kong is able to do so, and people in Hong Kong are willing to do so, and the process has started. Obviously there is a very special opportunity and need for investment in Guangdong. It is important that both as a Government and as a business community we constantly bear these new possibilities in mind and study ways of advancing the process—consistent of course with what is commercially and in other ways acceptable.

IMMIGRATION

Vietnamese Boat Refugees

11. The question of Vietnamese boat refugees has aroused world-wide concern, culminating with the conference held in Geneva at the request of Mrs. THATCHER. The conference was a notable success but there is a danger that following it, international interest will decline or focus on some other Indo-Chinese issue while here in Hong Kong the problem remains very much with us, as the figures show. There are still 65,000 Vietnamese in Hong Kong awaiting overseas resettlement, more than the number of boat refugees anywhere else in the region. Most of these arrived during the first six months of this year. Since the Geneva Conference the rate of arrivals, here and elsewhere, has dropped significantly though some have continued to arrive. Resettlement from Hong Kong has been slow and only 12,900 have been resettled since the beginning of this year. However the rate has improved considerably since the Geneva Conference and we are now hoping to reach and maintain a monthly departure rate of at least 4,000. In the meantime, the UNHCR has agreed to cover the care and maintenance costs of all Vietnamese refugees in Hong Kong from 1 September. Up till this date the direct recurrent and capital costs incurred by your Government amounted to \$66½ million.

12. If there are no further large scale arrivals of refugees we can hope that the problem will gradually diminish over the next year or so. This, of course, depends on the many receiving countries continuing and increasing their efforts, and on Hong Kong getting its fair share of resettlement places.

13. It also of course depends on the outward flow not restarting. If it does, it would only be as the result of a deliberate and callous decision by the Vietnamese Government. Their ability to control this movement was amply proved when they stopped it at the time of the Geneva Conference.

14. I should like to record this Government's thanks to the voluntary agencies and individual people who have done so much to assist in the administration of these refugee camps. Also I think we are all proud of the way that the many Government departments involved reacted to this sudden challenge.

Chinese Immigration

15. The Vietnamese refugees have no claim on Hong Kong, for the most part do not want to stay here, and are simply transients. As ill luck would have it their arrival coincided with a surge of movement into Hong Kong from China. In the twelve months from 1 October 1978 to 30 September this year, about 83,000 have entered Hong Kong legally—almost all of them nominally on visits—but only 3% have returned. The daily arrival rate reached a peak of 310 for the month of December and is now averaging 170. It is disappointing that this figure has not continued to drop as we hoped it would and as we were assured it would. It compares with a more acceptable average of about 65 a day between 1975 and the end of 1977.

16. The number of illegal immigrants who have been arrested and returned to China so far during the same period is about 60,000. The large number arrested reflects great credit on the Security Forces, but in spite of all their efforts, the number of those who have succeeded in entering and joining the Hong Kong population remains high. Probably from 1 October 1978 to 31 August this year it was about 96,000.

17. We have sought to solve these problems by consultation with the Chinese authorities and also by reinforcing the garrison and strengthening our other anti-illegal immigration measures. The Chinese authorities took highly effective action against illegal movement into Hong Kong in June and July and the arrest rate dropped from a peak of 465 for the month of May to 20 per day in July. However the improvement has slipped significantly and arrest rates have climbed back to an average of 180 a day in September.

18. There are some in Hong Kong who insist that this level of legal and illegal movement represents a deliberate policy of diluting living standards in Hong Kong and disposing of under-employed population in Guangdong. I do not think so. I believe that the difficulties of the Chinese authorities in restricting the flow are genuine. Nevertheless we cannot disregard the effect of what is happening. Hong Kong is set on a course towards becoming a high technology and relatively high wage economy, with industry steadily becoming more sophisticated and therefore more capital intensive. I believe it is in the interest of contributing to the modernization programme of the Chinese Government, as well as in the material and social interest of the people

of Hong Kong, that we should continue on this course, just as it is essential that our plans for improvement in housing conditions, education and medical and other services should succeed. To do so we must have a reasonable degree of population control. Since 1 January 1978 our gain by legal or illegal immigration from China has been of the order of 230,000, nearly a quarter of a million and the new rash of squatter huts on the hillsides is there for all to see. Whatever the reasons for the recent influx of new arrivals from China, a marked reduction in both legal and illegal immigration is now essential.

Reinforcement of the Garrison

19. Reinforcement of the garrison is an unusual event in peaceful Hong Kong. It was entirely due to anti-illegal immigrant operations. By the beginning of June all resident units of the garrison were committed and at full stretch and the Royal Hong Kong Regiment and Auxiliary Police were partially mobilized.

20. This situation was not sustainable, and in spite of their other commitments Her Majesty Government agreed to provide reinforcements.

21. These started to arrive in Hong Kong from 24 June. The principal elements included one U.K. battalion, two companies of Gurkhas from Brunei, helicopters, some naval craft, and supporting staff.

22. In combination with the action taken by the Chinese authorities, reinforcement and the excellent work done by both garrison and police, undoubtedly achieved their immediate purpose of bringing about a swift reduction in the numbers of illegal immigrants which started in late June.

23. We are determined to maintain our increased effort round our entire land and sea perimeter, and we have recently brought out a military hovercraft and both large and small fast patrol craft to augment the present strength. Moreover nine new large police launches have been ordered and will be commissioned within the next year. There will also be such a considerable increase in the number of Gurkha troops available to us by November that it will make possible the withdrawal of the extra U.K. battalion. Immediate further reinforcement will of course continue to be available at very short notice from Brunei if we need them. But I personally believe that the key to this problem lies in Guangdong.

LAW AND ORDER

24. Now I should like to deal with a series of subjects under the heading of law and order.

Narcotics

25. The success of our campaign against drugs addiction continues. International co-operation, improved interdiction by both the Customs Service and the Royal Hong Kong Police, voluntary and compulsory treatment of

addicts, and public education, have all played their part. But this year failure of the poppy crop in the Golden Triangle has also had a dramatic effect. The combination of all these factors has increased the price of heroin in Hong Kong by 500%.

26. The various agencies co-ordinated by the Action Committee Against Narcotics are attempting to seize this opportunity. Attendance at voluntary methadone clinics has increased by 80% since January, and the figure of addicts in daily treatment, rehabilitation, or after-care, has risen to 15,000. This is a good figure since we are satisfied that there are now less than 50,000 addicts in Hong Kong.

27. These figures reflect something of a windfall. But there are indications also of steady progress. The number of persons entering institutions of the Prisons Department found to be addicted dropped from 5,400 in 1973 to 4,700 in 1976, and is likely to be about 2,000 by the end of this year. Similarly the number of those under 21 treated in drug addiction treatment centres has dropped from 260 to 186 and to 65 this year. This is the trend for which many have worked long and hard.

The Police, Reorganization and Consolidation

28. The strength of the Royal Hong Kong Police Force expanded by 48% between 1973 and 1978. During the past twelve months the expansion has been 5% and this reflects the phase of consolidation and concentration on improvement of command and management, recommended by the Home Office Inspector of Constabulary, Mr. James CRANE, in 1978.

29. When he returned in April this year he found much done and the Force in better shape, with improved communications between the senior and junior ranks of the Force, and a better management structure. But much yet remains to be done, particularly in the areas of welfare and practical administration.

30. I am determined that as room can be found in the capital works programme the conditions for both work and recreation of the police will be improved. Over the last 20 years they have regrettably declined in comparison to, say, the armed forces. Much can be done to improve present conditions given time and a reasonable degree of priority.

31. However the issue of most concern to the police at present and to other disciplined services, is pay. This is being looked at by the Standing Commission on Salaries and I should hope to have its recommendations very soon.

32. The Force is an exceptionally young one, and the burden of supervision placed on older and more experienced officers is proportionately great. There is no real way round this problem except time. But to ease the burden training facilities, including in-service continuation training, have been considerably extended.

Crime

33. The level of violent crime rose rapidly in the late sixties and early seventies to a peak at the end of 1973. At the beginning of 1974 robberies (a good indicator of the level of violent crime) were being reported at the high rate of 40 a day; thereafter as the campaign against violent crime gained momentum, the figure dropped steadily to a daily average in 1978 and earlier this year of only 16.

34. This was a notable success for the police and indeed for the community. However in recent months there has been a sharp increase to about 30 a day. There is no doubt this is related to the high price and shortage of drugs I have referred to already. The police have reacted quickly and the increase appears to be held. The problem now is to force it back again.

Public Co-operation

35. The increase in co-operation between public and police in general efforts against crime, particularly through Fight Crime and Mutual Aid Committees, continues. Of the total number of arrests of criminals in 1979 around 10% were effected by the public which is surely an extraordinary figure. The fight against crime cannot be a matter for the police alone. The Force can be relied on to take action whenever criminal activities are reported to them but to be really successful they must have the support of the community and this they increasingly have.

The ICAC

36. Since the ICAC was set up we have come a long way in the fight against corruption. The greatest danger is complacency, and the Commissioner Against Corruption keeps reminding me that we have a long way to go before we in Hong Kong have any right to be complacent. There are no signs of a revival of the large corruption syndicates, but there is plenty of evidence of corrupt individuals and groups operating within the public service, the scheduled bodies and in private firms. Consequently widespread and intense investigations continue to be conducted. These are greatly assisted by the number of individuals both from the public and from within the public service prepared personally to report corruption to the Commission. Though old attitudes die hard, the ICAC's relationship with the police is improving and closer operational liaison is being built up.

37. The essential now is to maintain and consolidate the progress being made. Once corruption was on top of us—or nearly was; now with the help of the ICAC and many other organizations we are on top of it. But it is still alive, still dangerous, and only constant vigilance will wear down its ability to harm us. This you can rely on your Government to do. It is not a fight in which we will ever tire.

Prisons Department

38. The influx of Vietnamese refugees and illegal immigrants from China pressed very hard on the Prisons Department, which has been called on to provide accommodation at short notice, and sometimes to the detriment of long cherished plans. Although for most refugees alternative accommodation has now been provided, they still occupy Victoria, Chi Ma Wan and Cape Collinson. And in addition 120 prison staff were seconded to help administer other refugee camps, which they did with marked success.

39. The Department now has inmates in excess of 6,000 and this compares with about 6,600 in 1978 or 7,000 in 1974—in spite, I am glad to say, of an overall population increase of 14% during this period.

40. But the increase in numbers of long term prisoners and high security prisoners is a continuing problem and additional special accommodation is of increasingly high priority.

41. The programme to expand prison industries is proceeding satisfactorily now that most of the key specialist staff have been appointed.

42. An amendment to the Criminal Procedure Ordinance will be introduced to provide for compulsory supervision for young persons discharged from prison. This will be in addition to existing aftercare schemes for former inmates of detention centres, training centres and drug addiction treatment centres.

*ADMINISTRATION**Urban Administration*

43. I spoke earlier of the vital role played by members of UMELCO in their various capacities, as a communications link between Government and governed. Urban Councillors, in this sphere, of course play an important part too.

44. Your Government is very conscious of the need to be in day to day touch with public opinion and to respond to constructive criticism in drawing up its policies and programmes. A very great deal of thought and effort is put into seeking out and anticipating the views of people outside the Government.

45. One method is our consultative system. This operates through committees on which officials and unofficials sit together to confer on public affairs. It is well known, well tried, of long standing, and at its best produces a very healthy interchange of ideas.

46. But over the last 10 years your Government has paid increasing attention to the views of the man-in-the-street on public affairs generally and in particular towards policies and programmes that are likely to have a disruptive effect on his daily life. The very urgency with which we press

forward our programmes imposes upon us an obligation to ensure that the impact of these upon individual people is considered, and dealt with in a way that has broad public consent.

47. It was to meet this need for better communication with the general public that the Government established the ten City District Offices on Hong Kong Island and in Kowloon in 1968; this was an entirely new concept in urban administration. By setting up shop-front offices, staffing them with easily approachable officials, the Government's aim was to get a better understanding of the ideas and aspirations of ordinary people, and offer them practical advice and assistance in resolving their personal problems.

48. The scheme was popular with the public from the outset, and last year well over three million people sought advice or help at the City District Offices. It was from these same offices that the Area Committees and the Mutual Aid Committees were started. These have played a most valuable role in involving the community in the fight against dirt and crime; they have also notably assisted people in adjusting to life in high-rise housing estates, and provide a large new cross-section of opinion easily accessible to District Officers.

49. The District Officers and their staff with their extensive contacts with people and organizations at district level are in very close touch with community feeling and their knowledge is used to ascertain public attitudes towards Government policies. It is now standard practice within the Government that the anticipated community repercussions of any major policy proposals are subject to an independent assessment by the Home Affairs Department. And this work goes on quietly day in and day out throughout the year.

50. For its part the Information Services Department researches editorial opinion and reports published in the news media to assist with the assessment of public opinion and public reaction which the Government needs to guide its policies. But we must be constantly looking for ways of improving our system of consulting the public and constantly reassuring the public that its views are taken into account when policies are formulated and actions decided upon.

51. It was also one of the objectives of the CDO Scheme to monitor the performance of Government departments in the urban areas at the district level and to ensure that action would not go by default as a result of unsatisfactory co-ordination. Unlike the New Territories which had always been administered on a regional basis with the District Officers acting as a focal point for planning and co-ordination, the urban areas of Hong Kong and Kowloon had largely been served by departments that directed their field operations from centrally located offices.

52. In spite of the good work that has been done since 1968 to achieve better co-ordination of Government effort. I think the time has come to

attempt a more unified approach by departments to their work in urban regions and a clearer perception of what the local needs of a particular area are—whether this is a district, or group of districts, or even part of a district.

53. Your Government therefore proposes, as a first step, to strengthen the City District Office of Kwun Tong in much the same way as District Offices in new towns were strengthened by the creation of Management Committees. As in the new towns the object will be to ensure that the total Government effort in that area is better co-ordinated and directed to the needs of those who live there, and secures quicker action in resolving local problems. It will also be our aim to achieve, as in the new towns, involvement of a wide cross-section of responsible leaders in the process of advising, warning and stimulating the Government about administration in their own area. This will mean reviewing existing consultative systems in the Kwun Tong District.

54. I wish to make it clear that this development is not intended to and will not be allowed to encroach upon the work of existing statutory authorities working in the Kwun Tong District, including of course the Urban Council. Its objectives will be simply to ensure quicker regional co-ordination of Government programmes, works and administration, and arrangements to consult Kwun Tong people about them.

55. If, as I hope, this scheme is successful we will extend it to other areas.

New Territories Administration

56. In the New Territories this local focus for administration and consultation is already becoming well established. The Town Management Committees bring together all departments concerned with the development and maintenance of a new town and so achieve a local approach. This seems to me entirely right. Hong Kong now includes too many towns and distinctive areas of too great a size and of too much individuality for local needs and aspirations to be met from centralized departments without strong local representation.

57. The District Advisory Boards have been providing the Management Committees with a forum for local consultation since 1977. These Boards have established for themselves a full and increasingly important role in local administration, and they are also bringing together the traditional inhabitants of the New Territories and the large number of newcomers. The Heung Yee Kuk has continued to make a valuable contribution in representing the views of the New Territories people as a whole, and the participation of Heung Yee Kuk members in the District Advisory Boards has strengthened their usefulness.

58. New Management Committees have been set up in Sha Tau Kok, Lamma, Cheung Chau so as to extend the concept of local co-ordination to other areas which I hope will soon cover all the residential areas of any significance throughout the New Territories.

59. In addition to the consideration of all major expenditure affecting their districts, perhaps the most striking contribution of the District Advisory Boards has been the leading role they have played in art, culture and recreation. With the funds available to them supplemented by local contributions they have greatly encouraged local participation and interest. The Tsuen Wan Arts Festival, the Tuen Mun Week and the Sai Kung Festival have been the major programmes organized in this way among many hundreds of other events, and these activities are helping to fill the recreational and cultural vacuum about which I spoke at this time last year.

Legal Advice, Duty Lawyer, and Lay Assessors Schemes

60. I reported last year about some new developments in our legal system aimed at a better understanding of the law and a better administration of justice. In a sense these parallel in the legal field the efforts I have described in the administrative field to improve understanding between government and governed.

61. The Free Legal Advice Scheme on civil matters started in November 1978 in the City District Offices of Eastern and Mong Kok, administered by the Law Society and the Bar Association and subvented by Government. The scheme has proved very popular. Up to the end of August over 1,000 people have obtained advice and assistance in the two centres which are served by 150 lawyers on a roster basis with assistance, enthusiastic assistance, from law students from the University of Hong Kong. A third centre will soon be opened in north-east Kowloon.

62. The Law Society and the Bar Association also administer the Duty Lawyer Scheme. It started in January of this year initially in three Magistracies, one on the Island and two in Kowloon. It is served by about 100 practising solicitors and barristers and has provided assistance to some 2,850 persons during the first eight months. The scheme has quickly established a reputation for fair and honest representation of defendants' interests and very few defendants have declined to use it. A review will be undertaken towards the end of this year to see if expansion is required.

63. As regards lay assessors, about 200 persons from a variety of social backgrounds have been appointed at the beginning of this year. Being bilingual and well-equipped with knowledge of local custom and traditions and current community feelings, these assessors have sat with expatriate magistrates hearing cases involving dangerous drugs, robbery and burglary, theft, common assault and traffic offences. Many more are needed, and we will continue to invite those willing and capable to come forward to join us in this very useful venture.

64. I should like to congratulate members of the legal profession on the success of these schemes and on giving so generously of their time. Taken in conjunction, and perhaps expanded, these schemes should help to bridge

the psychological gap that lies between much of the population and the procedures of British Law.

The Public Service

65. I referred last year to the very great pressures on the public service as a result of the rapid expansion of Government's activities, and said that we intended to make a particular effort to improve staff management. I believe we have made a good start.

66. The biggest single hindrance to better management was the lack of adequate machinery for resolving the pay and structure problems of a service which, with 130,000 staff in 629 different grades in 48 separate departments, had by any standards become extremely large and complex.

67. In considering how best to tackle these problems we were mindful of the fact that arrangements which have worked well in other countries might not do so in Hong Kong. We needed therefore to think in terms of a homegrown solution to home-grown problems. The outcome was the setting up in January of the Standing Commission on Civil Service Salaries and Conditions of Service. It represented a major institutional advance. It is a key feature of the Commission that while neither staff side nor the management sits on it, both have the right to be heard by it.

68. Thanks to the indefatigable leadership of Sir Y. K. KAN, and the able efforts of his fellow Commissioners, the Commission's first major report on Principles and Practices Governing Civil Service Pay has already been received and accepted by the Government. It is now certain that the Commission will have completed its second major report on civil service pay by the end of this month, that is within the first nine months of its life and this is a remarkable achievement by all concerned.

69. The setting up of the Standing Commission has stimulated staff consultation, and there is now a much more satisfactory dialogue between staff and management than a year ago. It is important that we go on improving consultative arrangements, and I am glad that the Standing Commission expects to study this in depth and report next year.

70. On staff management generally there has been a great deal of heart-searching at all levels in the public service. Much remains to be done, but already many departments have improved such things as communications with staff, career development, discipline and general supervision. The Staff Relations Division of Civil Service Branch has likewise expanded its contacts with all levels of staff.

71. In May this year we completed our review of arrangements for housing civil servants. We concluded that as a good employer we should aim at assisting all permanent civil servants who can reasonably afford it to purchase their own homes. A consultative document setting out the Government's proposals for home purchase allowances has already been issued to the whole

service and the views of staff are now awaited. This may not be the best time to launch a home purchase scheme, but it is in my view important that we make a start as soon as practicable. The Government is determined to develop a practical scheme for the benefit of as many staff as possible.

72. Before leaving the subject of the public service I should say that it seems to me, in retrospect, that in our anxiety to press ahead with the expansion of Government activities we have probably paid insufficient attention to the needs of the public service itself. To rectify this requires both a new psychological approach, and new machinery—that is to say the Standing Commission. We intend to use both.

73. I am well aware of the many and varied pressures under which the civil service has to work and I am grateful for the loyalty and hard work of all those who have overcome the pressures and got on with the job so enthusiastically during this past year.

CULTURAL AND LEISURE ACTIVITIES

74. The encouragement of cultural and leisure activities is now accepted by your Government as a major obligation in the circumstances of Hong Kong. Last year I referred to the work done by the Government, the Urban Council, and voluntary agencies to stimulate interest in the arts, leisure time activities, and sports and I mentioned the extraordinary speed and breadth, and popularity of this development. This has continued and I will not go over the list again this year except, out of the many items, to mention three which have made exceptional progress.

75. The first is the Youth Instrumental Music Training Scheme organized by the Music Administrator's Office under the general supervision of the Director of Education.

76. This aims firstly to develop the instrumental skills of young people with which Hong Kong is richly endowed. The scheme has expanded rapidly and a total of 266 classes are now held weekly. Seven youth orchestras, both Chinese and Western have been organized by this office and two of these have just completed a tour of 17 cities in Great Britain and France. They won golden opinions both as musicians and as ambassadors for Hong Kong. Its second aim has been to bring music to as wide a cross-section of the population as possible, and as anyone who has attended its quadruphonic open air concerts will know, there is nothing muted about its approach to this brief. This is a relatively new development from which I hope many people will draw enjoyment and which should do much for Hong Kong's proficiency and reputation as an artistic centre.

77. The second item is the impressive development of our Recreation and Sport Service. From small beginnings at the end of 1974, when the Service only included only 9 professional staff, it has grown to an establishment of 135 professional officers, and hundreds more part-time staff to help to run the various programmes.

78. Some 350,000 participants annually now take part in over 2,700 projects, ranging from the very popular camps, excursions and other outdoor pursuits, to fitness programmes, team and individual games, and including such “growth” areas as dance, ice-skating, horse-riding and archery.

79. The third item I wish to mention is our country parks. To meet a very healthy demand the Country Parks Authority has completed its designation programme eighteen months ahead of schedule, and 21 country parks have been established covering almost 40% of Hong Kong’s total area.

80. This designation holds the line, it prevents enjoyment of the attractions of these areas being pre-empted by development except after defined processes of consideration. The Authority’s management infrastructure is being steadily expanded so as to meet the challenge of how to protect and keep undefiled, as well as to develop, beautify, and encourage the proper use of these great areas. If imaginatively developed and properly used and maintained, these parks should be one of the distinctive features of Hong Kong.

81. The speed of development in the cultural and leisure activities organized by your Government, and the dramatic growth in their popularity, have led us to consider the administrative structure required. The Recreation and Sport Service and the Music Administrator’s Office have their separate objectives but underlying the work of both is the creation of community spirit through provision for communal leisure time activities. Both were temporarily housed in the Education Department. It has now been decided that the Secretary for Home Affairs, who is already responsible for Government’s overall policy on the development of culture in Hong Kong, will take into his Branch, executive control of both the Recreation and Sport Service and the Music Administrator’s Office. Later a new executive department may be considered. As part of this rearrangement, the Secretary for Home Affairs will also take over the policy aspects of recreation in country parks so that all recreation policy will become the responsibility of one Secretary. But there will be no change in the arrangements for the administration of the country parks which are working so well.

LABOUR

Legislation

82. During the last session several amendments to the Employment Ordinance were enacted, including widening of its coverage to protect more non-manual workers; tightening of the provisions dealing with paid annual leave; extending the present minimum age of 14 for employment in the industrial sector to the non-industrial sector as from last month, and raising the minimum age of employment in all sectors of employment to 15 with effect from September 1980. These last two changes were made to coincide with the introduction of compulsory junior secondary education.

83. The phased programme to prohibit overtime for young persons aged 16 and 17 in industry will be completed by January 1980, but I am advised that the effect on industry will be minimal.

84. The recommendations of the working party set up to review the Workmen's Compensation Ordinance are being considered by your Government, and the more urgent proposals will be put to you during this session.

85. The silicosis compensation scheme approved by this Council last year has proved unexpectedly difficult to implement, and details of a revised scheme have just been finalized and amending legislation will be introduced.

Industrial Safety

86. A word about industrial safety. Its state is something of which we cannot be proud. The Government's responsibility is to enact and enforce safety legislation and to undertake safety education; the employers' responsibility is to provide a safe working environment and to instruct their employees in safe practices; the workers' responsibility is to abide by safety rules and to use safety equipment provided for them. The Government is playing its part by progressively enacting the necessary legislation and improving the effectiveness of its enforcement machinery, but it is essential for employers and workers too to play their respective roles in order to reduce the unacceptably high number of industrial accidents.

Industrial Training

87. The importance of a comprehensive scheme of industrial training is recognized by both your Government and industry. But we must get the method of financing right. The advice of the Advisory Committee on Diversification has therefore been sought on the Training Council's proposal to finance training through a general levy.

ECONOMIC AND FINANCIAL

The Public Finances

88. Before reviewing our economy I will describe very briefly the state of our public finances. Revenue collections so far this year have exceeded expectations at the time of the Budget and are forecast to surpass the original estimate. But any increased revenue will be absorbed in meeting increased expenditure on both the recurrent and capital accounts. Additional expenditure, which was not provided for in the Estimates, is being incurred as a result of the 1979 civil service salary awards, and the introduction of higher public assistance rates. Payments under the Defence Costs Agreement have also risen following pay awards to the armed services and as a result of the appreciation of sterling.

89. In countering illegal immigration from China and dealing with the inflow of refugees from Vietnam it has been necessary to undertake considerable

commitments not foreseen when the Estimates were prepared. This has included reinforcement of the garrison, additional staff for the Immigration Department, the replacement of police launches, and the provision for refugees.

90. On capital account, total expenditure on the Public Works Programme is likely to be about 25% greater than provided for in the Estimates, and this is due to some additional commitments on such things as refugee camps as well as to substantial increases in construction costs.

91. While a surplus is still expected it is not possible to say at this stage how closely it will coincide with that provided for in the budget.

The Economy

92. In 1978, the economy experienced double digit growth for the third year running. After allowing for inflation, the growth rate of our gross domestic product was 17% in 1976, 12% in 1977 and 10% in 1978, and this is remarkable and unmatched by most economies in the world. As this performance was achieved against the background of an increasing shortage of labour, labour benefitted through substantial increases in wages.

93. However, three years of rapid economic growth created problems for the economy, and by 1978 these problems had become matters of concern. With the growth rate of demand, particularly domestic demand, exceeding the growth rate of the economy's output, the rate of imports accelerated more rapidly than the growth of exports. Thus, our visible trade deficit widened and the exchange rate of the Hong Kong Dollar depreciated. Inevitably this depreciation led to increased prices for imports which, together with excess demand, threatened to accelerate inflation. Furthermore, there was a shift in the distribution of resources away from the manufacturing sector. Reflecting all these problems, during 1978 growth rates of the money supply and of bank loans were getting increasingly out of line with those of the other economic aggregates. Whilst market forces would in time correct these tendencies, by the end of the year, it was apparent that some form of intervention to help the adjustment process was necessary.

94. Thus we entered 1979, and various measures were taken in this year's Budget to help to slow down the growth rate of overall demand to a level more consistent with the growth rate of the economy's output, and to do so in such a way as to facilitate a relative shift in the distribution of resources back to the manufacturing sector. These included a slow down in the growth rate of Government spending particularly with a view to easing pressures on the building and construction industry.

95. Steps were also taken to influence the monetary aggregates so that they grew in a manner consistent with our economic circumstances, and these included:—measures to reduce the amount of Government balances that could be on-lent by banks; powers to alter minimum liquidity ratios; and the raising of interest rates.

96. To reduce overall demand in an economy like Hong Kong's in which the size of the public sector is relatively small, clearly it is the action of the private sector that is important. Nevertheless a contribution by the public sector was essential for macro-economic reasons, and because the public sector does have a significant influence on demand, particularly in the building and construction industry. The growth in public works had been so rapid as to outrun the building and construction industry's capacity. The growth rate of Government expenditure was accordingly reduced from 25% in real terms in the period 77/78 - 78/79 to 7.5% in this year's Estimates. This decision was devised so as to leave relatively untouched the plans laid down in white papers for the expansion of education, medical and health services, and social services. But it bore down heavily on public works, because of their very rapid growth, because of cost inflation, and the over extension of the building industry. While expenditure on works continued to grow it was at a much slower pace, and many highly desirable projects had to be rephased. I should add that in this rephasing process very high priority was retained for housing and housing related projects and amenities.

97. All the evidence now indicates that in 1979 the tendency is for adjustment in the right direction. The growth rate of demand is more in line with the growth rate of the economy's ability to produce and so the growth rate of imports is slowing down. At the same time, our domestic exports are growing quickly—our exporters have done a magnificent job—so that the growth rate of total exports is now faster than the growth rate of imports, reversing the worrying trend in 1978. Thus our visible trade deficit has narrowed and this, together with higher interest rates, is helping to stabilize the exchange rate of the Hong Kong Dollar. Finally there has been a most welcome shift in the redistribution of resources back in favour of the manufacturing sector.

98. Reflecting these favourable developments, the money supply is now growing at a rate actually lower than the growth rate of the gross domestic product at current prices thus reversing the trend we witnessed last year. The growth rate of bank advances has also slowed down, though not yet sufficiently.

99. Nevertheless excess overall demand still persists with consequent pressure on prices. With world prices accelerating at the same time due, in part, to sharp increases in oil prices, consumer prices in Hong Kong are now increasing at around 11%. Building and construction costs are increasing at the extraordinary rate of no less than 30% to 40%.

100. So, while some of the economic problems that we faced are beginning to subside, some persist. In particular, inflation, both imported inflation and domestically generated inflation, is running at an uncomfortable rate. Imported inflation is something that we cannot avoid when world prices are accelerating. But there is also domestically generated inflation because demand is still out of line with the economy's output. It must be the object

of Government and business community alike to play their part in moderating demand before excess imposes its own painful remedy. For the private sector this involves the foregoing of some short-term profit for the sake of long-term stability and evenness of growth. This is a highly responsible community about important matters, and this is a situation which calls for responsibility by all.

101. Meanwhile, because of the very buoyant demand for domestic exports, it appears likely that the economy will record a growth rate in real terms as high as 12% in 1979 compared with the budget forecast of 7%. Although four years of double digit growth is, by all standards, remarkable, it has not been latterly all that it appears to be. One reason is the underlying situation of excessive demand to which I have referred. The other is because the likely growth rate of domestic product at around 5% in *per capita* terms in 1979 represents a slowing down from the growth rate of 7.8 in *per capita* terms in 1978 and will not be significantly different from what we expected at the beginning of this year despite the much faster than forecast growth rate of the economy. The reason is this year's influx of immigrants and refugees. Instead of a growth rate of around 2% for the population in 1979, we have had to endure a growth rate of a little over 5 per cent (excluding Vietnamese refugees) which is twice the rate experienced in the seventies.

102. Turning now to the outlook for 1980: economic prospects are uncertain, particularly as the economic outlook for the world continues to be dominated by the oil situation. Although present forecasts point to a much slower rate of increase in OPEC prices in 1980 than in 1979, there is no doubt that it will still have a substantial effect both on world inflation and on the growth rate of world output in 1980. What this will mean to Hong Kong will depend on a host of other factors; but with the growth rate of the volume of world trade in manufactures being forecast to slow down from 7% in 1979 to about 5½% in 1980, it is clear that the external factors affecting Hong Kong may be less favourable.

103. Against this background, it is difficult to take a view on the prospective demand for our products. The growth in our domestic exports to the United States will be only a meagre 3% this year, reflecting the sharper than expected slow down in the growth rate of the United States economy from 4% in 1978 to less than 2% this year. Recent forecasts predict that the gross domestic product in the United States in 1980 will slow down further to just about 1% although an upturn is expected towards the second half of the year.

104. At 4%, the economy of the Federal Republic of Germany is experiencing a higher than expected growth rate this year, but for next year, present forecasts point to less than 3%, and if this slowing down materializes, it may have implications for us.

105. Despite a sharp slowing down in the growth rate of the gross domestic product of the United Kingdom from over 3% in 1978 to only ½% in 1979, our export performance to this market is impressive. This is probably because consumer demand in the United Kingdom, though slackening is still growing at a rate of over 4%. But this is expected to slow down in 1980, so the present growth rate of exports to the United Kingdom seems unlikely to continue.

106. However, I am not pessimistic about our prospects in 1980. A slowdown in economic growth in our major markets may not necessarily mean there will be a similar drop in sales of the sort of things Hong Kong supplies. But it is true that our exports of textiles and clothing are now running very close to the limits imposed by quantitative restrictions and so such rapid growth in our domestic exports as this year should be difficult if not impossible. This of course means that trading up, and the search for new markets and new products must be unremitting.

107. On the other hand, there is the re-emerging role of Hong Kong as an entrepot. Although it is still too early to say conclusively that this development will continue, it would be prudent to assume that the re-export trade, together with the tertiary services in general and the financial services sector and tourist sector in particular, will become relatively more important in terms of their contribution to our economic prosperity.

108. If there is an easing of export orders, as some expect at the end of this year and in the first half of next, taken in conjunction with the other measures I have described, it should relax some of the over-stretch in demand for labour and goods and restrain inflation. But my concern is that if this relaxation is forced on us from this unwelcome quarter the growth rate of domestic demand should already be reduced and thus release resources that can be devoted to maintaining our exports on a competitive basis. Otherwise, if private consumption is maintained in spite of reduced exports, we will be thrown into greater disequilibrium and be unable to take advantage of increased demand for our exports when it eventually comes—hopefully in the second half of next year. But if export orders do not ease appreciably, and this too is possible, it is all the more important to ensure that excessive pressure from domestic demand does not make it impossible to take advantage of this favourable situation.

109. While therefore our economy has performed in many ways better than expected, and future prospects, though hard to forecast with accuracy, are far from bad, there can be no relaxation in our efforts to contain the growth of domestic demand and inflation.

Advisory Committee on Diversification

110. Much of what I have said about the economy emphasizes the importance of obtaining clear advice on whether there is anything we should or should not be doing to encourage further diversification of our economy.

111. The Advisory Committee on Diversification is producing a definitive study of the present situation and will advise how policies should be changed so as to benefit our future. It has completed its investigations and is now in the middle of preparing its report. I expect to receive this next month. It will be published in English and Chinese.

Legislation on Company Law, Securities, Commodities, Insurance and Banking

112. A number of legislative proposals on commercial law will be put before you during the current session. The most significant will be a major revision of the Companies Ordinance. Most of the changes involve up-dating the law to provide for evolving commercial practices and many of them have been foreshadowed in the Second Report of the Companies Law Revision Committee. Proposals of such a complex and comprehensive nature have necessarily taken time but when they have passed into law they should ensure a greater flow of information to potential investors and provide greater protection for shareholders of listed public companies.

113. Proposals to up-date the Securities Ordinance and the Commodities Trading Ordinance in the light of operational experience to enhance the protection of investors will also be introduced. We are hopeful that we shall make further progress on legislation to regulate the insurance industry.

114. A bill to implement a system of minimum liquidity ratios for deposit-taking companies will be introduced very shortly. The bill will also widen the list of specified liquid assets for deposit-taking companies from the list originally proposed last year; and another bill will be introduced to amend the list of specified liquid assets for banks.

Tourism

115. Improved communications and the growth of the Chinese tourist industry add a new dimension to our own thriving tourist industry, and I hope the two industries can collaborate to their mutual advantage.

116. Last year more than two million tourists visited Hong Kong and those being drawn to China are bound to swell that number in years ahead. The present number of hotel rooms—at about 14,400—is insufficient. But confidence in the future of the industry is high and by the end of 1981 there will be over 20,000. Tourism should continue to make a useful economic contribution, although in net terms the contribution is being increasingly offset by the expenditure of Hong Kong residents travelling abroad.

The Consumer Council

117. The Consumer Council was established five-and-a-half years ago to give consumers advice, and some assurance against exploitation in a situation of rapidly rising prices. It had immediate success. Among its many activities are the improvement of consumer protection legislation, and consumer

education. Some simple consumer protection laws will be put before you for amendment or enactment. These will include amendments to the Trade Descriptions Ordinance and the Weights and Measures Ordinance and the introduction of a bill to regulate hire purchase.

MAJOR GOVERNMENT PROGRAMMES

118. Now, against the background of the economic situation and budgetary strategy I have described, I will report briefly on how we have progressed with some of our major programmes, and will start with housing.

Housing

119. Last year I forecast the production of Government housing would rise from 18,000 flats last year to 45,000 this year and could thereafter be maintained at a level between 40,000 and 45,000 until the mid-80s. I did so in the mistaken belief that domestic demand, and in particular domestic demand affecting the construction industry, would shortly ease. As you know it did not do so, and still has not done so. In the knowledge of hindsight I am doubtful if, for purely technical and administrative reasons, the target of 45,000 could ever have been achieved. But it became clear that to attempt even to approach it would only be at the expense of intolerable strain on the whole construction industry, which is expected to produce additionally 30,000 flats for the private sector as well as catering for a whole range of massive public and private works.

120. Against this background, and the review of public sector expenditure generally, your Government decided on a lower target of 35,000 units a year for rented and home ownership accommodation. This is still about double last year and an extraordinarily high level of production, and when coupled with the 30,000 units in the private sector, should make steady in-roads into this chronic problem of housing shortage. In this connection it is encouraging that 70% of new flats purchased in the private sector are for owner-occupiers. Nevertheless given the dimensions of the need for housing, its aggravation by immigration, and the acute personal, economic and administrative problems that will exist until it is met, I would be reluctant to accept the present balance between private and public sector building as permanent, at any rate at present prices. In the short term it may be acceptable—we are in a situation in which virtually all new housing is beneficial—but we should ponder the social and economic implications of the high prices charged for private sector housing being built into the budgets of an ever widening section of our population. Similarly we must weigh the public advantage of the demands on the construction industry generally of public works on the one hand and private construction on the other.

121. There is nothing immutable about the figure of 35,000: in different economic circumstances it should be possible to improve on it. But short of the most imperative of economic situations we must not allow ourselves to drop below it.

122. So the housing programme continues to be of prime importance, and in the review of public sector expenditure it was rightly given very high priority. Since I last spoke to you the need for public housing has been shown to be greater rather than less than was first calculated. It is now clear that we must roll forward the housing programme after 1985, probably at about present levels. Investigation of additional sites to take the programme to the end of the 80s is being undertaken.

123. The public housing programme is designed to assist the lower income group, that is the majority of the population. But it has become apparent that families in the income band immediately above the limit of \$5,000 per month for the Home Ownership Scheme, are experiencing real difficulties at the moment. The projected figures suggest that the supply of flats of 800-1200 square feet will remain limited and that this problem will therefore continue for some time. Although priority must continue to be given to those who need help most, Government should not ignore the position of this relatively small group. I have therefore ordered a review, in the context of our housing policy as a whole, of the position of this group. I realize that economic constraints and our existing priorities and commitments may not permit a complete solution, but certainly the problem deserves careful and immediate consideration.

124. It is not only from the lower or middle income bracket that pressure for housing is coming. An acute shortage of high-class housing has developed as a result of the expansion of our financial and commercial sectors, and to some extent in response to expectations created by new economic policies in China. While there can be no quick solution to this problem, special measures are being taken to put land on the market suitable for building to meet this demand. We are also considering by new construction and more intensive development of Government property how to reduce the demands on privately owned accommodation made by the Government for its own employees; so pressure on the building industry will continue from many sides and I hope it will gear itself to the demand it can expect.

New Territories—Development

125. Much of this new public and private housing is and will be in the New Territories. A few years ago the pace of this development was accelerated wherever possible, now we have to slow down the pace because of the capacity restraints within which we have to work. This means not that we have abandoned any projects, but only that we have to accept later completion of some of them. But a visit to Sha Tin or Tuen Mun will dispel any fear that the construction of these new communities, with their prospect of such an improved quality of life, has lost its momentum.

126. To give some examples, in Sha Tin work is in full swing on the teaching hospital and polyclinic which will provide comprehensive medical facilities by 1982, while in Tuen Mun the planning layout for the town centre has

been completed and the land sales which will lead to an integrated commercial and residential centre covering some 16 hectares and which will be associated with a town park of some 12 hectares will begin early next year. To make up for past deficiencies, in Tsuen Wan three secondary schools have been completed this year and five are under construction. In Tsuen Wan also, a splendid new town hall, which will add an entirely new dimension not only to the life of Tsuen Wan but to the whole of Hong Kong, will be opened early next year.

127. The Housing Authority currently has 35 contracts let for estates in the New Territories alone for the production of some 57,000 flats over two and a half years, and over the same period the private sector is expected to complete a further 28,000 flats in the New Territories. Surely this is progress.

128. None of the housing amenities, schools and landscaped surroundings would be of any value without employment. And the new towns are not intended as dormitories. So the progress of industry in the New Territories is vital. Up to 30 September 748,000 square metres of factory accommodation has been completed this year and approximately 50,000 square metres of industrial land have been sold. In addition to the continuing development of these light industrial areas, Stage I of the Tai Po Industrial Estate has been completed on schedule, 20 factory sites have been let and four more expected to be let soon, and the first factory will open in the Spring. Stage II of the Estate should be completed by the end of next year. In the west, at Yuen Long, an industrial estate will provide 72 hectares of industrial sites by mid-1982, with the first phase due for completion early in 1980. These special industrial areas are bound to have a substantial effect on the future development and prosperity of the northern New Territories.

New Territories—Compensation

129. Development on the scale being undertaken has meant the resumption of large areas of land and the up-rooting of thousands of people. It is never possible to compensate people fully for an often unwanted change in their way of life, but your Government is fully aware of the need to offer compensation which is full and fair. The recommendations of the Working Group on Land Acquisition chaired by Sir Yuet-keung KAN have been put into operation and have worked well. The land sales programmes has been redrawn to give priority to those holding land exchange entitlements and every effort is being made to keep this programme rolling forward. Nevertheless we must continue to keep the system as a whole under review and to ensure that it remains workable as circumstances change.

130. In addition to compensation for landowners, compensation is also given to occupiers affected by development under a schedule which now contains no less than 41 different items. No list, however, can be comprehensive and we must always be ready to alleviate genuine hardship and to adapt our policies to meet changing circumstances while standing firm where requests

are unreasonable or excessive. There are occasional incidents in clearances which attract attention. But to put these in perspective we must remember that for instance in North Tsuen Wan alone over 20,000 people have been moved within the last twelve months and I would like to pay tribute to those who have, by the exercise of patience and fairmindedness, achieved this with the consent and co-operation of the overwhelming majority of the people affected.

Land Production for Sale

131. Honourable Members have frequently expressed their concern about the adequacy of the Government's production of new land for sale.

132. On a fairly conservative estimate, at least 40 net hectares of general industrial land and 80 hectares of non-industrial land will have been put on the market before 31 March 1982. I am advised that these areas should yield some 3½ million square metres of industrial floor space, or an addition of about 45% to the present stock, and that the non-industrial land has a potential for about 55,000 flats of various sizes besides offices and other commercial premises. The industrial land is in addition to the Hong Kong Industrial Estates Corporation's production, and the large areas being formed for the two new power stations at Tap Shek Kok and Lamma, and the sites under investigation for high class housing which I have already referred to. Though these figures are greater than we have achieved in the past, I doubt if they are adequate to our needs, and every effort will be made to improve on them.

New Development Areas

133. The latest forecasts once more show a falling off of land for all purposes expected to be produced in the mid-80s. So there is a need to make further plans now to open up new development areas to provide a continuous supply of land for public housing and for the sales programmes in the years ahead. If continuity is to be maintained, it will be necessary to start work soon on both an extension of Sha Tin up the eastern side of the Cove, and on the development of Junk Bay.

134. At this stage it is not possible to say to what extent resources for these developments will conflict with those for other works which have been rephased or are of high priority. But clearly failure to spend now on land production would seriously restrict our future development. North Lantau of course remains an ultimate possibility, but meanwhile we await the consultants' report.

Transport and Communications

135. This summer saw the publication of the White Paper on Transport. It stimulated a lively debate among the public, in the media and, not least, in this Council.

The Mass Transit Railway

136. As regards public transport, the first stage of the Mass Transit Railway line has already opened on time and within budget. The second stage, as far as Tsim Sha Tsui, will open at the end of December and the third stage, across the harbour, in February—that is well ahead of schedule. This early completion within the estimated cost, will be a unique achievement for so complex a development and is one of the most exciting transport happenings in Hong Kong for many years, and I congratulate the Chairman, the Board, the staff, and the many contractors. At the same time I would like to express the Government's appreciation of the patience of all those who have been affected in one way or other by the construction works. Once everything is back in place, we must make a major effort to get the streets neater and cleaner than they have ever been before. Let us be as quick to restore order and comfort as we were to destroy it under the compulsions of the railway's construction, and I look to all concerned to see that this is done.

The Kowloon-Canton Railway (Hong Kong Section)

137. The growth of population in the Eastern New Territories and the rapid expansion of railway freight from China has made the modernization and electrification of the Hong Kong section of the Kowloon-Canton Railway urgently needed. But the target of completion of double-tracking and electrification to Lo Wu by the end of 1981—which I mentioned last year—has proved beyond our resources, and about the end of 1982 is now a more likely timing.

Light Rail Transit System

138. Light Rail Transit systems are under consideration both for Hong Kong Island and for Tuen Mun/Yuen Long. The outcome will be put to you in due course.

Buses

139. Steps are being taken, with the co-operation of the two bus companies, to expand and improve bus services. I will leave the Secretary for the Environment to speak on this popular and very important subject.

Roads

140. Much progress has been made with the road programme. Major projects which have been completed or are due for completion over the coming year are the Ap Lei Chau Bridge, the approach roads to the Aberdeen Tunnel, the Tuen Mun by-pass, and flyovers at Stubbs Road, Robinson Road/ Glenealy and Pokfulam Road/Hill Road. The Aberdeen Tunnel itself will be finished by mid-1981 and, when open, will dramatically improve access between the two sides of Hong Kong Island and have a significant effect on development possibilities on the south side.

141. Your Government, in consultation with the Cross-Harbour Tunnel Company, is commissioning an investigation into expanding cross-harbour transport.

142. Although, as I have explained, a great deal is being done, the road programme was quite heavily affected by rephasing of public works to reduce the growth rate of Government expenditure and the demands it was making on the construction industry. The projects which have had to be deferred and I repeat deferred, for the time being include: the Hong Kong Island Eastern Corridor, the Sha Tin/Tai Po coastal road, the completion of the Tuen Mun highway, the widening of Princess Margaret flyover and the second stage of the West Kowloon Corridor. These projects are all badly needed and delay is frustrating, but it is part of the price that must be paid to ensure continuing economic health.

Medical and Health Services

143. The plan for development of medical and health services is proceeding well. Projects completed during the last 12 months include phase I of the expansion programme of the Yan Chai Hospital and the extension of the Caritas Medical Centre. The former will provide 50 general beds and the latter 576 beds for the elderly and the mentally retarded. The completion of the Princess Margaret Hospital Psychiatric Wing next year will provide another 1,300 beds for the mentally ill and will reduce the present overcrowding at the Castle Peak Hospital. The new wing of the Kwong Wah Hospital should also be completed in 1980. This will augment the facilities of the hospital as the regional hospital for West Kowloon.

144. Construction of the superstructure of the 1,400-bed Sha Tin Hospital is about to commence and will be completed by 1982.

145. Planning is also in hand for a major hospital in Tuen Mun, scheduled originally for completion in mid-1985. However it is possible that this may be somewhat rephased.

146. Following opening of the MacLehose Dental Centre and the Dental Therapists Training School a dental care programme for primary school children will be introduced as from November this year. The Dental Teaching Hospital is due to be completed by this time next year, and the first batch of 60 locally trained dentists is expected to graduate in 1985.

147. The medical services have been regionalized since April 1977, so as to use resources better. There are at present four hospital regions each of which is served by a regional hospital, one or more district hospitals and a number of general and specialist clinics. The aim is to ensure a more even use of hospital beds and that patients are treated with the level of facilities most appropriate to their condition. Since the regionalization scheme was implemented, beds in subvented hospitals have been more fully used and pressure on the regional hospitals has eased.

Social Welfare

148. The main lines along which our system of social welfare and security will develop have now been defined in the White Paper on Rehabilitation Services published in 1977 and in the White Paper on Social Welfare published this year. The plans are not immutable and will be reviewed and adjusted from time to time, but they do give us a clear framework for expansion and a defined time scale for action and improvement.

149. Shortage of trained manpower will continue to restrict progress for sometime, both in the social welfare field and in that of rehabilitation, and later in the debate the Director of Social Welfare will be explaining what is being done about it, but subject to this, implementation of the plans is proceeding well.

150. The proposals for a voluntary contributory sickness, injury and death benefit scheme, mooted in the Green Paper on Social Security Development, are still being discussed and no conclusion has yet been reached on the best way to proceed.

151. The new Traffic Accident Victims Assistance Scheme began operation in May. This provides immediate cash assistance to victims of traffic accidents and their dependants regardless of fault or income level. It has already proved a useful addition to our welfare system.

152. Last April the Social Welfare Department was regionalized. The new structure is working smoothly and District Social Welfare Officers are able to keep in closer touch with both District Officers and voluntary agencies and others involved in community work in their regions.

153. A working party of Government representatives has been reviewing the present subvention system for social welfare services. It is expected to report shortly and the voluntary sector will be consulted before any changes are made.

154. Progress in implementing the programme in the Rehabilitation White Paper published two years ago has been substantial. I am sure that much is due to the vigorous efforts of Dr. FANG as well as of department heads concerned. Now I will leave it to the Secretary for Social Services to describe the progress made.

Education

155. At the opening of the last session of this Council I announced that a White Paper on Senior Secondary and Tertiary Education would shortly be published, and summarized its main proposals. These provided for a substantial increase in subsidized senior secondary and tertiary education to be phased in between this year and about 1986. Generally speaking it was well received and plans are proceeding.

156. The provision of the planned number of senior secondary school places requires 130 schools. Financial constraints, but more particularly geotechnical

problems, have combined to delay 12 of these and will temporarily extend our reliance on bought places in private schools.

157. Two of the three approved post-secondary colleges have accepted the Government's offer of financial assistance from September 1979 and will restructure their existing programmes to provide separate two-year courses at sixth form and post-Form VI levels. This will provide an additional 1,700 subsidized places at both sixth form and post-sixth form levels.

158. As regards the Universities, the enrolment during the current session is some 9,560 compared with the target for 1980-81 of 10,330. At the Polytechnic the number of full-time equivalent students is now 10,970 with no difficulty foreseen in reaching the target figure of 11,400 by 1980-81.

159. Consideration is being given by the institutions and others concerned to the introduction of part-time university degree courses, and to the introduction at the Polytechnic of a limited degree course as well as concentration on other higher level work.

160. The review of primary and pre-primary education which I mentioned last year is nearing completion. The two working parties have submitted their reports and a green paper is being prepared and should be published before the end of the year. It will set out the problems at the pre-primary and primary levels and make proposals for dealing with them.

161. Implementation of plans to provide a free junior secondary place for every child has proceeded smoothly, and the whole age group will be in school by September next year, and so a milestone in Hong Kong's educational progress will have been passed.

162. Broadly speaking we have now reviewed, debated, and finally defined our development plans for junior and senior secondary and tertiary education, and these plans are being implemented. Plans covering primary and preprimary education should have passed through a similar process of proposal, debate, and definition quite soon. These are our own plans to suit Hong Kong's own circumstances evolved by the Education Department and Board of Education in the light of public comment, and I hope by the mid-80s will have provided Hong Kong with a much better educational system. To make doubly sure that our plans are on the right lines and before they have progressed too far, we envisage an overall review to look at our education system as a whole, and in particular the relationship of the various parts which we have reviewed separately. I hope that this will be done about the beginning of 1981.

RELATIONS WITH THE UNITED KINGDOM

163. As I mentioned at the beginning of this speech, external affairs have played some part in the year that has passed. In these we have had most helpful and positive support from the British Government. We are all accustomed to saying that Hong Kong stands on three legs—its own prosperity

and cohesion, co-operation with China, and the support of the United Kingdom. We have traditionally spent much thought on the first two, and rightly, but we have been apt to take the third for granted. Assurances of British support in any event have never been lacking, but for our relationship to be sound it must be a two-way affair, based on a commercial as well as a political relationship which is felt to be both welcome and mutually beneficial. It is therefore a happy augury that the Ministers directly responsible for Hong Kong should both have visited us so soon after taking office, and that they should have done this in a year in which it looks as if British exports to Hong Kong will be over £ 400 million. For our part we have recognized the importance of Hong Kong/British relations by establishing a strong and vigorous Commission in London and by the encouragement of British commercial interest in Hong Kong and by cultural and other exchanges.

164. I am sure that the evolving relations of the United Kingdom with China, as well as a more realistic appreciation in the United Kingdom of Hong Kong as a market, and as a point of contact with China and the Western Pacific region, will add new substance to the United Kingdom/Hong Kong relationship, which means so much to us, but about which we tend to speak so little.

CONCLUSION

165. I must apologize for the length at which I have spoken but the field of our administration and its complexities increase as Hong Kong expands as a great centre of industry, commerce, communications and finance, and as its social and cultural infrastructure is developed proportionately.

166. Broadly speaking we have passed through another year of reasonable prosperity, illuminated by a truly magnificent effort by our export industry and in which substantial further progress has been made with the programmes on which the future economic and social welfare of Hong Kong depend. If we have had to progress a little slower in some fields than we had once hoped, it is the price we have had to pay today for continued and healthy expansion tomorrow. No prudent Government would have acted differently and I have always emphasized the need for flexibility in implementing year by year our long term programmes. Nevertheless, even where this year the pace has eased, we have still made progress that in most other communities would be considered very substantial, and of course when the progress is considered over the past four years as a whole it is phenomenal.

167. From this we can draw both hope and courage, for I am deeply conscious of how much needs to be done. We have prepared and gained general support for plans to build a better, fuller, and expanding economic and social life in Hong Kong. With the support of honourable Members and the public we have made and are making substantial progress in implementing them. In such a grand design, stretching over a decade or more of varied

endeavour, progress is bound to be uneven as fortune good and bad affects us. But after a year which has included frustration as well as achievement, let me reiterate the determination of your Government not to be deflected from our purpose.

168. Given five or six years of reasonable prosperity on the one hand and administrative perseverance on the other, we have every prospect of seeing gradually emerge, from the dust and the reclamations, from the clearances and construction sites, from the new railways and highways, that transformation of economic and social life which I am convinced can be and must be achieved if Hong Kong is to develop to play its rightful role. It is in the Prospect of seeing two further years of advance towards this goal that I say how pleased and honoured I am to preside over this Council and this Government for a further two years—two years in which I hope I can count on the continuing advice and support of honourable Members.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 17 October.

Adjourned accordingly at fifteen minutes past four o'clock.